

**STELLA MARIS COLLEGE (AUTONOMOUS), CHENNAI 600086**  
(For candidates admitted during the academic year 2023-2024)

**B.COM DEGREE EXAMINATION, APRIL 2026**  
**HONOURS**  
**SIXTH SEMESTER**

**COURSE : MAJOR CORE**  
**PAPER : ACCOUNTING FOR CORPORATE RE-ORGANISATION**  
**SUBJECT CODE : 23BH/MC/AC64**  
**TIME : 3 HOURS**

**MAX.MARKS: 100**

<b>SECTION A</b>				
<b>Q. No.</b>	<b>Answer all the questions:</b>	<b>(5 x 2 = 10)</b>	<b>CO</b>	<b>KL</b>
1.	Define Purchase Consideration.		CO1	K1
2.	A Ltd. has 1,00,000 equity shares of Rs. 10 each. The company consolidates them into shares of Rs. 50 each. Pass the journal entry for consolidation of shares.		CO1	K1
3.	Give two reasons why the directors of the parent company may not wish to consolidate some subsidiaries.		CO1	K1
4.	S transferred goods to H at a transfer price of \$18,000 at a mark-up of 50%. Two thirds these goods remained in the inventory at year end. Calculate PURP.		CO1	K1
5.	Following are the details of investment in an associate. Opening Investment                 \$5,00,000 Share of Profit                         \$40,000 Dividend Received                    \$10,000 Find the closing carrying value.		CO1	K1
<b>SECTION B</b>				
<b>Q. No.</b>	<b>Answer any four of the following questions:</b>	<b>(4 x 5 = 20)</b>	<b>CO</b>	<b>KL</b>
6.	Define 'Associate' and explain the term 'Equity Accounting'.		CO1	K2
7.	On 1st May 2017, K bought 60% of S, paying \$80,000 cash. On 1st June 2017, K transferred an item of plant to S for \$15,000. Its carrying amount at that date was \$10,000 and its remaining useful life was five years. Required: Show how the above will be accounted for.		CO1	K2
8.	Following are the details with regard to investment in associate. Carrying amount of the investment                 \$75,000 Share of loss for the year                             \$1,00,000 The investor has no legal or constructive obligation. Required: What is the amount of loss to be recognised? Explain your answer.		CO1	K2
9.	A company goes into voluntary liquidation. The liquidator reports the following: Assets realised: Rs. 2,50,000 Preferential creditors: Rs. 20,000 Secured creditors: Rs. 1,20,000 (security realised Rs. 90,000) Unsecured creditors: Rs. 1,00,000 Prepare List A and List B and show the Summary of Gross assets.		CO1	K2

10.	Raman Ltd. agrees to purchase the business of Krishnan Ltd on the following terms: a) For each of the 10,000 shares of Rs.10 each in Krishnan Limited, 2 shares in Raman Limited of Rs. 10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs. 4 per share cash also will be paid. b) 8% debentures worth rupees 80,000 will be issued to settle the Rs. 60,000 9% debentures in Krishnan Limited. c) Rs., 10,000 will be paid towards expenses of winding up. Calculate the purchase consideration.			CO1	K2	
11.	X Co. Ltd. has the following shares as a part of its share capital. 10,000 8% preference shares of Rs. 100 each full paid. 50,000 equity shares of Rs. 5 each fully paid. 20,000 equity shares of Rs. 10 each, Rs. 8 called up and paid up. The company has decided to alter the share capital as follows: i) To sub-divide the preference shares into shares of Rs. 10 each. ii) To consolidate the equity shares of Rs. 5 each into shares of Rs. 10 each. iii) To convert the partly paid up equity shares into fully paid up shares of Rs. 8 each, with necessary legal sanctions. Journalise the alterations.			CO1	K2	
<b>SECTION C</b>						
<b>Q. No.</b>	<b>Answer all the questions: (4 x 10 = 40)</b>			<b>CO</b>	<b>KL</b>	
12.	<b>A)</b>		<b>Smith (\$)</b>	<b>Marsh (\$)</b>	CO2	K3
		<b>Non-Current Assets:</b>				
		Property, plant & equipment	85,000	18,000		
		Investment: Shares in Jones	60,000			
		Current assets	1,60,000	84,000		
			3,05,000	1,02,000		
		<b>Equity:</b>				
		Ordinary \$1 shares	65,000	20,000		
		Share premium	35,000	10,000		
		Retained earnings	70,000	25,000		
			1,70,000	55,000		
		Current liabilities	1,35,000	47,000		
			3,05,000	1,02,000		
		Smith acquired 16,000 ordinary \$1 shares in Marsh on 1 January 2018, when Marsh's retained earnings stood at \$20,000 and its share premium was \$10,000. On this date, the fair value of the 20% non- controlling shareholding in Marsh was \$12,500. The Smith Group uses the fair value method to value the non-controlling interest. <b>Required:</b> Prepare the consolidated Statement of Financial Position of Smith as at 31 December 2018.				
		<b>(OR)</b>				

	<p>B) The following information is extracted from the books of a Drum company on June 30, 2006 on which date a winding up order was made:</p> <table border="1"> <tr> <td>Equity share capital, 8,000 shares of Rs.10 each</td> <td>8,00,000</td> </tr> <tr> <td>10% preference share capital 12,000 shares of Rs.10 each</td> <td>12,00,000</td> </tr> <tr> <td>Calls in arrears on equity shares (estimated to produce Rs.8,000)</td> <td>16,000</td> </tr> <tr> <td>9% first mortgage debentures, secured by a floating charge on the whole of the assets of the company</td> <td>8,00,000</td> </tr> <tr> <td>Creditors fully secured (value of shares in X ltd. Rs.1,60,000) Creditors partly secured (value of shares in Y ltd. Rs.80,000)</td> <td>1,40,000</td> </tr> <tr> <td>Preferential creditors</td> <td>30,000</td> </tr> <tr> <td>Bank overdraft, secured by a second charge on the whole of the assets of the company</td> <td>80,000</td> </tr> <tr> <td>Unsecured creditors</td> <td>10,40,000</td> </tr> <tr> <td>Estimated liability on bill discounted</td> <td>40,000</td> </tr> <tr> <td>Cash in hand</td> <td>8,100</td> </tr> <tr> <td>Book debts</td> <td></td> </tr> <tr> <td>Good</td> <td>1,50,000</td> </tr> <tr> <td>Doubtful (estimated to produce 40%)</td> <td>30,000</td> </tr> <tr> <td>Bad debts</td> <td>18,000</td> </tr> <tr> <td>Stock in trade (estimated to produce Rs.2,38,700)</td> <td>2,88,000</td> </tr> <tr> <td>Freehold land &amp; buildings (estimated to produce Rs.7,82,000)</td> <td>6,60,000</td> </tr> <tr> <td>Plant &amp; machinery (estimated to produce Rs. 2,12,000)</td> <td>3,00,000</td> </tr> <tr> <td>Fixtures &amp; fixtures (estimated to produce Rs. 30,000)</td> <td>50,000</td> </tr> </table> <p>Prepare a statement of affairs (a) As regards creditors and (b) As regards contributories</p>	Equity share capital, 8,000 shares of Rs.10 each	8,00,000	10% preference share capital 12,000 shares of Rs.10 each	12,00,000	Calls in arrears on equity shares (estimated to produce Rs.8,000)	16,000	9% first mortgage debentures, secured by a floating charge on the whole of the assets of the company	8,00,000	Creditors fully secured (value of shares in X ltd. Rs.1,60,000) Creditors partly secured (value of shares in Y ltd. Rs.80,000)	1,40,000	Preferential creditors	30,000	Bank overdraft, secured by a second charge on the whole of the assets of the company	80,000	Unsecured creditors	10,40,000	Estimated liability on bill discounted	40,000	Cash in hand	8,100	Book debts		Good	1,50,000	Doubtful (estimated to produce 40%)	30,000	Bad debts	18,000	Stock in trade (estimated to produce Rs.2,38,700)	2,88,000	Freehold land & buildings (estimated to produce Rs.7,82,000)	6,60,000	Plant & machinery (estimated to produce Rs. 2,12,000)	3,00,000	Fixtures & fixtures (estimated to produce Rs. 30,000)	50,000		
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13.	<p>A) Given below is the Statement of Profit or Loss for Paris and its subsidiary, London, for the year ended 31 December 2015.</p> <table border="1"> <thead> <tr> <th></th> <th>Paris (\$000)</th> <th>London (\$000)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>3,200</td> <td>2,560</td> </tr> <tr> <td>Cost of sales</td> <td>(2,200)</td> <td>(1,480)</td> </tr> <tr> <td>Gross profit</td> <td>1,000</td> <td>1,080</td> </tr> <tr> <td>Distribution costs</td> <td>(160)</td> <td>(120)</td> </tr> <tr> <td>Administrative expenses</td> <td>(400)</td> <td>(80)</td> </tr> <tr> <td>Operating profit</td> <td>440</td> <td>880</td> </tr> <tr> <td>Investment income</td> <td>160</td> <td>-</td> </tr> <tr> <td>Profit before financing and income taxes</td> <td>600</td> <td>880</td> </tr> <tr> <td>Income tax expenses</td> <td>(400)</td> <td>(480)</td> </tr> <tr> <td>Profit for the year</td> <td>200</td> <td>400</td> </tr> </tbody> </table>		Paris (\$000)	London (\$000)	Revenue	3,200	2,560	Cost of sales	(2,200)	(1,480)	Gross profit	1,000	1,080	Distribution costs	(160)	(120)	Administrative expenses	(400)	(80)	Operating profit	440	880	Investment income	160	-	Profit before financing and income taxes	600	880	Income tax expenses	(400)	(480)	Profit for the year	200	400	CO2	K3			
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Additional information:

- i. Paris paid \$1.5 million on 31 December 2011 for 80% of London's 800,000 ordinary shares.
- ii. Goodwill impairment on 1 January 2015 amounted to \$152,000. A further impairment of \$40,000 was found to be necessary at the year-end. Impairments are included within administrative expenses.
- iii. Paris made sales to London at a selling price of \$600,000 during the year. Not all of the goods had been sold externally by the year-end. The profit element included in London's closing inventory was \$30,000.
- iv. Additional fair value depreciation for the current year amounted to \$10,000. All depreciation should be charged to cost of sales.
- v. London paid an interim dividend during the year of \$200,000.
- vi. Paris values non-controlling interest using the fair value method.

**Required:**

Prepare a consolidated Statement of Profit or Loss for the year ended 31 December 2015 for the Paris group.

**(OR)**

B) On 31 March 2011, the balance sheet of AX Ltd stood as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital (75,000 Equity Shares of Rs.10 each, fully paid)	7,50,000	Plant & Machinery	8,05,000
Securities Premium	75,000	Furniture & Fixtures	97,200
General Reserve	3,12,750	Stock	3,52,750
Profit & Loss A/c	92,650	Debtors	99,220
Creditors	1,80,370	Cash at Bank	56,600
<b>Total</b>	<b>14,10,770</b>	<b>Total</b>	<b>14,10,770</b>

On this date AX Ltd. took over the business of BY Ltd. for Rs. 3,30,000 payable in the form of its fully paid equity shares of Rs.10 each at par. Shareholders of BY Ltd. get 110 shares of AX Ltd. for every 100 shares held in BY Ltd. The scheme of amalgamation also provided that 1,500 12% debentures of BY Ltd. would be converted into equal number of 14% debentures of AX Ltd. of Rs. 100 each. The balance sheet of BY Ltd. on the date of amalgamation was as follows:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Share Capital (30,000 Equity Shares of ₹10 each fully paid)	3,00,000	Machinery	2,75,000
Capital Reserve	6,500	Furniture	67,600
Foreign Projects Reserve	4,850	Stock	1,57,900
General Reserve	37,675	Debtors	64,650
Profit & Loss A/c	12,065	Cash at Bank	37,180
1,500 12% Debentures of ₹100 each	1,50,000		
Creditors	91,240		
<b>Total</b>	<b>6,02,330</b>	<b>Total</b>	<b>6,02,330</b>

You are required to pass journal entries in the books of AX Ltd. assuming that the amalgamation is in the nature of merger.

14	<p>A) On 1<sup>st</sup> April 2012, P Ltd. acquired 25% in S Ltd. for \$5,00,000.  Net assets of S Ltd. at acquisition were \$16,00,000.  At acquisition, PPE fair value exceeded book value by \$2,00,000 (Life of the asset is 10 years)  For the year ended 31<sup>st</sup> March 2013, S Ltd.'s profit is \$4,00,000 and dividend is \$80,000.  Unrealised profit is \$40,000.  <b>Required:</b>  Calculate the carrying amount of the investment as at 31<sup>st</sup> March 2013.  <b>(OR)</b></p> <p>B) The following particulars relate to a limited company which went into voluntary liquidation:  Preferential Creditors Rs. 1,00,000  Unsecured Creditors Rs. 2,32,000  6% Debentures Rs. 1,20,000  The assets realized Rs. 3,20,000. The expenses of liquidation amounted to Rs. 6,000. and the liquidator's remuneration was agreed at 2.5 % on the amount realized and 2% of the amount paid to unsecured creditors including the preferential creditors. Show the liquidator's final statement of account.</p>	CO3	K4																																	
15	<p>A) Bravis acquired 60% of the ordinary share capital of Philips on 31 December 2016 for \$240,000. At this date, the net assets of Philips were \$360,000.  <b>Required:</b>  Calculate the goodwill arising on acquisition:  i. if the non-controlling interest (NCI) is valued using the proportion of net assets method.  ii. if the NCI is valued using the fair value method and the fair value of the NCI on the acquisition date is \$150,000.  <b>(OR)</b></p> <p>B) JK Ltd. is absorbed by LM Ltd. Following are the balance sheets of these two companies as on 31 March 2011:</p> <table border="1" data-bbox="284 1435 1241 1980"> <thead> <tr> <th><b>Liabilities</b></th> <th><b>JK Ltd.</b></th> <th><b>LM Ltd</b></th> </tr> </thead> <tbody> <tr> <td>Share Capital: Paid-up Share Capital 5,000 Equity Shares of Rs. 100 each, Rs. 70 Paid up</td> <td>3,50,000</td> <td></td> </tr> <tr> <td>50,000 Equity Shares of Rs. 100 Each, Rs. 75 Paid up</td> <td></td> <td>37,50,000</td> </tr> <tr> <td>Reserve Fund</td> <td>4,25,000</td> <td>11,00,000</td> </tr> <tr> <td>Profit and Loss a/c</td> <td>1,50,000</td> <td>1,00,000</td> </tr> <tr> <td>Sundry Creditors</td> <td>1,00,000</td> <td>90,000</td> </tr> <tr> <td></td> <td>10,25,000</td> <td>50,40,000</td> </tr> <tr> <th><b>Assets</b></th> <th><b>JK Ltd.</b></th> <th><b>LM Ltd</b></th> </tr> <tr> <td>Sundry Assets</td> <td>10,15,000</td> <td>49,05,000</td> </tr> <tr> <td>Cash in hand</td> <td>10,000</td> <td>1,35,000</td> </tr> <tr> <td></td> <td>10,25,000</td> <td>50,40,000</td> </tr> </tbody> </table>	<b>Liabilities</b>	<b>JK Ltd.</b>	<b>LM Ltd</b>	Share Capital: Paid-up Share Capital 5,000 Equity Shares of Rs. 100 each, Rs. 70 Paid up	3,50,000		50,000 Equity Shares of Rs. 100 Each, Rs. 75 Paid up		37,50,000	Reserve Fund	4,25,000	11,00,000	Profit and Loss a/c	1,50,000	1,00,000	Sundry Creditors	1,00,000	90,000		10,25,000	50,40,000	<b>Assets</b>	<b>JK Ltd.</b>	<b>LM Ltd</b>	Sundry Assets	10,15,000	49,05,000	Cash in hand	10,000	1,35,000		10,25,000	50,40,000	CO3	K4
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	It was decided that the holder of every 3 shares in JK Ltd. was to receive 5 shares in LM Ltd. plus as much cash as in necessary to adjust the rights of shareholders of both the companies in accordance with the intrinsic value of shares as per respective balance sheets. Calculate purchase consideration																																																								
<b>Q. No.</b>	<b>SECTION D</b>	<b>CO</b>	<b>KL</b>																																																						
	<b>Answer any one of the following question: (1 x 15 = 15)</b>																																																								
16.	<p>Salt acquired 24 million \$1 shares (80%) of the ordinary shares of Bell by offering a share-for-share exchange of two shares for every three shares acquired in Bell, and a cash payment of \$1 per share payable three years later. Salt's shares have a nominal value of \$1 and a current market value of \$2. The cost of capital is 10% and the value of \$1 receivable in 3 years' time can be taken as \$0.75.</p> <p>i. Calculate the cost of investment and show the journals to record it in Salt's financial statements.</p> <p>ii. Show how the discount would be unwound.</p>	CO4	K5																																																						
17.	<p>The following are the abridged balance sheets of P Ltd. and S Ltd. as on 31 March, 1999.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Liabilities</th> <th style="text-align: center;">P Ltd Rs. (‘000)</th> <th style="text-align: center;">S Ltd Rs. (‘000)</th> <th style="text-align: left;">Assets</th> <th style="text-align: center;">P Ltd Rs. (‘000)</th> <th style="text-align: center;">S Ltd Rs. (‘000)</th> </tr> </thead> <tbody> <tr> <td>Equity share capital</td> <td style="text-align: center;">8,000</td> <td style="text-align: center;">3,000</td> <td>Fixed Assets</td> <td style="text-align: center;">11,000</td> <td style="text-align: center;">4,730</td> </tr> <tr> <td>10% Preference share capital of Rs. 100 each</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1,000</td> <td>Current Assets</td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">1,970</td> </tr> <tr> <td>General reserve</td> <td style="text-align: center;">4,610</td> <td style="text-align: center;">980</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Statutory reserve</td> <td style="text-align: center;">390</td> <td style="text-align: center;">125</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit and Loss account</td> <td style="text-align: center;">563</td> <td style="text-align: center;">355</td> <td></td> <td></td> <td></td> </tr> <tr> <td>12% Debentures</td> <td style="text-align: center;">-</td> <td style="text-align: center;">250</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: center;">1,437</td> <td style="text-align: center;">990</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>15,000</u></td> <td style="text-align: center;"><u>6,700</u></td> <td></td> <td style="text-align: center;"><u>15,000</u></td> <td style="text-align: center;"><u>6,700</u></td> </tr> </tbody> </table> <p>On 1<sup>st</sup> April 1999, P Ltd. takes over S Ltd. on the following terms:</p> <p>i. P Ltd will issue 3,50,000 equity shares of Rs. 10 each at par to the equity shareholders of S Ltd.</p> <p>ii. P Ltd will issue 11,000 10% Preference shares of Rs. 100 each at par to the preference shareholders of S Ltd.</p> <p>iii. The debentures of S Ltd. will be converted into an equal number of 12.5% debentures of the same denomination.</p> <p>You are informed that the statutory reserves of S Ltd are to be maintained for two more years. You are required to show the balance sheet of P Ltd immediately after the above mentioned scheme of amalgamation has been implemented assuming that:</p> <p>a) The amalgamation is in the nature of merger and</p> <p>b) The amalgamation is in the nature of purchase.</p>	Liabilities	P Ltd Rs. (‘000)	S Ltd Rs. (‘000)	Assets	P Ltd Rs. (‘000)	S Ltd Rs. (‘000)	Equity share capital	8,000	3,000	Fixed Assets	11,000	4,730	10% Preference share capital of Rs. 100 each	-	1,000	Current Assets	4,000	1,970	General reserve	4,610	980				Statutory reserve	390	125				Profit and Loss account	563	355				12% Debentures	-	250				Current liabilities	1,437	990					<u>15,000</u>	<u>6,700</u>		<u>15,000</u>	<u>6,700</u>	CO4	K5
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Q. No.	SECTION E Compulsory Case Study (1x 15 = 15)		CO	KL																								
18.	<p>Sunset Ltd. has been facing continuous financial losses and liquidity problems. As a result, the Board of Directors has decided to place the company under liquidation. The liquidator is appointed to assess the financial position of the company and determine how the available assets should be distributed among different claimants.</p> <p>The summarised Balance Sheet of Sunset Ltd. as at 30 September 2010 is given below:</p> <table border="1" data-bbox="284 667 1241 974"> <thead> <tr> <th>Liabilities</th> <th>Rs.</th> <th>Assets</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>1,25,000 Equity Shares of Rs. 10 Each</td> <td>12,50,000</td> <td>Land and buildings</td> <td>2,50,000</td> </tr> <tr> <td>Secured Debentures (on Land and Buildings)</td> <td>5,00,000</td> <td>Other Fixed assets</td> <td>10,00,000</td> </tr> <tr> <td>Unsecured Loans</td> <td>10,00,000</td> <td>Current assets</td> <td>22,50,000</td> </tr> <tr> <td>Trade Creditors</td> <td>17,50,000</td> <td>Profit and Loss a/c</td> <td>10,00,000</td> </tr> <tr> <td></td> <td>45,00,000</td> <td></td> <td>45,00,000</td> </tr> </tbody> </table> <p>During liquidation, the liquidator must identify the priority of claims and determine how the proceeds from the assets will be applied to settle the liabilities.</p> <p>Required: As the liquidator, evaluate the claims of the different stakeholders by preparing the Statement of affairs.</p>		Liabilities	Rs.	Assets	Rs.	1,25,000 Equity Shares of Rs. 10 Each	12,50,000	Land and buildings	2,50,000	Secured Debentures (on Land and Buildings)	5,00,000	Other Fixed assets	10,00,000	Unsecured Loans	10,00,000	Current assets	22,50,000	Trade Creditors	17,50,000	Profit and Loss a/c	10,00,000		45,00,000		45,00,000	CO5	K6
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