

## 14. 2060 1st Q. No. 13

The details of information are:

Particulars	Rs.
Opening balance of materials	60,000
Closing balance of materials	80,000
Materials purchased	200,000
Freight	50,000
Store supplies	50,000
Manufacturing expenses	130,000
Dividend received from investment	30,000
Administrative expenses	30,000
Dividend paid to shareholders	20,000
Selling and distribution expenses	20,000
Depreciation	40,000
Income tax	44,000
Net profit	66,000
Sales	600,000

Required: Value added statement

[3+3]

Ans: Rs. 170,000

## 15. 2060 2nd Q. No. 9

The following information is provided by trading co.:

Particulars	Amount in Rs.
Sales	800,000
Opening stock	20,000
Closing stock	30,000
Office overhead	100,000
Selling and distribution overhead	60,000
Purchase	400,000
Carriage	10,000
Depreciation	40,000
Interest	30,000
Rate and Tax	70,000

Required: Value added statement

[3+3]

Ans: Net profit = Rs. 100,000; Total value added = Rs. 240,000

## 16. 2058 Q. No. 13

The manufacturing and profit and loss account for the year ended 31st Chaitra is extracted

Particulars	Rs.	Particulars	Rs.
To, Raw Materials	100,000	By Manufacturing cost	200,000
To, Wages	40,000		
To, Store and Fuel	20,000		
To, Factory Expenses	40,000		
	<u>200,000</u>		<u>200,000</u>
To, Manufacturing cost	200,000	By Sales	400,000
To, Office and administrative overhead	60,000	By closing stock	30,000
To, Selling overhead	40,000		
To, Other charges	30,000		
To, Net profit	100,000		
	<u>430,000</u>		<u>430,000</u>

Required: Value Added Statement

[3+2]

Ans: Rs. 140,000

## 17. 2057 Q. No. 14

The trial balance of a company as on 31<sup>st</sup> Chaitra last year is given below:

Particulars	Debit Amount (Rs.)	Credit Amount (Rs.)
Sales		900,000
Opening Stock	25,000	
Purchase	200,000	
Wages	50,000	

Factory Overhead	150,000	
Office and selling overhead	225,000	
Fixed assets	400,000	
Capital		200,000
Carriage	20,000	
Current Assets	80,000	
Current Liabilities		50,000
<b>Total</b>	<b>1,150,000</b>	<b>1,150,000</b>

The closing stock was valued at Rs. 20,000 and depreciation was charged on 10%.

**Required:** Value Added Statement [3+2]

Ans: Total value added: Rs. 300,000, Net Profit: Rs. 210,000

**18. 2056 Q. No. 14**

The conversion cost and bought in material cost of the manufacturing company is given below:

Particulars	Amount in Rs.
Purchase of materials	300,000
Stores	30,000
Manpower cost	70,000
Manufacturing overhead	160,000
Selling and distribution expenses	30,000
Power and fuel (stores)	40,000
Depreciation	40,000
Sales for that period was Rs. 800,000	

**Required:** Value added statement by ascertaining profit for the period. [2+1+2]

Ans: Value Added: Rs. 240,000, Net profit: Rs. 130,000

**19. 2054 Q. No. 15**

From the following details, prepare a value added statement showing clearly input value and value shared by expenses on profit for the month of Baishakh of the current year. [3+3]

Description	Amount in Rs.
Direct Raw materials purchased	700,000
Fuel and Coal	100,000
Consumable stores	100,000
Other supplies	50,000
Manufacturing expenses	100,000
Selling and administrative expenses	150,000
Depreciation	100,000
Income tax	100,000
Net profit	200,000
Sales	1,600,000

Ans: Total value added: Rs. 400,000, Net Profit: Rs. 200,000

**20. 2054 Q. No. 12 cancelled**

Prepare a statement showing value added input and its outlay details for a from out of the following abstract of the ending year Chaitra of the last year. [2.5+2.5]

Particulars	Amount in Rs.
Sales	3,500,000
Net profit after tax	350,000
Income tax paid to tax department	50%
Raw material purchase	1,500,000
Power and Fuel	800,000
Stores	100,000
Administrative expenses	200,000
Selling and distribution expenses	100,000
Depreciation	50,000
Interest on Loan	50,000

Ans: Rs. 800,000

## 5. Analysis of Financial Statement

### Theoretical Questions

1. 2072 Q.No. 11 (i)

Write the meaning of Ratio Analysis and point out its any two limitations.

[5]

2. 2072 (ii) Q.No. 11 (ii)

Explain briefly the usefulness of ratio analysis in a business firm.

[5]

3. 2071 Q.No.11 (i)

Ratio analysis is an important tool for analysis of financial statement. Discuss briefly.

[5]

4. 2071 Old Q.No.4

Explain briefly two ratios used to test the liquidity of a firm.

[2.5×2=5]

5. 2067 (I) Q. No. 2

What is profitability ratio? Why ratios are calculated?

[2 + 3]

6. 2067 (II) Q. No. 4

Write, in brief, about acid test ratio.

[5]

7. 2066 Q.No. 1

Define Ratio Analysis. Enumerate any three uses of ratio analysis.

[2+3]

8. 2065 Q.No. 2

Write about the limitations of ratio analysis.

[5]

9. 2065 Q.No. 9 OR

What is financial ratio? Why ratios are calculated?

[2+3]

10. 2062 Q.No.2

Which ratio will reflect the efficient collection of debtors? Write your answer with suitable examples.

[5]

11. 2060 Q.No.1

Define ratio analysis and write about the limitations of ratio analysis.

[2+3]

12. 2058 Q.No.15

What is the purpose of computing short-term solvency ratios?

[5]

13. 2057 Q.No.13

Define ratio analysis and write any two benefits of ratio analysis.

[3+2]

14. 2057 (Cancelled) Q.No.14

What are the limitations of ratio analysis?

[5]

15. 2055 Q.No.14

'Ratio analyze the financial statement.' Comment briefly.

[5]

### Numerical Problems

16. 2072 Q.No. 7

The current liabilities and working capital of a company are Rs.200,000 and Rs.400,000 respectively.

Required: Calculate Current Ratio.

[2]

Ans: 3:1

17. 2072 Q.No. 11 (ii)

Following information are provided:

Current ratio 2.5; gross profit margin 30%, debtors Rs.300,000; stock Rs.100,000 and inventory turnover ratio 4 times.

Required: ① Sales ② Debtors turnover ratio ③ Gross profit ④ Current liabilities ⑤ Quick ratio

[5]

Ans: ① Rs.400,000; ② 1.33 times; ③ Rs.120,000; ④ Rs.160,000; ⑤ 1.875 : 1

18. 2072 (ii) Q.No. 9

Following are the information:

Common share holder equity	=	Rs 2,000,000
12% preference share	=	Rs 400,000
Net income before tax	=	Rs 300,000
Income tax rate	=	30%

Required: Return on common shareholder's equity

[2]

## 19. 2072 (ii) Q.No. 11

The following particulars are extracted from the books of a company

[5]

i. Cost of goods sold	Rs 210,000
Gross margin 30% on sales	
ii. Stock turnover ratio 8.4 times	
iii. Opening stock is less by Rs 10,000 than closing stock	
iv. Operating expenses	Rs 60,000
v. Closing debtors	Rs 50,000
vi. Capital employed	Rs 100,000
vii. Corporate tax rate 40%	

Required: ① Value of opening stock ② Debtors turnover ratio ③ Operating ratio ④ Return on capital employed

[1.25 × 4 = 5]

Ans: ① 20,000; ② 6 times; ③ 90%; ④ 18%

## 20. 2071 Q.No.9

The following information is provided:

[2]

Credit sales Rs.300,000

Debtors turnover ratio 6 times

Opening debtor is Rs.30,000

Required: Value of closing debtors

Ans: Rs. 70,000

## 21. 2071 Q.No.11

A company presents you the audited Balance Sheet of the last year ending as follows:

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Fixed assets	16,00,000
8% Debenture	400,000	Current assets	500,000
Short term liabilities	200,000	(including inventory of	
Retained profit (current	500,000	Rs.250,000)	
year's profit Rs.200,000)			
	21,00,000		21,00,000

Other information:

The sales for the year amounted to Rs.16,00,000.

Required: ① Quick ratio ② Inventory turnover ratio ③ Debt-equity ratio

④ Net profit margin ⑤ Return on investment/assets (use EBIT)

[5]

Ans: ① 1.25:1 ② 6.4 times ③ 26.667% ④ 12.5% ⑤ 11.048%

## 22. 2071 Old Q.No.9

The following information are provided

Share capital	Rs.800,000
Retained profit	Rs.150,000
10% Debentures	Rs.190,000
Total assets turnover	3 times
Sales	Rs.4,500,000
Current ratio	5:1
Current liabilities	Rs.150,000
Inventory	Rs.300,000

Required: ① Total assets ② Current assets ③ Quick ratio ④ Debt to equity ratio [1.25 × 4 = 5]

Ans: ① Rs. 15,00,000 ② Rs. 750,000 ③ 3:1 ④ 20%

## 23. 2070 Q.No. 9

The following are extracted from the account of a company

	Amounts (Rs.)
Opening stock	40,000
Closing stock	20,000
Purchases	120,000
Sales	210,000
Sales return	10,000
Carriage on purchase	10,000

Office expenses	10,000
Selling expenses	6,000

Required: ① Stock turnover ratio ② Gross profit margin ③ Net Profit Margin ④ Return on total assets (value of assets Rs. 300,000) [1.25 × 4 = 5]

Ans: ① 5 times ② 25% ③ 17% ④ 11.33%

**24. 2069 Q.No. 10**

The financial figures of a company are as follows:

The value of assets except inventory and pre-paid rent is Rs. 476,000.

Inventory value is Rs. 20,000.

Prepaid rent is Rs. 4,000

Current liabilities are Rs. 60,000

Net profit earned during the period is Rs. 90,000

Quick ratio is 1.20 times

Net profit margin is 12%.

Required: ① Total sales ② Total assets turnover ratio ③ Liquid assets' value ④ Current ratio. [5]

Ans: ① Rs. 750,000 ② 1.5 times ③ Rs. 72,000 ④ 1.6:1

**25. 2068 (I) Q.No. 9**

Following information were extracted from the books of a company at the end of Dec. 2009.

Gross profit	Rs. 120,000
Cost of goods sold	Rs. 480,000
Equity capital of Rs. 100 each,	Rs. 200,000
Return on assets	5%
Sundry expenses	Rs. 40,000
Income tax	50%
Inventory at beginning	Rs. 116,000
Inventory at end	Rs. 124,000
Accounts receivable at end	Rs. 120,000

Required: (a) Inventory turnover ratio (b) Amount of total assets

(c) Return on common shareholders equity (d) Average collection period. [1.25 × 4 = 5]

Ans: (a) 4 times (b) Rs. 800,000 (c) 20% (d) 72 days

**26. 2068 (II) Q.No. 9**

The audited balance sheet of a company of the previous year is as follows:

Balance Sheet as on 30 <sup>th</sup> Chaitra, previous year			
Liabilities	Rs.	Assets	Rs.
Share capital	1000,000	Fixed assets	1,600,000
10% debentures	400,000	Current assets (including	
Short term liabilities	200,000	inventory of Rs. 250,000)	500,000
Retained profit (current			
year's profit Rs. 200,000)	500,000		
	2,100,000		2,100,000

Additional information:

The sales for the year amounted to Rs. 1600,000. The company is within 30% tax bracket.

Required: ① Debt-equity ratio ② Quick ratio ③ Net profit margin ④ Return on investment/assets (use EBIT) [1+1+1+2=5]

Ans: ① 26.67% ② 1.25:1 ③ 12.5% ④ 15.51%

**27. 2067 (I) Q. No. 9**

The necessary information of the last year reported by a company are as follows:

Opening stock value was Rs. 250,000

Closing stock value was Rs. 100,000

Stock turnover was 2.4 times

Gross profit margin was 25%

Cash sales were 60% of total sales

Average receivables were Rs. 112,000

Total assets value was Rs. 1,120,000

Required: (1) Debtor's turnover (2) Average collection period (3) Total sales (4) Total assets turnover [1.25 × 4 = 5]

Ans: (1) 2 times (2) 180 days (3) Total sales Rs. 560,000 (4) 0.5 times

**28. 2067 (II) Q. No. 9**

The following information are provided.

Inventory turnover ratio	5 times
Inventory	Rs.200,000
Debtors	Rs.250,000
Gross profit margin	25%
Current ratio	2:1

**Required:** (1) Sales Amount (2) Debtors Turnover Ratio

(3) Gross Profit (4) Current liabilities (5) Quick Ratio

[5]

Ans: (1) Rs. 10,00,000 (2) 4 times (3) Rs. 250,000 (4) Rs. 225,000 (5) 1.11:1

**29. 2066 Q.No. 9**

The following are the information extracted from the book of a company:

• Net profit after interest and tax	Rs. 100,000
• Current liabilities	Rs. 300,000
• Fixed assets	Rs. 650,000
• Capital employed	Rs. 1,500,000
• 10% long term debt	Rs. 300,000
• Fixed assets turnover ratio	2.5 times

**Required:**

1. Current ratio

2. Net profit ratio

3. Return on capital employed

4. Return on shareholder's equity

[1.25×4=5]

Ans: (1) 3.83:1 (2) 6.15% (3) 8.67% (4) 8.33%

**30. 2065 Q.No. 9**

Following information were extracted from the books of a company at the end of December, year 8:

Net sales for the year	Rs. 810,000
Cost of goods sold	Rs. 450,000
common stockholder's equity	Rs. 530,000
Return on assets	8%
Net income after tax	Rs. 39,000
Income tax	Rs. 58,500
Inventory at the end of December	Rs. 90,000
Accounts receivable at December end	Rs. 70,000

**Required:** (a) Inventory turnover ratio (b) Amount of total assets (c) Average collection period assuming 365 working days in a year (d) Return on common shareholders' equity

[1.25×4=5]

Ans: (a) 9 times (b) Rs. 650,000 (c) 31.54 or 32 days (d) 7.358%

**31. 2064 Q.No. 9**

The following are the information extracted from the books of a company:

Average inventory	: Rs. 360,000
Inventory turnover	: 5 times
Credit sale	: 80% of total sales
Average receivable	: Rs. 240,000
Gross profit margin	: 20%
Total assets	: Rs. 1,000,000

**Required:** (a) Debtor's turnover (b) Average collection period (c) Total amount of sales (d) Total assets turnover

[1.25×4=5]

Ans: (a) 7.5 times (b) 48 days (c) 22,50,000 (d) 2.25 times

**32. 2063 Q.No.7 OR**

The following information are given:

Current ratio	2
Current liabilities	Rs. 300,000
Stock	Rs. 130,000
Prepaid	Rs. 20,000
Debentures	Rs. 100,000
Share capital	Rs. 300,000
Retained earning	Rs. 50,000
Inventory turnover	5 times

**Required:** ① Total current assets ② Quick ratio ③ Debt to total capital ratio ④ Sales amount

[1+1+1+2]



**37. 2058 Q.No.1**

The following figures relate to trading activities of a company:

Net Fixed Assets	Rs.156250
Stock At beginning	Rs.100000
Average Inventory	Rs.125000
Shareholder's Equity	Rs.500000
Debt-Equity Ratio	40%
Inventory Turnover	4 times
Gross Profit	20% on sales
Return on Shareholder's Equity	15%

Required: a. Stock at end. b. Sales amount. c. Fixed assets turnover. d. Net profit after tax.  
e. Long term debt. [1+2+1+2+2=8]

Ans: a. Rs. 150,000; b. Rs. 6,25,000; c. 4 times; d. Rs. 75,000; e. Rs. 2,00,000

**38. 2057 Q.No.8**

Following particulars are provided:

Particulars	Amount
Equity share capital of Rs.100 each	Rs.5,00,000
Preference share Capital of Rs.100 each	Rs.3,00,000
Retained earning	Rs.1,30,000
Discount on shares issued	Rs.30,000
10% Debentures	Rs.2,25,000
Total Assets Turnover	3 times
Sales	Rs.45,00,000
Current Ratio	1.6:1
Current Liabilities	Rs.1,25,000

Required: (a) Debt-equity ratio (b) Total assets (c) Current assets. [2+2+1=5]

Ans: a. 25%; b. Rs.15,00,000; c. Rs. 2,00,000

**39. 2057 (Cancelled) Q.No.2**

The following information is given to you:

Annual sales	Rs.4,00,000
Opening stock	Rs.60,000
Quick assets	Rs.1,32,000
Current liabilities	Rs.1,00,000
Long term debt	Rs.1,70,000
Equity share capital	Rs.2,00,000
Preference share capital	Rs.1,00,000
Retained earning	Rs.50,000
Preliminary expenses	Rs.10,000
Gross profit margin	20%
Inventory turnover ratio	5 times

Required: (a) Gross Profit (b) Closing Stock (c) Current Ratio  
(d) Debt-equity Ratio (e) Debt to total capital Ratio [1+2+2+2+1=8]

Ans: a. Rs. 80,000; b. Rs. 68,000; c. 2:1; d. 50%; e. 33.33%

**40. 2056 Q.No.1**

The following are extracted from the accounts of a company:

Opening Stock	Rs. 20,000
Closing stock	10,000
Purchases	60,000
Sales	1,02,000
Sales return	2,000
Carriage inward	5,000
Office & Administration expenses	5,000
Selling expenses	3,000

Required: (a) Stock Turnover Ratio (b) Net Profit Margin

(c) Return on Assets of value of Rs.170000 [3+3+2]

Ans: a. 5 times; b. 17%; c. 10%



## 41. 2055 Q.No.5 OR

You are given the following information pertaining to financial statement of a firm:

i. Total assets (Including preliminary expenses)	Rs.2,40,000
ii. Inventory: at the beginning	Rs.80,000
at the end of the year	Rs.40,000
iii. Days in a year	360 days
iv. Gross profit (20% of sales)	Rs.1,20,000
v. Average collection period	36 days

Required: (a) Amount of sales (b) Amount of Debtors  
(c) Total assets turnover ratio (d) Inventory turnover ratio [2×4=8]

Ans: a. Rs. 600,000; b. Rs. 60,000; c. 2.5 times; d. 8 times

## 6. Amalgamation, Absorption and Reconstruction

### Theoretical Questions

## 1. 2072 (II) Q.No. 19

Write the meaning and accounting treatment of Interval Reconstruction with example. [7]

## 2. 2068 (I) Q.No. 2

What is purchase consideration? How is it settled? [2+3]

## 3. 2068 (II) Q.No. 2

Why & how purchase consideration is determined in business combination? [2.5+2.5]

## 4. 2060 Q.No.9 OR

Write about the purchase consideration applicable in business. Write the different methods available to determine purchase consideration. [3+2=5]

## 5. 2058 Q.No.13

What is purchase consideration? Write any one method of determining purchase consideration. [2+3=5]

### Numerical Problems

## 6. 2072 Q.No. 17

X Company absorbed by Y Company on 31<sup>st</sup> December 2013. The Balance Sheet and other information is as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share capital (80,000 shares @ Rs.100 each)	8,000,000	Land & Building	6,000,000
12% Debentures	1,000,000	Plant & Machinery	2,500,000
Creditors	1,000,000	Furniture	1,000,000
Dividend equalization fund	500,000	Debtors	1,500,000
Profit & loss a/c	2,000,000	Inventories	1,000,000
		Cash at bank	500,000
	12,500,000		12,500,000

- 'Y' Company is to takeover all the assets and liabilities except cash at bank at 80% of book value and to pay 1,000,000 for goodwill.
- The debentures holders is to pay by issuing equal number of debentures in 'Y' Company at 10% discount.
- The shareholders are to be discharged by allotment of 50,000 shares of Rs.100 each at premium of Rs.10 per share and balance in cash. The cost of liquidation amounted to Rs.200,000.

Required: ① Purchase consideration ② Closing entries in the books of X. Co. ③ Realization account in the books of X. Co. ④ Shareholders account in the books of Y Co. ⑤ Opening entries in the books of Y Co. [2+6+2+2+3=15]

① Rs.98,00,000; ② Loss on realization Rs 13,00,000; ③ Bank a/c Rs 37,00,000

**7. 2072 (ii) Q.No. 17**

The summarized Balance Sheets of A. Co. and B. Co. as on 30<sup>th</sup> Chaitra, 20XX are given below:

Liabilities	A. Co (Rs)	B. Co. (Rs)	Assets	A. Co (Rs)	B. Co. (Rs)
Equity share capital (of Rs 100 each)	400,000	200,000	Sundry assets	500,000	340,000
10% debenture	100,000	-	Investment	200,000	-
Creditors	150,000	140,000			
P/L a/c	50,000	-			
	700,000	340,000		700,000	340,000

A new company AB Ltd., is established to acquire the entire business of A Co. and B Co. For this purpose sundry assets of A Co. were valued at Rs.300,000 and sundry assets of B Co. at Rs.200,000. The consideration is to be discharged in shares of the new company.

**Required:** ① Purchase consideration ② Realisation and Equity shareholder's accounts in the books of A Co. and B Co. Ltd. ③ Opening Journal Entries in the books of AB Ltd.

[2+2.5+2.5+2.5+3=15]

Ans: ① A. Co. Rs250,000; B. Co. Rs 60,000; ② Loss on realization: A Co. Rs 200,000; B Co. 140,000

**8. 2071 Q.No.18**

B Ltd. absorbed the business of M. Ltd as on 31st Chaitra 2069 on which date the Balance Sheet of M. Ltd. stood as follows:

**Balance Sheet**

	Rs.		Rs.
Equity share capital: 10,000 shares of Rs. 100 each	10,00,000	Goodwill	50,000
Creditors	300,000	Fixed assets	950,000
Profit and loss	50,000	Debtors	200,000
Reserve	150,000	Inventory	100,000
	15,00,000	Cash at bank	200,000
			15,00,000

B. Ltd agreed to take over the assets (excluding cash and goodwill) at book value and to pay nothing for goodwill and to take over the creditors.

The purchase consideration was to be discharged by issuing equity shares of Rs.100 each in equal number of shares as it was in M. Ltd. and remaining balance in cash.

Cost of liquidation amounted to Rs.10,000.

**Required:** ① Purchase consideration ② Journal entries in the book of M. Ltd

③ Realization account in the books of M.Ltd.

[3+9+3=15]

Ans: ① Purchase consideration Rs. 950,000 or Rs. 10,00,000 ② Payment to shareholders Rs. 11,40,000 or Rs. 11,90,000 ③ Loss on realization Rs. 60,000 or Rs. 10,000

**9. 2071 Old Q.No.16 Or**

The Tall Company Ltd. decides to purchase the business of Small Company Ltd. on 31<sup>st</sup> Chaitra, 20X9. On that date, the balance sheet of Small Company Ltd. is as follows:

Liabilities	Rs.	Assets	Rs.
Paid up capital		Freehold property	750,000
10,000 shares of Rs.100 each	1,000,000	Plant & Machinery	240,000
10% Debentures	500,000	Inventory	175,000
Sundry creditors	100,000	Sundry debtors	160,000
Reserve fund	250,000	Goodwill	250,000
Retained earnings	150,000	Cash at bank	425,000
	2,000,000		2,000,000

**Additional information:**

The Tall Company Ltd., agreed to take over the Assets of Small Company Ltd., at the amounts stated in the above Balance Sheet (except Cash and Goodwill), to pay Rs.475,000 for Goodwill and to discharge sundry creditors.

The purchase price was to be discharged by the allotment to the Small Co. Ltd., of 10,000 shares of Rs.100 each in the capital of the Tall Co. Ltd. at Rs.110 per share, and the balance in cash.

The expenses of liquidation amounted to Rs. 25,000

**Required:** ① Purchase consideration ② Necessary Accounts to be closed up in the books of Small Co. Ltd., ③ Entries in the books of Tall Co. Ltd.

[2+9+4=15]

Ans: Amount of purchase consideration = Rs. 18,00,000; Gain on realization = Rs. 225,000

## 10. 2070 Q.No. 16

The following is the Balance Sheet of A. Co. Ltd. as on 31<sup>st</sup> December, 2011

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
8,000; Equity share of Rs. 100 each	800,000	Plant and Machinery	600,000
General Reserve	50,000	Furniture	200,000
Bonus equalisation fund	100,000	Sundry debtors	100,000
8% Debentures	100,000	Bills receivable	50,000
Sundry creditors	60,000	Investment	100,000
		Discount on issue of shares	10,000
		Cash as bank	50,000
	1,110,000		1,110,000

The business of A. Co. Ltd. is absorbed by B. Co. Ltd. on the above date. The terms of absorption are as follows:

- A payment in cash at Rs. 12 for every share in A. Co. Ltd.
- The holders of every share of A. Co. Ltd. will receive two shares of Rs. 100 each in B. Co. Ltd.
- The B. Co. Ltd. issued its own debentures for 8% debentures of A. Co. Ltd. at 20% premium.
- The cost of absorption of Rs. 20,000 is paid by A. Co. Ltd.

**Required:** ① Closing journal entries in the book of A. Co. Ltd. ② Realisation Account in the books of A. Co. Ltd. ③ Opening journal entries in the books of B. Co. Ltd. [8 +3+4]

Ans: Purchase consideration Rs. 18,16,000; Profit on real. a/c Rs. 736,000; Goodwill Rs. 776,000

## 11. 2069 Q.No. 16

The Balance Sheet of K. Co. has been given below:

Balance Sheet of K. Co. Ltd. as on Chaitra, 2064

Liabilities	Rs.	Assets	Rs.
Equity share capital:		Cash at bank	34,000
Shares of Rs. 100 each	833,000	Account receivable	166,000
8% Debenture	500,000	Stock	133,000
Account payable	166,000	Plant equipment	833,000
Reserve fund	83,000	Business premises	583,000
Profit & loss a/c	250,000	Goodwill	83,000
	1,832,000		1,832,000

XYZ Company purchased business of K. Co. Ltd. The consideration agreed was to issue 10% Debentures of Rs. 1,000 each to discharge the 8% Debentures in K. Co. Ltd. at 10% premium, issue 8,330 shares of Rs. 100 each at 20% premium and balance in cash. The goodwill was valued at Rs. 117,000.

**Required:** ① Purchase consideration ② Entries to close the books account of K. Co. Ltd. ③ Realization a/c ④ XYZ Company's a/c in the books of K. Co. Ltd. [3+10+1+1 = 15]

Ans: Purchase consideration = Rs. 17,00,000; Loss on realization = Rs. 16,000

## 12. 2068 (I) Q.No. 16 OR

The following is the Balance Sheet of Vendor Co. Ltd., as on 31<sup>st</sup> December, last year.

Liabilities	Rs.	Assets	Rs.
10,000 Shares of Rs.100 each	1,000,000	Land & building	1,100,000
General reserve	500,000	Plant & machinery	600,000
Profit & loss account	200,000	Furniture	65,000
12% Debenture	200,000	Inventories	150,000
Accounts payable	50,000	Accounts receivable	60,000
Dividend equalisation fund	50,000	Cash in hand	10,000
		Cash at bank	15,000
	2,000,000		2,000,000

The company is absorbed by Purchasing Co. Ltd. on the above date. The Purchasing Co. Ltd. decided to acquire current assets at book value and fixed at the following value:

Land & building	Rs.1,500,000
Plant & machinery	Rs.700,000
Furniture	Rs.50,000
Goodwill	Rs.150,000

The Purchasing Co. Ltd. also decided to acquire the creditors of Vendor Co. Ltd. The company also agreed to pay 15,000 equity shares of Rs.100 each at Rs.120 per share and balance in cash. The cost of liquidation was Rs.30,000.

**Required:** ① Closing entries in the books of Vendor Co. Ltd ② Realisation Account ③ Opening entries in the books of Purchasing Co. Ltd. [9+2+4=15]

Ans: ① Purchase consideration Rs. 25,85,000 ② Realization profit Rs. 605,000 ③ Goodwill Rs. 150,000

**13. 2068 (II) Q.No. 16**

A Company sells its business to B Company as on 31<sup>st</sup> December 2004, on which date its balance sheet is as under:

Balance Sheet			
Liabilities & Equities	Rs.	Assets	Rs.
Share capital (6,000 shares of Rs.100 each)	600,000	Goodwill	80,000
Debentures	200,000	Premises	320,000
Accounts payables	100,000	Plant	200,000
Accident fund	100,000	Inventories	150,000
Profit & Loss a/c	50,000	Accounts receivables	280,000
		Cash at bank	20,000
	1,050,000		1,050,000

B Company agreed to take over the assets except cash and goodwill at 90% of book value. B Company paid Rs.100,000 for goodwill and also took over the accounts payable. The purchase consideration was to be discharged by allotment of 3,000 shares of Rs.100 each at a premium of Rs.10 per share and balance in cash. The cost of liquidation amounted to Rs.20,000.

**Required:** ① Purchase consideration ② Journal entries in the book of A Co. ③ Realisation account ④ Shareholder's account. [3+7+3+2=15]

Ans: ① Rs. 855,000; ② Realization loss Rs. 95,000 ③ Rs. 750,000

**14. 2067 (I) Q. No. 16 OR**

The Balance Sheet of Silk Company as on Chaitra 31, 2065 is as follows.

Equities	Rs.	Assets	Rs.
20,000 Equity shares of Rs.100 each	2,000,000	Fixed assets	2,030,000
General reserve	200,000	Investment	150,000
Profit & Loss A/C	150,000	Stock	120,000
Creditors	50,000	Debtors	120,000
Employees provident fund	100,000	Cash at bank	80,000
	2,500,000		2,500,000

The Cotton Company purchased silk company on Chaitra 31, 2065 on the following terms:

- Fixed assets were taken at a value of Rs. 2,400,000 and investment at a value of Rs. 80,000.
- The remaining assets were taken at book value.
- Provide sufficient cash to meet cash payment for creditor of silk company and liquidation expenses of Rs.25,000.
- Issue sufficient number of equity share of Rs.100 each at par.

**Required:** (1) Closing entries in the book of Silk Company

(2) Realization account.

(3) Opening entries in the book of the Cotton Company. [9 + 2 + 4 = 15]

Ans: (1) Purchase consideration Rs. 27,00,000 (2) Realization profit Rs. 600,000

**15. 2067 (II) Q. No. 16 OR**

The following is the Balance Sheet of Y Ltd, as on 31<sup>st</sup> December 2009.

Liabilities	Rs.	Assets	Rs.
8% Preference shares of Rs.100 each	300,000	Plant and machinery	800,000
Equity share capital of Rs.100 each	500,000	Stock	60,000
7% Debenture	200,000	Debtors	50,000
Creditors	90,000	Bank	40,000
		Profit and loss	140,000
	1,090,000		1,090,000

The business of Y Ltd. is absorbed by X Ltd. on the following terms:

- X Ltd. is to assume all assets and liabilities.

- The debentures would be paid off by the issue of an equal number of debenture in X Ltd. at a discount of 10%.
- The holder of 8% preference shares would be allotted four 10% preference shares of Rs.100 each in X Ltd. for every five shares in Y Ltd.
- The equity shareholders would be allotted sufficient shares in X Ltd. to cover the balance on their account after adjusting assets value by reducing plant and machinery by 10% and providing 5% provision for doubtful debt on sundry debtors.
- The expenses of liquidation Rs. 10,000 paid by X Ltd.

**Required:** (1) Calculate purchase consideration (2) Entries to close books of Y Ltd.

(3) Realisation Account

[3+7+3+2 = 15]

Ans: (1) Purchase consideration Rs. 777,500 (3) Loss on realization Rs. 2,500

**16. 2066 Q.No. 16 OR**

The Balance Sheet of Clux Company is as follows:

Equities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	600,000	Goodwill	80,000
Share premium	60,000	Land & building	500,000
8% Debentures of Rs. 50 each	400,000	Plant & machinery	580,000
General reserve	80,000	Inventory	120,000
Workmen bonus fund	150,000	Accounts receivable	130,000
Profit & loss account	90,000	Cash at bank	40,000
Account payable	75,000	Preliminary expenses	50,000
Bills payable	45,000		
	<u>1,500,000</u>		<u>1,500,000</u>

Quick company acquired the business of Clux Company on the following terms and conditions:

- Quick company issued 10% debentures of Rs. 100 each to discharge the claims of 8% debentures of Clux Company at 10% premium.
- A cash payment of Rs. 10 each was made to equity shareholders.
- A further payment was made in cash to discharge bills payable amount.
- Quick company issued three shares of Rs. 100 each for every two shares of Clux Company at a market value of Rs. 105 each.
- The realization expenses amounting to Rs. 25,000 were paid by Clux Company.

**Required:**

- Closing entries in the book of Clux Company.
- Realization account.
- Quick company's opening entries.

[8+3+4=15]

Ans: 1. Purchase consideration Rs. 14,90,000 2. Profit on realization Rs. 2,00,000

3. Goodwill Rs. 345,000

**17. 2065 Q.No. 16 OR**

The following is the Balance Sheet of Weak Co. Ltd., as on 31st December, 20X7

Liabilities	Rs.	Assets	Rs.
10,000 Shares of Rs. 100 each	1,000,000	Fixed assets	1,450,000
10% Debentures of Rs. 100 each	700,000	Investment	25,000
Reserve fund	125,000	Patent rights	70,000
Sundry creditors	115,000	Stock	100,000
Profit and loss a/c	10,000	Sundry debtors	280,000
		Cash at bank	25,000
	<u>1,950,000</u>		<u>1,950,000</u>

The business of the Weak Company is taken over by Strong Co. Ltd. as on that date on the following terms:

- Strong co. Ltd. to take over all assets and liabilities.
- The shareholders were to be discharged by paying Rs. 20 per share and the exchange of four Rs. 100 shares in Strong Co. Ltd. at an agreed market value of Rs. 150 each for every shares in Weak Co. Ltd.
- Strong Co. Ltd. is to make a further payment in cash of Rs. 110 for every debentures in Weak Co. Ltd.

**Required:** (a) Calculate Purchase Consideration

(b) Entries to close the books of Weak Co. Ltd.

- (c) Realisation Account  
(d) Shareholder's Account.

[3+7+3+2=15]

Ans: (a) Rs. 69,70,000 (c) Gain Rs. 50,65,000 (d) Bank a/c Rs. 200,000

**18. 2064 Q.No. 16**

The Balance Sheet of X Co. Ltd. and Y Co. Ltd. as at 31st December 20X6 are as under:

Liabilities	X. Ltd.	Y Ltd.	Assets	X. Ltd.	Y Ltd.
10% Preference share capital of Rs. 100 each	300,000	—	Plant and machinery	250,000	300,000
Equity share capital of Rs. 100 each	700,000	1,000,000	Land and building	800,000	520,000
Bank overdraft	200,000	—	Furniture	100,000	60,000
Accounts payable	200,000	110,000	Stock	70,000	80,000
Bills payable	100,000	—	Accounts receivable	130,000	120,000
Profit and loss a/c	—	90,000	Cash and bank	50,000	40,000
			Profit and loss a/c	100,000	—
			Preliminary expenses	—	40,000
			Discount on shares issued	—	40,000
	1,500,000	1,200,000		1,500,000	1,200,000

A new Z Co. Ltd. will be formed to take over the assets and liabilities of the both companies. The authorized capital of Z. Co. Ltd. will be Rs. 2,000,000 divided in 5,000; 12% Preference shares of Rs. 100 each and 15,000 Equity shares of Rs. 100 each. The conditions of merger have been met terms of acquisition will be as under:

- The holder of 10% Preference shares of X Co. Ltd. would be allotted 2, 12% Preference shares of Rs. 100 each in Z. Co. Ltd for every three shares in X. Co. Ltd.
- The holders of every 5 equity shares in X Co. and Y Co. would be allotted 4 equity shares in Z Co.
- Z. Co. Ltd. would pay the liquidation expenses of Rs. 20,000 and Rs. 10,000 for X Co. and Y Co. respectively.

**Required:** (a) Calculate purchase consideration (b) Journal entries in the books of Z.Co. Ltd. (c) Balance sheet of Z.Co. Ltd. [3+7+5=15]

Ans: (a) X Ltd: Rs. 760,000; Y Ltd: Rs. 800,000 (c) B/S total Rs. 25,20,000

**19. 2063 Q.No. 16**

The business of A Co. Ltd., is absorbed by B Co. Ltd. The terms of absorption are as follows:

- The holders of 10% preference shares will be allotted four, 12% preferences shares of Rs. 100 each for every five preference shares held in A Co. Ltd.
- The 10% debentures will be paid off by the issue of equal number of 12% debentures of Rs. 100 each in B Co. Ltd., at a discount of 10%.
- The equity shareholders will be allotted 6 shares of Rs. 100 each for every 5 shares held by them at a premium of Rs. 20.

The balance sheet of A Co. Ltd., at the date of absorption is as under.

Liabilities	Rs.	Assets	Rs.
7,000 equity share of Rs. 100 each	700,000	Goodwill	50,000
10% Preference share of Rs. 100 each	400,000	Plant and machinery	1,100,000
10% debentures of Rs. 100 each	300,000	Stock	100,000
Sundry creditors	150,000	Sundry debtors	70,000
		Cash at bank	50,000
		Discount on issue of shares	10,000
		Profit and loss account	170,000
	1,550,000		1,550,000

**Required:** ① Calculate purchase consideration ② Entries to close the books of A Co. Ltd. ③ Realisation account ④ Equity shareholders' account [3+7+3+2]

Ans: ① Rs. 15,98,000 ② Profit Rs. 488,000 ④ Total Rs. 11,88,000

**20. 2062 Q.No.16 OR**

The Balance Sheet of X Co. Ltd. as on 31<sup>st</sup> Chaitra, last year was as follows:

Liabilities	Rs.	Assets	Rs.
18,000 share of Rs. 100 each	18,00,000	Land and building	15,00,000
10% Debentures of Rs. 100 each	800,000	Furniture	400,000
Creditors	100,000	Inventory	300,000

Debtors	200,000
Cash	60,000
Profit & Loss a/c	240,000
<b>27,00,000</b>	<b>27,00,000</b>

Y Co. Ltd. is formed to take over the assets of X Co. Ltd. but not the liabilities. The company adopted the following scheme:

- A payment in cash at Rs. 90 each for every debenture in X Co.
- A further payment of cash at the rate of Rs. 10 for every share in X Co.
- The holders of every five shares of X Co. will be allotted two shares of Rs.100 each in Y Co. Ltd.
- The creditors agreed to receive Rs. 80,000 in full satisfaction of their claim.
- The cost of liquidation Rs. 10,000 is paid by X Co. Ltd.

**Required:** ① Purchase consideration amount. ② Journal entries to close the books of X Co. Ltd. ③ Realization account in the books of X Co. Ltd. ④ Shareholder's account in the books of X Co. Ltd. [2+7+4+2]

Ans: ① Amount of purchase consideration Rs. 16,20,000 ② Realization loss Rs. 750,000  
③ Cash paid to equity shareholders Rs. 90,000

#### 21. 2061 Q.No.16

Strong Ltd. agreed to acquire the business of Weak Ltd. on 31st Chaitra, last year, on which date the Balance Sheet of Weak Ltd. was as under:

Liabilities	Rs.	Assets	Rs.
10% Pref. share capital of Rs.100 each	500,000	Land and building	800,000
Equity share capital of Rs. 100 each	1,000,000	Plant & machinery	200,000
Share forfeited account	10,000	Inventories	200,000
General reserve	40,000	Accounts receivable	350,000
Account payable	120,000	Profit & Loss A/C	150,000
Bank overdraft	30,000		
	<b>1,700,000</b>		<b>1,700,000</b>

The cost of liquidation amounted to Rs. 15,000

The consideration payable by Strong Ltd. was agreed as under:

- The preference Shareholders of Weak Ltd. were to be allotted 12% preference share of Rs. 550,000 in strong Ltd.
- Equity Shareholders to be allotted two equity shares of Rs. 100 each at a premium of 20% against every three shares held.
- The balance in cash after adjusting the value of assets in following way:  
Land and building @ 120% of book value.  
Plant and machinery @ 90% of book value.  
Inventories @ 80% of book value.  
Accounts receivable @ 100% of book value.

**Required:**

- Calculation of purchase consideration.
- Journal entries to close the books of Weak Ltd.
- Realization Account in the books of Weak Ltd.
- Shareholder's Account in the books of Weak Ltd. [2+9+2+2=15]

Ans: 1. Purchase consideration Rs.15,00,000; 3.. Profit on realization Rs. 35,000

#### 22. 2060 Q.No.16

The assets of X Co. Ltd. Are purchased by Y Co. Ltd., the consideration for the absorption is:

- Y Ltd. is to assume all assets except investment.
- Y Ltd. is to discharge the debentures of X Ltd. at a premium of 10% by issuing 10% debenture in Y Ltd.
- Holder of every 3 share of X Ltd. was to receive 2 shares of Y Ltd. of Rs. 100 each at a market value of Rs. 150 per share.

The balance sheet of X. Ltd. as on 31<sup>st</sup>, Chaitra, last year stood as follows:

Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs. 100 each		Goodwill	50,000
Accident compensation fund	1,000,000	Land and building	700,000
Profit & loss a/c	100,000	Plant & building	300,000
9% debenture	150,000	Investment	500,000
Provision for tax	500,000	Inventories	300,000
Accounts payable	50,000	Accounts receivable	200,000
	300,000	Cash at bank	40,000
		Preliminary expenses	10,000
	<b>2,100,000</b>		<b>2,100,000</b>

Investment realized Rs. 700,000 and accounts payable were paid at a discount of Rs. 50,000. The tax liability was discharged at Rs. 60,000. The cost of liquidation amounted to Rs. 10,000.

**Required:**

- Calculation of purchase consideration.
- Realization account in the books of X. Ltd.
- Shareholders' account in the books of X Ltd.
- Journal entries in the books of Y Ltd.

[2+4+3+6]

Ans: a. Rs. 1,550,000; b. Realization profit on Rs. 140,000; c. Rs. 139,000; d. Goodwill Rs. 10,000

**23. 2059 Q.No.10**

On 1<sup>st</sup> Baishak, this year, the business of V co. is absorbed by P Co. on the following terms. P. Co. was to:

- take over all assets except cash for meeting liquidation expense.
- assume all liabilities.
- discharge the debenture debt at a discount of 10% by issue 12% debentures in P. Co.
- issue one share of Rs. 100 each in P Co. at the market value of Rs. 120 each for one share in V. Co.

The balance sheet of V Co. as on 31<sup>st</sup>, Chaitra, last year was as under:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	500,000	Goodwill	40,000
Profit & loss a/c	50,000	Fixed assets	560,000
10% debentures	200,000	Investment	100,000
Reserve	20,000	Current asset other than cash	180,000
Accounts payable	130,000	Cash	10,000
		Discount on share issued	10,000
	<b>900,000</b>		<b>900,000</b>

The cost of liquidation amounted to Rs. 10,000.

**Required:**

- Calculation of purchase consideration.
- Realization account in the books of V Co. Ltd.

[2+6=8]

Ans: a. Purchase Consideration Rs. 7,80,000; b. Realization Gain Rs. 40,000

**24. 2058 Q.No.16 OR**

The Balance Sheet of B Ltd. has been given below:

**Balance Sheet of Baishakh 1**

Liabilities	Rs.	Assets	Rs.
Share capital of Rs. 100	300,000	Land & building	200,000
10% debentures of Rs. 100 each	200,000	Plant & machinery	400,000
Reserve fund	50,000	Furniture & fixture	50,000
Accounts payable	60,000	Inventory	60,000
Workmen provident fund	40,000	Accounts receivable	60,000
Workmen compensation fund	50,000	Cash at bank	30,000
Profit & loss a/c	100,000		
	<b>800,000</b>		<b>800,000</b>

The business of B Ltd. is absorbed by A. Ltd. The consideration being assumption of assets and liabilities, discharge of 10% debenture by issuing sufficient no. of 12% debenture of Rs. 100 each to discharge at a premium of 10%, payment of Rs. 20, in cash each for equity shares and exchange of three equity share of Rs. 100 each in A Ltd. for every two share of B Ltd. at an agreed market value of Rs. 120 each.

The cost of liquidation of B Ltd. amounted to Rs. 20,000



**Required:**

- Amount of purchase consideration. [2]
- Entries in the book of B Ltd. to close the book of account. [7]
- Realization account. [4]
- Bank account. [2]

Ans: a. Rs. 8,20,000; c. Realization Gain Rs. 80,000

**25. 2057 Q.No.6**

Chanda Ltd. and Sandhya Ltd. agreed to amalgamate and form a third company Rajani Ltd. the summarized balance sheets of Chanda Ltd. and Sandhya Ltd. as on the date of amalgamation are as follows.

Liabilities	Chanda Ltd.	Sandhya Ltd.	Assets	Chanda Ltd.	Sandhya Ltd.
Ordinary shares of Rs.10 each	50,000	30,000	Fixed assets	70,000	25,000
10% debentures of Rs. 10 each	10,000	—	Stock	8,000	4,000
Retained earning	20,000	—	Debtors	7,000	4,000
Current liabilities	6,000	4,000	Cash	1,000	1,000
	<b>86,000</b>	<b>34,000</b>		<b>86,000</b>	<b>34,000</b>

Both the companies were to receive 10% of net valuation of their respective business as goodwill. The debentures of Chanda Ltd. are to be discharged by issuing 15% debentures of Rajani Ltd. at par. The entire purchase price was paid by Rajani Ltd. in fully paid shares of Rs. 10 each.

**Required:** Amalgamated balance sheets.

[8]

Ans: Total Balance Sheet Rs. 131,000

**26. 2057 Q.No.16 OR**

The Balance Sheet of A Ltd. has been given below:

Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs. 10 each	100,000	Plant & machinery	300,000
10% debenture of Rs. 100 each	100,000	Inventory	60,000
Reserve fund	50,000	Accounts receivable	70,000
Accounts payable	100,000	Cash at bank	20,000
Workman compensation fund	50,000		
Profit & loss	50,000		
	<b>450,000</b>		<b>450,000</b>

XYZ Ltd. purchased the business of A Ltd. The considerations agreed were:

- Repayment of 10% debentures in A Ltd. at a premium of 10%.
- Payment of Rs. 5 in cash for each share in A Ltd.
- Issue of 2 share of Rs. 10 each in XYZ Ltd. for every share in A Ltd. at an agreed market value of Rs. 15.
- Payment of cost of liquidation expenses of Rs. 10,000 of A Ltd.

**Required:**

- Purchase consideration.
- Entries in the book of A Ltd.
- Realization account
- Debenture holder's account [3+7+3+2]

Ans: a. Rs. 4,70,000; c. Realization gain Rs. 100,000

**27. 2057 (Cancelled) Q.No.6**

The balance sheet of a Ltd. Company has been provided below:

**Balance Sheet as at Chaitra end**

	Rs.		Rs.
Share capital		Goodwill	300,000
Equity share of R. 100	500,000	Plant & machinery	500,000
Preference share of Rs. 100	500,000	Current assets	150,000
Accounts payable	150,000	Preliminary expenses	50,000
Bills payable	50,000	Profit & loss account	200,000
	<b>1,200,000</b>		<b>1,200,000</b>

Owing to heavy losses in the past, the company decided to reconstruct itself internally. For which a scheme of reconstruction was passed according to which preference shareholders were to receive equal number of new preference share of Rs. 50 each fully paid, and the

equity shareholders to receive new equity share of Rs. 100 each fully paid to the extent of 40% of their original holding. The balance thus available were to be utilized to write off profit and loss a/c and preliminary expenses fully and the balance available to write off goodwill a/c.

**Required:** (a) Entries for capital reduction (b) Capital reduction a/c. [3+2=5]

Ans: Capital reduction a/c (total) Rs. 5,50,000

**28. 2057 (Cancelled) Q.No.16 OR**

The balance sheet of XYZ company Ltd. has been given below:

**Balance Sheet as on 30 Chaitra**

Equity share capital of Rs. 100 each	500,000	Goodwill	50,000
10% debenture of Rs. 100 each	300,000	Land & building	350,000
Accounts payable	100,000	Plant & machinery	500,000
Reserve fund	50,000	Inventory	80,000
Retained earning	150,000	Accounts receivable	100,000
		Cash at bank	20,000
	<b>1,100,000</b>		<b>1,100,000</b>

ABC Company purchased the assets and the trade liabilities of XYZ Ltd. The consideration agreed was to issue 15% debenture in ABC Ltd. of Rs. 100 each to discharge the debenture debts in XYZ Ltd. issue of 5,000 shares of Rs. 100 each at par, and balance in cash for sufficient to pay a goodwill of Rs. 100,000.

**Required:**

- (a) Purchase consideration (b) Closing entries in XYZ Ltd.  
(c) Realisation account (d) ABC Company Ltd. account in the books of XYZ Co.

Ans: Purchase consideration Rs.10,50,000, Realisation Profit Rs.50,000, Cash paid Rs. 2,50,000

**29. 2056 Q.No.16**

The balance sheet of A Ltd. on 31<sup>st</sup> Chaitra 2054 stood as following:

Liabilities	Rs.	Assets	Rs.
Share capital of Rs. 100 each	500,000	Land and building	200,000
10% debenture of Rs. 100 each	100,000	Plant & machinery	300,000
Accounts payable	100,000	Furniture & fixture	50,000
Workmen compensation fund	50,000	Ending inventory	100,000
Retained earning	50,000	Accounts receivable	125,000
		Cash at bank	25,000
	<b>800,000</b>		<b>800,000</b>

B Ltd. agreed to purchase the business of A Ltd. excluding bank balances. It also agreed to discharge the purchase consideration as:

- B Ltd. to issue sufficient number of 10% debentures of Rs. 100 each to the holders of debentures of A Ltd. to discharge their claims at a discount of 10%.
- B Ltd. to issue 5,000 equity shares of Rs. 100 each at Rs. 90 as paid to the holders of Ordinary shares of A Ltd. and also to pay Rs. 50,000 in cash.

The cost of liquidation amounted to Rs. 25,000

**Required:** (a) Calculation of purchase consideration. (b) Realization accounts. (c) Opening entries in the book of B Ltd. d. Cash account in the book of A Ltd. [3+5+4+3]

Ans: a. Purchase consideration Rs. 5,90,000; b. Realization Loss Rs. 1,00,000; c. Capital reserve Rs. 85,000; d. Cash paid Rs. 50,000

**30. 2055 Q.No.3**

The balance sheet of XYZ Ltd. on 31<sup>st</sup> Chaitra 2054 stood as follows:

Liabilities	Rs.	Assets	Rs.
Share capital of Rs. 100 each	600,000	Goodwill	50,000
5% debenture of Rs. 100 each	100,000	Land & building	150,000
Accounts payable	100,000	Plant & machinery	300,000
Bills payable	150,000	Other fixed assets	200,000
General reserve	50,000	Inventories	150,000
		Accounts receivable	100,000
		Cash at bank	50,000
	<b>1,000,000</b>		<b>1,000,000</b>

A Ltd. agreed to purchase all assets and trade liabilities of XYZ. A Ltd. to issued 6,000 shares of Rs. 100 each at an agreed market price of Rs. 125 each, and to pay balance in cash (to make sufficient) to discharge the agreed value of Goodwill of Rs. 150,000.

**Required:** Closing entries in the books of XYZ Ltd.

[8]

Ans: i. Purchase consideration Rs. 8,50,000 ii. Realization profit Rs.1,50,000

**31. 2055 Q.No.9**

Nepal Auto-works Ltd. took over Assets and Liabilities of Kathmandu Auto-works. The assets and liabilities were valued for Rs. 2,400,000 and Rs. 200,000 respectively. The purchasing company is to discharge the purchase consideration in shares of Rs. 50 each at a premium of 10%.

- Required:** (a) Journal entries for above transactions.  
(b) Opening balance sheet of the company.

[2+2=4]

Ans: Total Balance Sheet Rs. 24,00,000

**7. Holding Company****Theoretical Questions****1. 2072 Q.No. 16**

Explain the term minority interest and cost of control with suitable example. [5+5=10]

**2. 2072 (ii) Q.No. 16**

Write the meaning of pre-requisition and post-acquisition profit and differentiate between them, show their accounting treatment for preparation of consolidated balance sheet.

[5+5=10]

**3. 2071 Q.No.4**

Differentiate between capital profit and revenue profit of the subsidiary company. [2]

**4. 2071 Q.No.16**

What is consolidated balance sheet? Explain briefly the considerations to be taken into account while preparing consolidated balance sheet. [3+7=10]

**5. 2071 Old Q.No.2**

Explain briefly the minority interest with suitable examples. [5]

**6. 2069 Q.No. 2**

Define the term 'pre-acquisition dividend.' How is it treated while preparing consolidated balance sheet? [2+3]

**7. 2068 (I) Q.No. 3**

When minority interest arises? How is it determined? [2+3]

**8. 2068 (II) Q.No. 3**

Why and how minority interest is determined while preparing the consolidated balance sheet? [2.5+2.5]

**9. 2067 (II) Q. No. 2**

What is mutual debt? How is it treated in consolidated Balance Sheet? [3 + 2]

**10. 2063 Q.No.7**

What is minority interest? How is it determined? [2+3]

**11. 2062 Q.No.1**

Write the meaning of inter-company unrealized profit and show its accounting treatment. [2+3]

**12. 2057 Q.No.15 (Cancelled)**

Define inter-company unrealized profits and show its accounting treatments. [3+2=5]

**Numerical Problems****13. 2071 Old Q.No.15**

The Balance Sheet of A. Ltd. and B. Ltd. as on 31<sup>st</sup> Chaitra 2068 are given below:

Liabilities	A. Ltd. (Rs.)	B. Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd (Rs.)
Ordinary shares @ 10 each	500,000	3,00,000	Fixed assets	400,000	350,000
General reserve	50,000	30,000	Sundry debtors	60,000	30,000
Profit & Loss a/c	100,000	50,000	Inventory	70,000	80,000
Sundry creditors	30,000	20,000	Investment in B. Ltd.	300,000	-
10% Debentures	200,000	100,000	Cash at bank	50,000	40,000
	<b>880,000</b>	<b>500,000</b>		<b>880,000</b>	<b>500,000</b>

**Additional information**

- A Ltd. acquired 22,500 shares of B. Ltd. as on 1<sup>st</sup> Kartik 2068.

- The general reserve and profit and loss account of B. Ltd. showed credit balance of Rs.30,000 and Rs.20,000 respectively as on 1<sup>st</sup> kartik 2068.
- The sundry creditors of B. Ltd. included Rs.5,000 due to A. Ltd.
- The inventory of B. Ltd. included Rs.20,000 purchased from A. Ltd. on credit which shows 25% margin on cost price.

**Required:** Consolidated Balance Sheet with necessary workings [4+4=8]

Ans: Capital Profit = Rs. 50,000; Revenue Profit = Rs. 30,000; Minority Interest = Rs.95,000;  
Goodwill = Rs.37,500; Balance Sheet = Rs. 11,08,500

**14. 2070 Q.No. 15**

The following are the balance sheets of X. Ltd. and Y. Ltd. as on 31<sup>st</sup> December 2012.

Balance Sheets					
Liabilities	X. Ltd. (Rs.)	Y. Ltd. (Rs.)	Assets	X. Ltd. (Rs.)	Y. Ltd. (Rs.)
Equity share @ Rs.100 each	800,000	500,000	Plant and machinery	600,000	500,000
General Reserve (1.1.2012)	100,000	50,000	Stock	200,000	100,000
Profit and Loss a/c (1-1-2012)	150,000	100,000	Investment in shares of Y. Ltd.	450,000	-
Sundry creditors	200,000	100,000	Sundry debtors	200,000	250,000
Profit for the year	300,000	200,000	Cash at bank	100,000	100,000
	1,550,000	950,000		1,550,000	950,000

**Additional Information:**

- X. Ltd. acquired 4,000 equity shares of Y. Ltd. as on 1<sup>st</sup> July 2012.
- Sundry creditors Y. Ltd. included Rs. 20,000 due to X. Ltd.
- The stock of X. Ltd. included Rs. 50,000 purchased from Y. Ltd. on which the seller company made a profit of 25% on cost.

**Required:** Consolidated Balance Sheet with working note [4 + 4 = 8]

Ans: Capital Profit Rs.250,000; Revenue Profit Rs. 100,000, Minority Interest Rs. 170,000;  
Capital reserve (Rs.150,000); B/S total Rs. 20,20,000

**15. 2069 Q.No. 12 Or**

Holding Company acquired 500 shares of Subsidiary Company of Rs. 100 each on 31<sup>st</sup> December 2007. The Balance Sheets of Holding Company and Subsidiary Company as on date were:

Liabilities & Equities	H. Co. Rs.	S. Co. Rs.	Assets	H. Co. Rs.	S. Co. Rs.
Share capital of Rs. 100 each	300,000	80,000	Fixed assets	250,000	125,000
Reserve	22,000	32,000	Current assets including stock	55,000	30,000
Profit & loss a/c	25,000	6,000	Investment in shares of S. Co.	100,000	-
Proposed dividend	22,500	16,000			
Current liabilities	35,500	21,000			
	405,000	155,000		405,000	155,000

Stock of holding company includes Rs. 8,000 purchased from subsidiary company which were 25% above the cost.

**Required:** Consolidated balance sheet with a detailed working sheet. [4+4=8]

Ans: Capital profit = Rs. 54,000; Revenue profit = Nil; Minority interest = Rs. 50,250;  
Goodwill = Rs. 16,250; B/S total = Rs. 474,650

**16. 2068 (I) Q.No. 15**

The Balance sheet of H. Ltd. and S. Ltd and additional information were given below:

Liabilities	H. Ltd. Rs.	S. Ltd. Rs.	Assets	H. Ltd. Rs.	S. Ltd. Rs.
Share capital (Rs.100 each)	275,000	150,000	Cash	23,500	15,000
General reserve	30,000	20,000	Investment in S. Ltd.	140,000	-
Profit & Loss a/c	40,000	10,000	Bills receivable	7,500	4,000
Sundry creditors	25,000	12,500	Sundry debtors	27,500	15,000
Bills payable	21,000	9,000	Stock-closing	22,500	12,500
	391,000	201,500	Fixed assets	170,000	155,000
				391,000	201,500

**Additional information**

When H. Ltd. acquired 1000 shares of S. Ltd., the general reserve and profit & loss accounts of S. Ltd. showed a balance of Rs.15,000 and Rs.2,500 respectively.

Creditors of S. Ltd. include Rs.5,000 for goods supplied by H. Ltd.

Goods costing Rs.5,000 were purchased by S. Ltd. from H. Ltd. on which later company made profit of 20% on sales price. Half of the goods is still in stock.

**Required:** ① Minority interest ② Cost of control ③ Consolidated Balance Sheet. [2+2+4=8]

Ans: ① Rs. 60,000 ② Goodwill Rs. 28,333.33 ③ B/S total Rs. 475,333.33

**17. 2068 (II) Q.No. 16 OR**

ABC Company invested Rs.250,000 to acquire 1,800 equity shares of XYZ Company on Kartic 1, 2064.

The credit balance in profit and loss account of XYZ Company was Rs.40,000 on Baishak 1, 2064 and Rs.60,000 in general reserve.

ABC Company paid 80% by the end of the year 2064 for the goods costing Rs.90,000 supplied on credit to XYZ Company at 25% on sales prices as profit margin.

The stock of XYZ Company included 30% of the goods supplied by ABC Company.

The profit and loss account of ABC Company and XYZ Company as on Chaitra 31, 2064 are as follows:

Liabilities	ABC (Rs)	XYZ (Rs)	Assets	ABC (Rs)	XYZ (Rs)
Equity shares of Rs.100 each	900,000	300,000	Fixed assets	850,000	380,000
General reserve	150,000	90,000	Investment in XYZ Co.	250,000	-
P/L account	200,000	80,000	Inventory	90,000	75,000
Account payable	70,000	65,000	Accounts receivables	80,000	60,000
			Cash	50,000	20,000
	1,320,000	535,000		1,320,000	535,000

**Required:** Show necessary working notes and prepare consolidated Balance Sheet as on Chaitra 31, 2064. [6+9=15]

Ans: Capital profit Rs. 135,000; revenue profit Rs. 35,000; minority interest Rs. 188,000; Capital reserve Rs. 11,000; B/S Rs. 15,72,000

**18. 2067 (I) Q. No. 12 OR**

Following are the Balance sheet of H.Ltd and S. Ltd as at 31<sup>st</sup>

December 2009

Liabilities	H.Ltd	S.Ltd.	Assets	H. Ltd	S. Ltd.
Share capital of Rs. 100 each	1,000,000	500,000	Fixed assets	800,000	600,000
Reserve 1-1-2009	150,000	50,000	Current assets	384,000	325,000
P/L 1-1-2009	100,000	50,000	Investments: Shares in S Ltd.	480,000	-
Profit for the year	150,000	75,000	400 10% Debentures in S Ltd.	36,000	-
10% Debenture of Rs. 100 each	-	100,000			
Creditors	300,000	150,000			
	1,700,000	925,000		1,700,000	925,000

**Additional information:**

- H. Ltd acquired 80% shares of S.Ltd on 1<sup>st</sup> July 2009.
- H. Ltd supplied goods worth Rs. 80,000 in which H Ltd. made a profit of 20% on cost. One-fourth of goods were still in stock of S. Ltd.
- A cheque of Rs. 70,000 (part payment) from S. Ltd to H. Ltd. was in transit as on 31<sup>st</sup> December 2009.

**Required:** Consolidated balance sheet showing working notes for Capital Profit and Cost of Control. [4+ 2 + 2]

Ans: Capital profit Rs. 1,37,500; Revenue profit Rs. 37,500; Minority interest Rs. 1,35,000; Capital reserve Rs. 34,000; B/S Total Rs. 20,95,667

**19. 2067 (II) Q. No. 12 OR**

The Balance sheet of Holding Co.Ltd and Subsidiary Co.Ltd as on 31<sup>st</sup> Chaitra 2066 are as follows:

Liabilities	H.Ltd.	S.Ltd.	Assets	H.Ltd.	S.Ltd.
Equity share of Rs.100 each	400,000	250,000	Fixed assets	220,000	190,000
Reserve	80,000	20,000	Investment in shares of S.Co.Ltd	250,000	-
Accounts payable	60,000	40,000	Inventories	20,000	80,000
Profit and loss a/c	80,000	30,000	Accounts receivable	80,000	50,000
			Bank	50,000	20,000
	<b>620,000</b>	<b>340,000</b>		<b>620,000</b>	<b>340,000</b>

The Holding Co.Ltd. acquired 80% of the equity shares of Subsidiary Co.Ltd., on 1<sup>st</sup> Kartik 2066. The Subsidiary Co.Ltd. has credit balances of Rs. 15,000 in reserve and Rs.20,000 in profit & loss account The account payable of the subsidiary Co.Ltd. included Rs.25,000 payable to the Holding Co.Ltd.

**Required:** (1) Capital profit (2) Revenue profit (3) Cost of control (4) Minority interest (5) Consolidated Balance Sheet. [1+1+1+1+4]

Ans: Capital profit Rs. 42,500; Revenue profit Rs. 7,500; Minority interest Rs. 60,000; Goodwill Rs. 16,000; B/S Total Rs. 701,000

**20. 2066 Q.No. 7 OR**

The followings are the Balance Sheets of H.Ltd., and S.Ltd., as on 30<sup>th</sup> Chaitra, 2064, when H.Ltd., acquired the shares.

Liabilities	H.Ltd. (Rs.)	S.Ltd. (Rs.)	Assets	H.Ltd. (Rs.)	S.Ltd. (Rs.)
Shares of Rs. 100 each			Land & buildings	75,000	90,000
Capital reserve	250,000	100,000	Machinery	120,000	54,000
General reserve	-	60,000	800 shares in S.Ltd.	170,000	-
	120,000	-	Book debts	22,000	20,000
Retained earnings	28,600	18,000	Bills receivable	7,900	-
Creditors	23,400	4,000	(Rs. 1,500 from S.Ltd.)		
Bills payable (Rs. 2,000 to H.Ltd.)	-	4,000	Inventory	60,000	18,000
Bank overdraft	40,000	-	Cash at bank	7,100	4,000
	<b>462,000</b>	<b>186,000</b>		<b>462,000</b>	<b>186,000</b>

**Additional information:**

- Creditors of H.Ltd. include Rs. 6,000 due to S.Ltd.
- The directors decided that Land and buildings of S.Ltd. were under valued by Rs. 10,000 on the date of acquisition of shares.

**Required:**

- Capital profit
- Cost of control
- Consolidated Balanced Sheet [2+2+4=8]

Ans: 1. Rs. 88,000; 2. Goodwill Rs. 19,600; 3. B/S Total Rs. 5,00,100

**21. 2065 Q.No. 7 OR**

The following are the Balance Sheet of H. Ltd. and its subsidiary S. Ltd. as on 31<sup>st</sup> December, last year.

Liabilities	H. Ltd. (Rs.)	S. Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S. Ltd. (Rs.)
Ordinary shares of Rs. 100 each	1,400,000	2,800,000	Fixed assets	1,400,000	154,000
General reserve	420,000	56,000	Investment: 2240 shares in S. Ltd.	336,000	-
Profit and loss a/c	210,000	89,600	Inventories	112,000	80,000
Accounts payable	168,000	56,000	Accounts receivables	140,000	172,000
Bills payable	-	28,000	Bills receivable	28,000	-
			Bank balance	182,000	103,600
<b>Total</b>	<b>2,198,000</b>	<b>509,600</b>	<b>Total</b>	<b>2,198,000</b>	<b>509,600</b>

- Out of accounts payable of S. Ltd. Rs. 28,000 belong to H. Ltd.