

28. From the following information, you are required to prepare the Profit and Loss Account of BB bank for the year ended 31<sup>st</sup> March, 2015 under the provisions of the act applicable thereto:

	Rs. ('000)		Rs. ('000)
Interest on loan	518	Postage, Telegram & Telephone	2.8
Interest on cash credit	446	Sundry charges	2
Discount on bills (net)	390	Advertisement	1.4
Interest on overdraft	108	Director's fee	6
Interest on SB deposit	220	Printing and stationery	0.4
Interest on fixed deposit	554	Law charges	1.4
Commission, exchange & Brokerage	16.4	Payment to employees	108
Rent, taxes & lighting	36	Locker rent	0.7
Auditor's fee	2.4	Transfer fees	1.4
		Depreciation on bank's property	10

Supplementary information:

- i) Rebate on bills discounted- Rs. 98,000
- ii) Provide for bad debts- Rs. 58,000

(6 × 4 = 24 Marks)

#### Part-D

Answer any *two* questions. Each question carries 15 marks.

29. Following are the abridged balance sheets of A Ltd. and B Ltd. as at 31<sup>st</sup> March, 2013 (figures in '000s).

Liabilities	A Ltd	B Ltd.	Assets	A Ltd.	B Ltd.
Equity capital (Rs. 10 each)	24,000	9,000	Fixed assets	33,000	14,190
12% Preference capital (Rs. 100 each)	-	3,000	Current assets	12,000	5,910
General reserve	13,830	2,940			
Statutory reserves	1,170	375			
P & L account	1,689	1,065			
13% Debentures	-	750			
Current liabilities	4,311	2,970			
Total	45,000	20,100		45,000	20,100

On 1<sup>st</sup> April, 2013 A Ltd. takes over B Ltd. on the following terms:

- (i) A Ltd. will issue 10,50,000 equity shares of Rs. 10 each at par to the equity shareholders of B Ltd.
- (ii) A Ltd. will issue 33,000 12% preference shares of Rs. 100 each at par to the preference shareholders of B Ltd.
- (iii) The debentures of B Ltd. will be converted into equal number of 14% debentures of the same denomination.
- (iv) The statutory reserves of B Ltd. are to be maintained for two more years.

You are required to show the entries in the books of B Ltd. And A Ltd. and the balance sheet of A Ltd. immediately after amalgamation assuming that amalgamation is in the nature of purchase.

a) Claims admitted but not paid	Rs. 90,00,000
b) Management expenses due	Rs. 2,00,000
c) Interest accrued	Rs. 1,93,00,000
d) Premiums outstanding	Rs. 1,00,00,000
e) Bonus used in reduction of premium	Rs. 20,00,000
f) Claims covered under reinsurance	Rs. 23,00,000

30. Following a series of losses, ABC Ltd. Resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate its share premium account. The company's balance sheet prior to implementation of the scheme was as under:

Liabilities	Rs.	Assets	Rs.
Equity capital			
(50,000 fully paid shares of Rs. 5)	5,00,000	Goodwill	1,00,000
Share premium account	50,000	Land & building	1,62,000
Creditors	62,000	Plant & machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		P&L account	50,000
Total	<u>6,85,000</u>	Total	<u>6,85,000</u>

It was resolved to apply the sum available under the scheme:

- a) To write off the goodwill account
- b) To write off the debit balance of P & L account
- c) To reduce the book values of the assets by the following amounts:  
Land & building- Rs. 42,000, Plant & machinery- Rs. 67,000 and Stock- Rs. 33,600
- d) To provide a bad debt reserve of 10% on the book value of debtors.

Write necessary journal entries in relation to the scheme and prepare the revised balance sheet after its implementation.