

26 Jappai Ltd. registered with an authorised capital of Rs. 20,00,000 divided into Rs. 5,00,000 8% preference shares of Rs. 100 each and Rs. 15,00,000 equity shares of Rs. 20 each to take over the business of Macarni Ltd., which was unable to continue the business further. The balance sheet of Macarni Ltd. stood as follows :

<i>Liabilities</i>		<i>Assets</i>	
	Rs.		Rs.
50,000 equity shares of Rs. 10 each, fully paid	5,00,000	Patent	50,000
Workmen's compensation fund	10,000	Land and building	2,00,000
Sundry creditors	1,00,000	Plant and machinery	1,30,000
Bank overdraft	50,000	Furniture and fixtures	20,000
		Stock	1,00,000
		Sundry debtors	90,000
		Profit and loss account	70,000
	<u>6,60,000</u>		<u>6,60,000</u>

*The terms of taking over were as follows :*

- Patent to be written off completely.
- Land and building to be taken at Rs. 1,80,000.
- Plant and machinery to be reduced by Rs. 30,000.
- A provision for doubtful debts to be created at 20%.
- Other assets and liabilities were taken over at book value.
- The expenses of winding up Rs. 3,000 to be borne by the new company.
- The shareholders of the old company will get their dues by fully paid equity shares of the new company.

Show the journal entries to close the books of Macarni Ltd. (in liquidation).

[B.U., B.Com. (Pass)]

Problem-3 (Problem 24, Basu & Das, page-80)

In the books of Macarni Ltd.

Journal Entries

Realisation A/c -- Dr 5,90,000

To Patent

50,000

To Land & Building

2,00,000

To Plant & Machinery

1,30,000

To Furniture

20,000

To Stock

1,00,000

To Debtors

90,000

Creditors A/c -- Dr 1,00,000

Bank Overdraft A/c -- Dr 50,000

To Realisation A/c

1,50,000

Jappai Ltd A/c -- Dr 3,22,000

To Realisation A/c

3,22,000

Equity Shareholders A/c -- Dr 1,18,000

To Realisation A/c

1,18,000

Equity Share Capital A/c -- Dr 5,00,000

Workmen's Compensation Fund A/c -- Dr 10,000

To Equity Shareholders A/c

5,10,000

Equity Shareholders A/c - Dr 70000 /  
 To Profit & Loss (Dr) A/c 70000

Equity Shareholders A/c - Dr 322000 /  
 To Equity Shares in Jappai Ltd A/c 322000

Workings

Calculation for purchase consideration

Patent	R NIL
LB	180000
PM	100000
Fur	20000
Stock	100000
Debtors (90000 - 18000)	72000
	<u>472000</u>

Ln - current liabilities

- creditors 100000

- Bank Overdraft 50000

150000  
322000

The purchase consideration is discharged by  
 fully paid equity shares @ Rs 20 each.

$$= \frac{\text{Rs } 322000}{\text{Rs } 20} = 16100 \text{ Equity Shares}$$