

16.7.20

B. Com Part II

By

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Question: -

A limited acquired 60% share in S Limited @ 20 per share. Following are the extract of Balance sheet of S limited.

Particulars	R.B.
1,00,000 equity shares of 10 each.	10,00,000
12% debentures -	2,50,000
Trade payable -	4,00,000
Fixed Assets -	7,00,000
Investment -	4,50,000
Current Assets -	7,00,000
Loans & Advance -	2,00,000

On the same date B Limited declared dividend at 20% and as agreed between both the company fixed assets were to be depreciated @ 10% and Investment to be taken at market value of 6,00,000. Calculate the goodwill or Capital Reserve to be recorded in Consolidated Balance sheet.

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Ans. Calculation of Goodwill/Capital Reserve.

Fixed Assets.	700,000	
(-) Depreciation 10%	70,000	
	630,000	
Investment at Market value.	600,000	
Current Assets - Loan & Advance.	700,000	
	200,000	
	900,000	
	2130,000	

(-) Trade Payables	400,000	
10% Debenture.	250,000	
	650,000	
	1480,000	

Majority share in Equity	1480,000 x 60	
	100,000	
	888,000	

(-) Cost of Investment	100,000 x 60	
	100,000	
	60,000	
Less Dividend:	60,000 x 2	
	120,000	
	120,000	
	1080,000	
Goodwill -	192,000	