Ex. 23: The Balance Sheets of X Ltd. and Y Ltd. as on 31st March, 2019 were as follows:

Particulars	Note No.	X Ltd. ₹	Y Ltd. ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
Equity Shares of ₹ 10 each		75,00,000	45,00,000
(B) Reserves & Surplus:			
General Reserve		2,00,000	4,50,000
Export Profit Reserve		3,00,000	2,00,000
Investment allowance reserve		—	1,00,000
Profit &Loss A/c		7,50,000	6,00,000
[2] Non-Current Liabilities:			
12% Debentures of ₹ 100 each		5,00,000	3,50,000
[3] Current Liabilities:		6,50,000	5,00,000
TOTAL		**99,00,000**	**67,00,000**

[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
(I) Tangible Assets			
Building		25,00,000	15,50,000
Machinery		32,50,000	17,00,000
(B) Other Non-Current Assets:			
Preliminary Expenses		—	1,00,000
[2] Current Assets:			
Stock		25,25,000	18,00,000
Debtors		9,00,000	10,30,000
Cash at Bank		7,25,000	5,20,000
TOTAL		99,00,000	67,00,000

A new company Z Ltd. was formed to acquire all the assets and liabilities of X Ltd. and Y Ltd. The terms of acquisition were as under:

(1) Z Ltd. to have an authorized capital of ₹ 5 crores divided into 5,00,000 equity shares of ₹ 100 each.

(2) The business of both the companies taken over for a total price of ₹ 1.2 crores to be discharged by Z Ltd. by issue of equity shares of ₹ 100 each at a premium of 20%.

(3) The shareholders of X Ltd. and Y Ltd. to get shares of Z Ltd. in the ratio of net asset value of their respective shares.

(4) The debentures of both the companies to be converted into equivalent number of 14% debentures in Z Ltd.

(5) Export Profit Reserve and Investment Allowance Reserve to be maintained for 4 more years and 2 more years respectively.

(6) The assets of the companies to be valued at:

	X Ltd.	Y Ltd.
Building	28,00,000	19,00,000
Machinery	32,00,000	16,00,000

Show Journal Entries in the books of Z Ltd. on the assumption that the amalgamation is in the nature of purchase. Also prepare the Balance Sheet in the books of Z Ltd.

(Guj. Uni., Dec. 2012)

[Ans.: Net Assets : X Ltd. ₹ 90,00,000 (Total assets ₹ 1,01,50,000 Less total liabilities 11,50,000). Y Ltd. ₹ 60,00,000 (Total assets ₹ 68,50,000 Less total liabilities ₹ 8,50,000), Ratio of Net Assets 3:2, Consideration payable in the ratio of Net Assets: X Ltd. ₹ 72,00,000 (1,20,00,000 × $\frac{3}{5}$) and Y Ltd. ₹ 48,00,000 (1,20,00,000 × $\frac{2}{5}$), No. of shares to be issued to X

Ltd. 60,000 shares (72,00,000 / Issue Price 120), and Y Ltd. 40,000 shares (48,00,000 / Issue Price 120), Total of New B/s ₹ 1,76,00,000, Capital Reserve ₹ 30,00,000 (Net Assets ₹ 1,50,00,000 – Purchase consideration ₹ 1,20,00,000).]

Ex. 24: Aalu Ltd. and Akhrot Ltd. were amalgamated on 1st April, 2019.

Ex. 25: The following are the Balance Sheets of two companies Sagar Ltd. and Sarita Ltd. on 31/3/2019:

Particulars	Note No.	Sagar Ltd. ₹	Sarita Ltd. ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
Sagar:(50,000 Equity Sh. of ₹ 10 each)		5,00,000	—
Sarita: (1,50,000 Equity Sh. of ₹ 10 each = 15,00,000 + Forfeited sh. 2,000)		—	15,02,000
(B) Reserves & Surplus:			
Profit &Loss A/c		—	1,00,000
Dividend Equalisation Fund		—	60,000
Reserve Fund		—	1,00,000
[2] Non-Current Liabilities:			
6% Debentures		70,000	—
7% Debentures		—	3,50,000
[3] Current Liabilities:			
Bank Overdraft		10,000	—
Sundry Creditors		1,20,000	60,000
Bills Payable		30,000	6,000
TOTAL		7,30,000	21,78,000
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
(I) Tangible Assets			
Machinery		1,20,000	3,50,000
Building		2,15,000	4,50,000
Furniture		—	1,00,000
(II) Intangible Assets: Goodwill		—	1,00,000
(B) Other Non-Current Assets:			
Profit & Loss A/c		1,50,000	—
[2] Current Assets:			
Stock		1,50,000	6,82,000
Debtors (Sagar: 1,00,000 – BDR ₹ 5,000)		95,000	3,50,000
Bank Balance		—	1,46,000
TOTAL		7,30,000	21,78,000

The two companies decided to amalgamate as on 1st April, 2019 and a new company called Sangam Ltd. was formed with an authorised capital of ₹ 30,00,000 in shares of ₹ 10 each.

New company took over all assets and liabilities of Sagar Ltd. and Sarita Ltd. at their book values and the following terms for purchase of business were agreed upon:

Sagar Co. Ltd.:

(1) The consideration was 3 shares of ₹ 10 each fully paid in the new company in exchange for every 5 shares in Sagar Ltd.

(2) The debentureholders of Sagar Ltd. were to be allotted such debentures in the new company bearing interest at 5% as would bring them the same amount of interest.

(3) ₹ 2,000 to be paid in cash.

Sarita Co. Ltd.:

(1) The consideration was 6 shares of ₹ 10 each fully paid in the new company in exchange for every 5 shares in Sarita Ltd.

(2) The debentureholders of Sarita Ltd. were to be allotted such debentures in the new company bearing interest at 5% as would bring them the same amount of interest.

(3) ₹ 6 in cash for every 5 Shares in Sarita Ltd.

Costs of liquidation of Sagar Ltd. ₹ 200 and ₹ 1,200 for Sarita Ltd. are to be paid by the new co.

Sangam Ltd. issued the remaining shares to the public at a premium of ₹ 1 per share, which were fully paid.

You are required to write journal entries in the books of the new company and prepare its initial balance sheet Also prepare necessary accounts in the books of Sarita Ltd.

(Guj. Uni., Dec. 2018 – Three Times)

[**Ans.**: As Per AS 14 Purchase consideration of Sagar Ltd. ₹ 3,02,000; Net assets ₹ 3,36,000; Capital Reserve ₹ 34,000; Purchase consideration of Sarita Ltd. ₹ 19,80,000; Net Assets ₹ 15,22,000; Goodwill ₹ 4,58,000; Profit of Realisation A/c of Sarita Ltd. ₹ 2,18,000. The cost of liquidation of both the companies paid by the new company must be debited to Goodwill A/c and credited to Cash A/c. The value of goodwill in the books of the new company ₹ 4,25,400. The total of B/s of Sangam Ltd. ₹ 38,90,000; Bank balance in the new Co. ₹ 9,52,600 (assuming that bank overdraft has not been repaid); Share Capital issued to public ₹ 9,00,000; Securities premium ₹ 90,000.]

* * * * *

Ex. 15: The following are the Balance Sheets of Alpa Ltd. and Nimisha Ltd. as on 31/3/2019:

Particulars	Note No.	Alpa Ltd. ₹	Nimisha Ltd. ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
Equity Share Capital		20,00,000	10,00,000
(B) Reserves & Surplus:		3,45,000	—
[2] Non-Current Liabilities:			
Secured Loan		3,00,000	2,00,000
Unsecured Loan		1,00,000	—
[3] Current Liabilities:		3,55,000	1,10,000
TOTAL		**31,00,000**	**13,10,000**
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
(I) Tangible Assets			
Tangible Fixed Assets		15,00,000	5,00,000
(B) Non-Current Investments:			
Investments		5,00,000	2,00,000
(C) Other Non-Current Assets:			
Misc. Exp.		—	70,000
Profit & Loss A/c		—	1,00,000
[2] Current Assets		11,00,000	4,40,000
TOTAL		**31,00,000**	**13,10,000**

On the above date, Alpa Ltd. decided to absorb Nimisha Ltd. on the following conditions:

(1) Fixed Assets of Alpa Ltd. include goodwill worth ₹ 1,00,000 being worthless, the market value of the remaining assets is 20% more.

(2) Investments of Nimisha Ltd. include 1000 equity shares of ₹ 100 each, ₹ 50 paid up of Swati Limited, the realisable value is nil, whereas the market value of remaining investments is 20% more.

(3) 25% of the current assets of both the companies consist of stocks which is overvalued by 10%.

(4) The purchase consideration is to be satisfied by issuing necessary number of Equity shares of Alpa Ltd. in exchange of shares of Nimisha Ltd. on the basis of intrinsic value of their shares.

(5) The face value of shares of both the companies is ₹ 100, whereas paid up value of Alpa Ltd. & Nimisha Ltd.'s share is ₹ 80 and ₹ 50 respectively.

From the above information, prepare necessary ledger accounts in the books of Nimisha Ltd. and prepare Balance Sheet of Alpa Ltd. after absorption.

(Guj. Uni., T.Y., March, 2006)

[**Ans.:** (1) Alpa Ltd. : Net Assets ₹ 25,00,000 (Total Assets ₹ 32,55,000 less Total liabilities ₹ 7,55,000); Intrinsic value of shares ₹ 100 (₹ 25,00,000 ÷ 25,000 shares); (2) Nimisha Ltd.: Net assets ₹ 8,00,000 (Total assets ₹ 11,10,000 less total liabilities ₹ 3,10,000), Intrinsic value of share ₹ 40 (₹ 8,00,000 ÷ 20,000 shares); (3) Purchase price of Nimisha Ltd ₹ 8,00,000, Payment of purchase price ₹ 8,00,000 (8,000 shares × ₹ 80 = ₹ 6,40,000 Shares Capital + 8,000 shares × ₹ 20 = 1,60,000 premium); Loss of Real. A/c ₹ 30,000, Total of New B/s ₹ 42,19,000.]

Ex. 17: The following are the Balance Sheets of Jagat Co. Ltd. and Rangat Co. Ltd. as on 31/3/2019:

Particulars	Note No.	Jagat Ltd. ₹	Rangat Ltd. ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
30,000 Equity Shares of ₹ 100 each fully paid up		30,00,000	—
16,000 Equity Shares of ₹ 100 each, ₹ 50 paid up		—	8,00,000
(B) Reserves & Surplus:			
General Reserve		18,00,000	4,06,000
[2] Non-Current Liabilities:			
10% Debentures of ₹ 100 each		8,00,000	6,00,000
[3] Current Liabilities:			
Creditors		4,00,000	1,94,000
TOTAL		**60,00,000**	**20,00,000**
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
Tangible Fixed Assets		32,00,000	10,24,000
(B) Non-Current Investments:			
Investments		8,00,000	2,00,000
(C) Other Non-Current Assets:			
Profit & Loss A/c		—	2,00,000
Preliminary expenses		4,00,000	—
[2] Current Assets:		16,00,000	5,76,000
TOTAL		**60,00,000**	**20,00,000**

On 1/4/2019 Jagat Co. Ltd. agreed to absorb Rangat Co. Ltd. on the following conditions:

(1) The fixed assets of Jagat Co. Ltd. as shown in the books are 20% less than the market value, whereas the current assets of Rangat Co. Ltd. includes stock worth ₹ 1,76,000 which is overvalued by 10%.

(2) Market value of investments of both companies are 25% more than its book value.

(3) The purchase consideration was to be satisfied by issue of three fully paid equity shares of Jagat Co. Ltd., in exchange of ten equity shares of Rangat Co. Ltd. on the basis of intrinsic value of their shares and balance amount in cash.

From the above information prepare following Ledger Accounts in the books of Rangat Co. Ltd.:

(1) Realisation Account
(2) Equity Shareholders Account
(3) Cash/Bank Account
(4) Jagat Co. Ltd.'s Account
(5) Jagat Co. Ltd.'s Equity Shares Account

Pass necessary entries in the books of Jagat Co. Ltd.

(Guj. Uni., T.Y., April, 2009)

[**Ans.:** (1) Jagat Co. Ltd.: Net Assets ₹ 54,00,000 (Total assets ₹ 66,00,000 less total liabilities ₹ 12,00,000); Intrinsic value of share ₹ 180 (54,00,000 ÷ 30,000 shares); (2) Rangat Co. Ltd. Net Assets ₹ 10,40,000 (Total assets ₹ 18,34,000 less total liabilities ₹ 7,94,000); Intrinsic Value of share ₹ 65 (10,40,000 ÷ 16,000 Shares); (3) Purchase Price ₹ 10,40,000, Payment of purchase price ₹ 10,40,000 (4,800 shares × 100 = 4,80,000 Share Capital + 4,800 shares × 80 = 3,84,000 Premium + 1,76,000 Cash); Profit of Realisation A/c ₹ 34,000; Finally Equity Shareholders will get shares of ₹ 8,64,000 (with premium) and ₹ 1,76,000 in cash.]

Ex. 24: The following is the Balance Sheet of Aman Ltd. as on 31/3/2019:

Particulars	Note No.	₹	₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Issued and paid up Share Capital:			
60,000, 6% Preference shares each of ₹ 10 fully paid up		6,00,000	
1,20,000 equity shares each of ₹ 10 fully paid up		12,00,000	18,00,000
[2] Non-Current Liabilities:			
8% Debentures		4,50,000	
Interest on debentures		36,000	4,86,000
[3] Current Liabilities:			
Sundry creditors			5,64,000
TOTAL			28,50,000
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
(I) Tangible Assets:			
Land & Building		6,00,000	
Plant & Machinery		3,90,000	9,90,000
(II) Intangible Assets:			
Goodwill			3,30,000
(B) Other Non-Current Assets:			
Profit & Loss A/c			4,50,000
[2] Current Assets:			
Stock		3,00,000	
Debtors		7,50,000	
Cash and bank		30,000	10,80,000
TOTAL			28,50,000

A scheme of reconstruction was agreed upon as under:

(1) A new company to be formed called Naman Ltd. and it takes over the whole business of Aman Ltd.

(2) Three equity shares of ₹ 5 each fully paid up in Naman Ltd. to be issued in exchange of every four equity shares in Aman Ltd.

(3) One 6% Pref. share of ₹ 100 each fully paid in Naman Ltd. is to be issued in exchange for 10 pref. shares in Aman Ltd.

(4) Debenture holders are paid at 10% discount with interest in arrears by giving equity shares of ₹ 10 each fully paid.

(5) Creditors are to be given 50% cash and for 25% amount preference shares of ₹ 100 each and remaining amount to be waived by them.

(6) Equity share holders are asked to pay remaining amounts of equity shares which are paid at ₹ 5 per share.

(7) Value of Plant and Machinery and Stock would be ₹ 2,94,000 and ₹ 2,40,000 respectively.

(8) Authorized capital of new company will be of ₹ 22,50,000 divided in 1,50,000 equity shares of ₹ 10 each and 7%, 7,500 preference shares of ₹ 100 each.

Prepare opening Balance Sheet of Naman Ltd.

(Sau. Uni., S.Y., April, 2014)

[Ans.: Purchase Price ₹ 19,14,000 (Eq. Share Capital ₹ 4,50,000 + Pref. Share Capital ₹ 6,00,000 + Debentures ₹ 4,41,000 (Deb. ₹ 4,50,000 – 10% discount 45,000 = 4,05,000 + Interest 36,000 = 4,41,000) + For Creditors – Cash ₹ 2,82,000 + Pref. Share Capital ₹ 1,41,000 = 19,14,000), Net Asset ₹ 19,14,000, No Capital Reserve or Goodwill, Total of New B/S ₹ 20,82,000, Cl. Cash balance ₹ 1,98,000 (Cash taken ₹ 30,000 + for Eq. Share ₹ 4,50,000 (90,000 Shares × ₹ 5) = 4,80,000 Less Payment for purchase price ₹ 2,82,000 = 1,98,000).]

Ex. 25: The Balance Sheet of TAJ Ltd. as on 31/3/2010 is as under:

₹ 3,80,000.]

Ex. 18: The Balance Sheet of Tanmay Ltd. on 31/3/2019 is as under:

Particulars	Note No.	₹	₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
4,000 equity shares of ₹ 100 each		4,00,000	
3,000 12% pref. shares of ₹ 100 each		3,00,000	7,00,000
(B) Reserves & Surplus			
Reserve Fund		50,000	
Profit and Loss A/c.		1,00,000	1,50,000
[2] Non-Current Liab.: 10% Debentures			1,35,000
[3] Current Liabilities:			
Creditors		70,000	
Bills payable		15,000	85,000
TOTAL			**10,70,000**

[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
(I) Tangible Assets:			
Building		1,80,000	
Plant-machinery		2,50,000	4,30,000
(II) Intangible Assets:			
Goodwill			80,000
(B) Other Non-Current Assets:			
Preliminary expenses		30,000	
Shares Underwriting Commission		20,000	50,000
[2] Current Assets:			
Stock		2,40,000	
Debtors	1,26,000		
– B. D. Reserve	6,000	1,20,000	
Bill Receivable		80,000	
Cash & Bank		70,000	5,10,000
TOTAL			10,70,000

A new company "Tanya Ltd." was formed to take over the business of Tanmay Ltd. except cash/bank balance. The following terms were agreed upon:

(1) Five equity shares of ₹ 100 each (₹ 80 paid) of Tanya Ltd. will be given against four equity shares of Tanmay Ltd.

(2) Four equity shares of ₹ 100 each (₹ 80 paid) of Tanya Ltd. will be given against three preference shares of Tanmay Ltd.

(3) The debentureholder of the Tanmay Ltd. to be issued sufficient debentures of the Tanya Ltd. so as to give them a premium of 5%.

(4) Pay liquidation expenses of ₹ 8,250 in cash by Tanya Ltd.

(5) Bills receivable are not taken over by the Tanya Ltd., and 90% was realised from bills receivable in full settlement of its account.

(6) Actual liquidation expenses of ₹ 15,000 paid by Tanmay Ltd.

From the above information prepare:

(A) Realisation Account

(B) Reconstruction Account and

(C) Other necessary accounts in the books of Tanmay Ltd.

(Sau. Uni., April, 2007, 2011)

Ex. 22: The following balances are extracted from the books of Ananya Limited as on 31/3/2019:

Debit Balances	₹	Credit Balances	₹
Land & Building	5,20,000	Share Capital: 15,000	
Stock (31/3/2019)	6,80,000	Equity Sh. of ₹ 100 each	15,00,000
Cash	66,000	8% Preference shares of	
Goodwill	4,00,000	₹ 100 each	5,00,000
Investments	4,34,000	Mortgage Loan	2,80,000
Plant & Machinery	9,00,000	10% Debentures (to be	2,00,000
Debtors	2,36,000	redeemed on 31/3/2020)	
Bills Receivables	60,000	Fixed Deposits	70,000
Loose Tools	28,000	General Reserve	3,20,000
Salaries	1,60,000	Securities Premium	20,000
Contribution to P. F.	36,000	Profit & Loss Appro. A/c	62,000
Debenture Interest	10,000	(1/4/2018)	
Insurance	16,000	Gross Profit	7,60,000
Rent & Rates	80,000	Provident Fund	80,000
Furniture	1,00,000	Outstanding Expenses	22,000
Audit Fees	20,000	Unclaimed Dividend	20,000
Repairs	26,000	Interest accrued bill	6,000
Motor	96,000	not due on loan	
Discount on Debentures	20,000	Creditors	2,00,000
Goods-in-transit	40,000	Interest on Investment	20,000
Custom Deposits	46,000		
Postage & Telegrams	8,000		
Directors' Fees	40,000		
Underwriting Comm.	30,000		
Carriage Inward	8,000		
	40,60,000		40,60,000

Other Information:

(1) Provide depreciation on Plant & Machinery at 10%, Furniture and Motor at 5%.

(2) Provide 5% bad debts reserve on debtors.

(3) Provision for income-tax is to be made for ₹ 75,000.

(4) Interest due on investments ₹ 15,000.

(5) Write off 1/5 of underwriting commission.

(6) Transfer ₹ 70,000 to general reserve.

(7) Directors recommended 5% dividend on equity share capital.

Prepare Final Accounts of the company as per revised schedule III of Companies Act 2013. (Guj. Uni., S.Y.B.B.A. Nov. 2013)

[**Ans.:** Total of vertical B/s ₹ 35,43,400; Sh. Cap. ₹ 20,00,000; Res. & Surpl. ₹ 5,05,400; L.T. Borrow. ₹ 4,80,000; Def. Tax Liab. ₹ 75,000; other L.T. Liab. ₹ 86,000; L.T. Prov. ₹ 80,000; Trade Pay. ₹ 2,00,000; Other Curr. Liab. ₹ 42,000; S.T. Prov. ₹ 75,000; Tang. Asst. ₹ 15,16,200; Intang. Asst. ₹ 4,00,000; Non-curr. Invt. ₹ 4,34,000; L.T. Loans and Adv. ₹ 46,000; Other Non-curr. Asst. ₹ 34,000; Inventory ₹ 7,48,000; Trade Rec. ₹ 2,84,200; Cash and Cash Eqv. ₹ 66,000; Other Curr. Asst. ₹ 15,000.

Rev. from Oper. ₹ 7,60,000; Other Inc. ₹ 35,000; Total Rev. ₹ 7,95,000; Less: Cost of Mat. Cons. ₹ 8,000, Empl. Exp. ₹ 1,96,000, Fin. Cost ₹ 20,000, Depr. & Amort. Exp. ₹ 1,27,600, other Exp. ₹ 1,90,000; PBT ₹ 2,53,400; less: tax for Curr. year ₹ 75,000; Profit from Operations ₹ 1,78,400]

Ex. 25 The following balances were extracted from the books of Madhav Ltd. as on 31/3/2019.

Particulars	₹	Particulars	₹
Paid-up share capital	7,50,000	Office Expenses	25,000
14% Debentures	2,50,000	Loose tools	30,000
Share premium	1,25,000	Cash Balance	1,25,000
Goodwill	4,68,500	Bank Overdraft	2,25,000
Land & Building	6,00,000	Purchases	20,77,000
Audit - fees	6,000	Sales	30,97,000
Directors fees	9,000	Carriage inward	5,000
Debentures interest	17,500	Carriage outward	7,500
Octroi	62,500	Provident fund	75,000
Bills Receivable	60,000	Unclaimed dividend	10,000
Bills Payable	75,000	Insurance Premium	6,000
Plant & Machinery	7,50,000	Debtors	2,25,000
General Reserve	3,00,000	Creditors	1,60,000
P & L Appropriation (1/4/2018)	2,87,500	Stationeries	40,000
		Bad debts	1,500
Furniture	1,50,000	Bad debts reserve	2,500
Opening stock	2,40,000	Provident fund contribution	15,000
Postage	25,000		
Patents & Trademarks	1,20,000	Salaries	76,500
Copyrights	1,00,000	Wages	1,15,000

After considering following information, prepare final accounts of the company for the year ending on 31st March, 2019.

(1) The value of stock on 31/3/2019 is ₹ 4,02,500, out of which market value of 20% stock is 30% more.

(2) Provide depreciation on Land & Building at 10%, on Furniture of 15%, on plant & machineries at 20% and on Loose Tools at 25%.

(3) Write off ₹ 5,000 from Debtors for bad-debts and provide 5% for bad-debts reserve.

(4) Transfer ₹ 1,00,000 to General Reserve.

(5) Provision for taxation is to be made at 50% on net profit.

(6) Director' proposal to pay 4% dividend on shares.

(Sau. Uni., Oct., 1999, 2018-Double Amt.)

[Ans.: (1) Total of B/s ₹ 27,75,000; (2) Liabilities: Sh. Cap. ₹ 7,50,000, Reserves & Surplus ₹ 9,32,500, Long-term Borrowing ₹ 2,50,000, Deferred Tax Liability ₹ 2,50,00, Other Long-term Liab. ₹ 17,500; Long-term Provision ₹ 75,000; Trade Payables ₹ 2,35,000, Other Current Liabilities ₹ 2,35,000, Short Term Provision ₹ 30,000; (3) Assets: Tangible Assets ₹ 12,90,000, Intangible Assets ₹ 6,88,500, Inventories ₹ 4,02,500, Trade Receivables ₹ 2,69,000, Cash & Cash Equivalents ₹ 1,25,000; (4) P & L A/c: Revenue from operations ₹ 30,97,000 Less: Cost of material consumed ₹ 22,59,500, Changes in inventory ₹ -1,62,500, Employee benefit Exp. ₹ 91,500, Finance cost ₹ 35,000, Depreciation & amortization ₹ 2,55,000, Other Exp. ₹ 1,18,500; Profit before tax ₹ 5,00,000; Provision for Income Tax ₹ 2,50,000; Net Profit after tax ₹ 2,50,000.

Notes: (1) Closing stock ₹ 4,02,500; (2) Depreciation on Land & Building ₹ 60,000, Furniture ₹ 22,500, Plant & Mach. ₹ 1,50,000, Loose Tools ₹ 7,500; (2) Bad-Debts Reserve ₹ 11,000; (4) Prop. Dividend ₹ 30,000.]

* * * * *

Ex. 8: On the basis of the following data of X Ltd., prepare Common-Size percentage tables:

Particulars	Note No.	31/3/2018 ₹	31/3/2019 ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital: Equity Share Cap.		9,60,000	15,00,000
(B) Reserves & Surplus			
Profit & General Reserve		6,00,000	6,00,000
Shareholders' Funds		15,60,000	21,00,000
[2] Current Liabilities:			
Provision for tax		1,20,000	3,30,000
Bills Payable		1,92,000	2,70,000
Creditors		5,28,000	3,00,000
Total Current Labialise		8,40,000	9,00,000
*** T O T A L ***		**24,00,000**	**30,00,000**
[B] Assets:			
[1] Non-Current Assets:			
Fixed Assets:			
Land & Building		7,20,000	14,70,000
Furniture		6,00,000	6,30,000
Total Fixed Assets		13,20,000	21,00,000
[2] Current Assets:			
Cash & Bank Balance		2,40,000	1,50,000
Debtors		3,60,000	3,00,000
Stock		4,80,000	4,50,000
Total Current Assets		10,80,000	9,00,000
*** T O T A L ***		**24,00,000**	**30,00,000**

(Guj. Uni., Nov., 2014)

[**Ans.:** Common-Size % for the year ended 31/3/2018 and 31/3/2019: **Equity and Liabilities:** Equity Share Capital: 40%, 50%; Profit & General Reserve: 25%, 20%; Total Shareholders' Funds: 65%, 70%; Provision for Tax: 5%, 11%; Bills Payable: 8%, 9%; Creditors: 22%, 10%; Total Current Liabilities: 35%, 30%; Total Liabilities: 100%, 100%;

Assets: Land & Buildings: 30%, 49%; Furniture: 25%, 21%; Total Fixed Assets: 55%, 70%; Cash & Bank Balance: 10%, 5%; Debtors: 15%, 10%; Stock: 20%, 15%; Total Current Assets: 45%, 30%; Total Assets: 100%, 100%.]

Ex. 4: Convert income statement given below into a common-size statement and interpret the changes.

(Figures in lacs)

Particulars	2017	2018
Sales	1,370	1,442
Less: Cost of goods sold	838	926
* Gross Profit *	532	516
Less: Operating expenses: Administrative	94	92
Selling	188	182
* Total Operating Expenses *	282	274
* Operating profit *	250	242
Add: Other income: Dividend	44	50
	294	292
Less: Interest paid	44	44
* Profit Before Taxes *	250	248
Less: Taxes	124	124
*** Profit After Taxes ***	**126**	**124**

(Guj. Uni., S.Y.B.B.A., April, 2002)

[**Ans.:** Common-size statement: **In 2017:** Sales 100% – COGS 61.17 = G.P. 38.83 – Op. Exp. 20.58 (6.86 + 13.72). Op. profit 18.25 + Other Income 3.21 = 21.46 less Int. 3.21 = PBT 18.25 – Tax 9.05 = PAT 9.20.

In 2018: Sales 100% – COGS 64.22 = G.P. 35.78 – Op. Exp. 19.00 (6.38 + 12.62) = Op. Profit 16.78 + Other Income 3.47 = 20.25 –Int. 3.05 = PBT 17.20 – Tax 8.60 = PAT 8.60.]

Ex. 5: The balance sheets of Jigna Ltd. on 31/3/2018 and 31/3/2019 are

Current Ratio: 1:1 (62,400/62,100) (4) Liquid Ratio: 0.94:1 (29,400 / 31,300) (5) Dividend per share (DPS) ₹ 2 (₹ 27,600 / 13,800 shares) (6) Return on Capital Employed 49.94% (1,20,000 × 100 / 2,40,300)]

Ex. 24: Two years' Balance sheets of Manisha Ltd. are as follows:

Particulars	Note No.	31/3/2018 ₹	31/3/2019 ₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital:			
Equity Share Capital (₹ 100)		80,000	1,20,000
10% Preference Share Capital		40,000	40,000
(B) Reserves & Surplus:			
General Reserve		24,000	24,000
Profit & Loss A/c		16,000	—
[2] Non-Current Liab.: 12% Debentures		80,000	40,000
[3] Current Liabilities: Bank Overdraft		8,000	16,000
Creditors		24,000	28,000
Bills Payable		8,000	20,000
Outstanding Exp.		4,000	8,000
TOTAL		2,84,000	2,96,000
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			
Tangible Assets: Land & Building		80,000	72,000
Machinery		72,000	72,000
(B) Other Non-Current Assets:			
Profit & Loss A/c		—	8,000
[2] Current Assets: Stock		60,000	72,000
Debtors		42,400	24,000
Bills Receivables		16,000	9,600
Cash & Bank		13,600	38,400
TOTAL		2,84,000	2,96,000

Additional Information:

Particulars	2017-'18 (₹)	2018-'19 (₹)
(1) Sales	2,92,000	1,75,200
(2) Cost of Goods Sold	1,75,200	1,16,800
(3) Net Profit (Before Pref. Dividend)	28,000	38,000
(4) Stock on 1/4/2017 ₹ 56,800		

Calculate the following ratios:

(1) Current Ratio (2) Liquid Ratio
(3) Gross Profit Ratio (4) Debtors Ratio (365 days)
(5) Stock Turnover Ratio (6) Earning Per Share
(7) Rate of return on equity Shareholders' Fund

(Guj. Uni., April . 2011)

[Ans.: (1) Current Ratio: 2017-'18: 3:1 (1,32,000 / 44,000) & 2018-'19: 2:1 (1,44,000 / 72,000); (2) Liquid Ratio: 2017-'18: 2:1 (72,000 / 36,000) & 2018-'19: 1.29:1 (72,000 / 56,000); (3) Gross Profit Ratio: 2017-'18: 40% (1,16,800 / 2,92,000 × 100) & 2018-'19: 33.33% (58,400 / 1,75,200 × 100); (4) Debtors Ratio: 2017-'18: 73 Days (58,400 / 2,92,000 × 365) & 2018-'19: 70 Days (33,600 / 1,75,200 × 365); (5) Stock Turnover Ratio: 2017-'18: 3 Times (58,400 / 1,75,200) & 2018-'19: 1.77 Times (1,16,800 / 66,000 × 365); (6) Earning Per Share: 2017-'18: ₹ 30 (24,000 / 800 Shares) & 2018-'19: ₹ 28.33 (32,000 / 1,200 Shares); (7) Rate of return on equity Shareholders' Fund: 2017-'18: 20% (24,000 / 1,20,000 × 100) & 2018-'19: 25% (34,000 / 1,36,000 × 100).]

Ex. 25: The following are the

Ex. 26: Following accounting information is obtained relating to Pranav Paper Mills Ltd.

Particulars	₹
Sales	30,00,000
Less: Cost of goods sold	15,00,000
Gross Profit	15,00,000
Less: Administrative, Selling and Financial Expenses	5,00,000
	10,00,000
Less: Taxes	5,00,000
Net Profit	**5,00,000**

Balance Sheet

Particulars	**Note No.**	₹	₹
[A] Equity and Liabilities:			
[1] Shareholders' Funds:			
(A) Share Capital			
Equity Share Capital		20,00,000	
Preference Share Capital		20,00,000	40,00,000
(B) Reserves & Surplus			10,00,000
[2] Non-Current Liabilities:			
10% Debentures			11,00,000
[3] Current Liabilities:			
Creditors		1,50,000	
Bank Overdraft		1,00,000	
Bills Payable		40,000	
Outstanding Expenses		10,000	3,00,000
TOTAL			64,00,000
[B] Assets:			
[1] Non-Current Assets:			
(A) Fixed Assets:			55,00,000
(B) Other Non-Current Assets:			
Fictitious Assets			1,00,000
[2] Current Assets:			
Stock		2,00,000	
Debtors		3,00,000	
Bills Receivable		1,00,000	
Cash & Bank		2,00,000	8,00,000
TOTAL			64,00,000

Opening stock was ₹ 3,00,000. Assume 360 days in a year. Compute the following ratios and give a brief statement on financial position.

(1) Gross profit ratio (2) Operating ratio

(3) Stock turnover rate (4) Current ratio

(5) Liquid ratio (6) Debtors' ratio

(7) Proprietary ratio

(8) Rate of return on net capital employed

(9) Rate of return of equity share capital

(Sau. Uni., April, 1991, Nov., 2019-Half)

[**Ans.:** (1) Gross Profit ratio 50% (2) Operating ratio 66. 2/3 % (Cost of goods sold 15,00,000 + Expenses 5,00,000 ÷ 30,00,000) (3) Stock turnover 6 times (15,00,000/2,50,000 Average stock) (4) Current ratio 2.67: 1 (8,00,000 ÷ 3,00,000) (5) Liquid ratio 3: 1 (6) Debtors' ratio 48 days (4,00,000/30,00,000 × 360) (7) Proprietary ratio 77.77% (49,00,000 / 63,00,000) (8) Rate of return on net capital employed (on profit before tax and interest) 18.5% (11,10,000/60,00,000 × 100) (9) Rate of return on Equity share capital 15% (3,00,000/20,00,000 × 100)]

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