

2. The Indo-Gulf Co. Ltd. sells its business to the Continental Co. Ltd as on 31st March,2012, on which date its Summary Balance Sheet was as under:

Liabilities	Rs	Assets	Rs
Paid up Capital:		Goodwill	50,000
2,000 Shares of Rs 100 each	2,00,000	Freehold Property	1,50,000
General Reserve	50,000	Plant and Tools	83,000
Profits and Loss Account	20,000	Stock	35,000
Debentures	1,00,000	Sundry Debtors	27,500
Trade Creditors	30,000	Cash at Bank	50,000
		Bills Receivable (Trade)	4,500
	4,00,000		4,00,000

The Continental Co. Ltd. agreed to take over the assets (exclusive of cash at bank and goodwill) at 10 per cent less than the book value, to pay Rs 75,000 for goodwill, and to take over the debentures. The consideration was to be discharged by the allotment to the Indo-Gulf Co. Ltd. of 1,500 shares of Rs 100 each at a premium of Rs 10 per share and the balance in cash.

The cost of the liquidation amounted to Rs 3,000. Show the necessary accounts in the books of the Indo-Gulf Co. Ltd. and show the necessary journal entries recording the transactions in the books of the Continental Co. Ltd.

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