

2,92,400

(5)

NSG

Marks

Bat Ltd. has acquired the business of Cat Ltd. The following scheme of merger was approved :

- (i) Banks agreed to waive the loan of Rs. 60 thousands of Bat Ltd.
- (ii) Bat Ltd. will reduce its shares to Rs. 10 per share and then consolidate 10 such shares into one share of Rs. 100 each (new share).
- (iii) Shareholders of Cat Ltd. will be given one share (new) of Bat Ltd. in exchange of every share held in Cat Ltd.
- (iv) Proposed dividend of Cat Ltd. will be paid after merger to shareholders of Cat Ltd.
- (v) Sundry creditors of Bat Ltd. includes Rs. 100 thousands payable to Cat Ltd.
- (vi) Cat Ltd. will cancel 20% holding of Bat Ltd. investment, which was held at a cost of Rs. 250 thousands.

Pass necessary entries in the books of Bat Ltd. and prepare Balance Sheet after merger.

5. The Balance Sheet of D Ltd. on 31st March, 2009 is as under :

16

Liabilities	Rs.	Assets	Rs.
12,500 shares of Rs. 100 each fully paid	1,25,00,000	Goodwill	10,00,000
Bank overdraft	46,50,000	Building	80,00,000
Creditors	52,75,000	Machinery	70,00,000
Provision for taxation	12,75,000	Stock	80,00,000
Profit and loss account	53,00,000	Debtors (all considered good)	50,00,000
Total	<u>2,90,00,000</u>	Total	<u>2,90,00,000</u>

In 1989, when the company started its activities the paid up capital was the same. The Profit/Loss for the last five years is as follows :

2004-2005 Loss (13,75,000), 2005-2006 Profit Rs. 24,55,000, 2006-2007 Profit Rs. 29,25,000, 2007-2008 Profit Rs. 36,25,000, 2008-2009 Profit Rs. 42,50,000.

Income-tax rate so far has been 40% and the above profits have been arrived at on the basis of such tax rate., From 2008-2009, the rate of Income-tax should be

NSG

P. T. O.