

UNIT-4 : ABSORPTION ACCOUNTS

Example-1 : The following is the Balance-sheet of Bhaumil Ltd. as on 31-3-17

Liabilities	(Rs.)	Assets	(Rs.)
8% 4,000 Pref. Shares of Rs. 100 each	4,00,000	Goodwill	1,60,000
12,000 Equity Shares of Rs. 100 each.	12,00,000	Building	10,00,000
General Reserve	1,00,000	Machineries	5,00,000
Profit & Loss A/c	80,000	Investments	2,00,000
10% Debentures	3,00,000	Stock	1,40,000
Creditors	1,20,000	Debtors	50,000
		Cash in Hand & Bank balance	50,000
		Discount on Debentures	20,000
		Preliminary Expenses	80,000
	22,00,000		22,00,000

On 1st April, 2017 Umang Ltd. absorbed Bhaumil Ltd. with the following conditions :

- (1) Umang Ltd. took over the tangible assets except cash, bank balance and investments. It also took over creditors.
- (2) The Equity Share holders of Bhaumil Ltd. were to be allotted five Equity shares of Suvidha Ltd. of Rs. 10 each at a market price of R. 12 per share for every share held by Equity share holder. Liquidation expenses Rs. 14,000 were to be met by Umang Ltd.
- (3) The Preference Shareholder of Bhaumil Ltd. were to be allotted eight Equity shares of Umang Ltd. of Rs. 10 each at a market price of Rs. 12 per share for every share held by pref. shareholder.
- (4) Investments were sold for Rs. 1,64,000
- (5) The debenture-holders of Bhuamil Ltd. were to be allotted 10% Debenture of Umang Ltd. in such a way that debenture holders get 20% premium.
- (6) Umang Ltd. took stock at Rs. 1,24,000, Machineries at Rs. 4,20,000 and provision for doubtful debts equal to 5% on sundry debtors.

Show the following accounts in the books of Bhaumil ltd.

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|----------------------------|-----------------------------|
| (1) Realisation Account | (2) Equity Shareholders A/c |
| (3) Pref. Shareholders A/c | (4) Bank A/c |

Prepare Balance-Sheet in the Books of Umang Ltd.

(HNGU – UNIVERSITY EXAM – NOVEMBER/DECEMBER – 2018, 2019 half amount)

Example-2 : The following is the Balance-sheet of Dipali Ltd. as on 31-3-18

Liabilities	Dipali Ltd. (Rs.)	Jayna Ltd. (Rs.)	Assets	Dipali Ltd. (Rs.)	Jayna Ltd. (Rs.)
Paid Up Capital			Fixed Assets	5,40,000	3,00,000
Equity Shares of Rs. 100 each Fully paid up	4,00,000		Investments (M.V. 50,000)	-	45,000
Equity Shares of Rs. 100 each. Rs. 50 paid up.	-	3,00,000	Current Assets	1,80,000	1,44,000
General Reserve	50,000	-	Preliminary Exp.	30,000	11,000
10% Debentures	1,50,000	1,00,000	P & L A/c	-	50,000
Creditors	1,50,000	1,50,000			
	7,50,000	5,50,000		7,50,000	5,50,000

On 01-04-2018 Dipali Ltd. agreed to absorb Jayna Ltd. on the following conditions:

- (1) The Fixed Assets of Dipali Limited as shown in the books are 10% Less than the Market value whereas the current assets of Jayna Limited includes stock worth Rs. 44,000 which is overvalued by 10%.
- (2) The Purchase Consideration was to be satisfied by issue of three fully paid equity share of Dipali Limited in exchange of Ten (10) Equity Shares of Jayna Limited on the basis of intrinsic value of their shares and balance amount in cash.

Prepare ledger accounts in the books of Jayna Limited and pass necessary Journal Entries in the books of Dipali Limited.

(HNGU – UNIVERSITY EXAM – NOVEMBER/DECEMBER – 2018)