

## **CONVERSION / SALE OF PARTNERSHIP FIRM INTO A LTD. CO.**

### **Unit Structure:**

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Company Act 2013
- 1.3 Accounting entries for conversion
- 1.4 Solved practical problems
- 1.5 Exercise

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### **1.0 OBJECTIVES**

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After studying the unit the students will be able to:

- Understand the concept conversion of partnership firm
- Calculate the Purchase consideration
- Explain the journal entries
- Solve the practical problems.

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### **1.1 INTRODUCTION**

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Partnership firm in India is a major type of business concern which has led not only to the growth of the economy but also has provided employment and entrepreneur skills to the business. A growth in this business results in a need for tremendous expansion. However, a partnership firm suffers various inherent limitations of insufficient funding, unlimited liability, skills and competence in handling a business and so on under such a situation it becomes very necessary for the firm to change its form. The firm in such a situation may convert itself into either

- 1) A Joint Stock Company or
- 2) Limited Liability Partnership Firm to handle the spurt in the growth of the business.

In case the operations are very voluminous or large scaled a joint stock company becomes the most desirable solution. However it all depends on the partners' argument to change the form of the business.

This change of form may be done by either selling the firm altogether by converting it to a company.

**It has to be done through the following stages:**

1. Finding out prospective buyer of the partnership firm who will purchase the firm and then form a company.  
(In some cases, the partners may take help of the financial service providing firms and themselves complete the formalities)
2. Estimate the Purchase Consideration.
3. Transfer assets and liabilities to the companies.
4. Distribute the purchase consideration to the partners.

In the process of conversion or sale the **students are required to:**

1. Ascertain purchase consideration.
2. Close books of old firms.
3. Preparation of Balance Sheet of the New Firm.

**Purchase Consideration (PC):** It means the price to be paid to the partners for giving up their ownership rights. The previous chapter has already discussed purchase consideration, a quick reviews is presented here.

**It can be calculated as follows:**

1. **Net Assets Method:** Here the PC means Difference between the agreed values of assets taken over and liabilities accepted by the new company.
2. **Net Payment Method:** Here the PC means payment made through equity shares, preference shares, debentures, and cash to the partners.
3. **Lump sum Method:** It means large single payment to the partners.

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## **1.2 COMPANY ACT 2013**

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Section 2(20) of the Act defines a company as, “Any company formed and registered under this Act or any previous Act”. Also through schedule III, the Act has laid down the disclosure requirements of the financial statements. (The Act is detailed in the following chapter - Introduction to Company Accounts)

Proforma of Balance sheet as required for the Curriculum

	Particulars	Note No.	₹
I)	<b>Equity &amp; Liabilities</b>		
1.	Share holders funds		
a.	Share Capital		
b.	Reserves & Surplus		
2	Non Current Liabilities		
3	Current Liabilities (CL)		
	<b>Total</b>		

II)	<b>Assets</b>		
1.	Non Current Assets		
2.	Current Assets (CA)		
	<b>Total</b>		

(The notes to the accounts should provide the contents of each of the heads of the assets and the liabilities)

### **1.3 ACCOUNTING ENTRIES FOR CONVERSION**

#### **A. In the books of the Partnership Firm.**

1. Transfer all assets to the Realisation A/c
 

Realisation A/c	Dr.
To All Assets A/c	
  
2. Transfer liabilities except capital
 

Liabilities A/c	Dr.
To Realisation A/c	
  
3. Create Partners claim (only if there are reserves / profits not added to the Capital)
 

General Reserve A/c	Dr.
Profit and Loss A/c	Dr.
To Partner's Capital A/c	
  
4. Transfer of Partners loan.
 

Partners Loans A/c	Dr.
To Partner's Capital A/c	

**OR**

Payment or settlement of partner's loan  
 Partner's Loan A/c Dr.  
 To Bank / asset A/c

5. Record the Purchase Consideration  
 New Company A/c Dr.  
 To Realisation A/c

6. Calculate realization loss or gain and transfer to the capital A/c.

**Gain**  
 Realisation A/c Dr.  
 To Partners' Capital A/c

**Loss :**  
 Partners' Capital A/c Dr.  
 To Realisation A/c

7. Receiving the purchase consideration  
 Shares / Debentures / Cash A/c Dr.  
 To New Company A/c

8. Disburse the Purchase Consideration to the Partners  
 Partners' Capital A/c Dr.  
 To Shares / Debentures / Cash

**B. In books of the new company** (Not included in the syllabus)

**C. Balance sheet of the New Company** (as per format discussed earlier)

**Check your progress:**

**i) State whether the following statements are True or False.**

- 1) Upon conversion the old partnership firm ceases to exist.
- 2) A company is suitable for the business having large scale operations.
- 3) Purchase consideration on conversion of a company is settled in shares and debentures only.
- 4) Profit or loss on realization should be transferred equally to the partners.
- 5) Asset taken over is debited to the partners capital A/c

(Answers : True - 1, 2, 5 - False - 3, 4)

**ii) Fill in the Blanks**

- 1) A Joint Stock Company has ----- liability.

- 2) Purchase consideration has to be distributed to the partners in ----- ratio.
- 3) ----- A/c is debited when cash is taken over by a limited company.
- 4) A new company is formed on ----- of a partnership firm.
- 5) ----- method of calculating P.C. = Assets - Liabilities.

(1- limited, 2 - Profit sharing, 3 - Partner capital, 4 - dissolution, 5 - Net assets method)

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## 1.4 SOLVED PRACTICAL PROBLEMS

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### Illustration 1

A, B and C share profits and losses in the ratio of 3:2:1 respectively. Their Balance sheet as an 31/12/2018 is as follows:

Capital		Goodwill	20,000
A	1,40,000	Land	40,000
B	1,60,000	Building	2,20,000
C	20,000	Machinery	1,00,000
General Reserve	36,000	Vehicles	56,000
Investment Fluctuation loan	8,000	Furniture	24,000
C's Loan	66,000	Investment	36,000
Mrs. A's loan	30,000	Loose Tools	14,000
Creditors	1,52,000	Bills Receivable	40,000
Outstanding Expenses	40,000	Debtors 80,000	
Bills Payable	28,000	Provision <u>4,000</u>	76,000
Bank Over Draft	1,20,000	Cash	38,000
		C's Current A/c	1,12,000
		Profit & Loss A/c	24,000
	<b>8,00,000</b>		<b>8,00,000</b>

### Adjustments :

- 1) The partners decided to convert the firm into ABC Ltd. a Joint Stock Company having an authorized capital of 1,00,000 equity shares of ₹10 each.

- 2) The purchase consideration was decided at ₹5,80,000 and settled by paying ₹1,00,000 in cash and balance through equity shares.
- 3) The outstanding expenses was to be settled by the firm.
- 4) Loose Tools, vehicles, furniture and investments are sold by the firm at ₹10,000; ₹50,000; ₹25,000 and ₹42,000 respectively.
- 5) The Partner's and their spouses loan are taken over by the respective partners along with current A/c balances.

Prepare the ledger accounts in the books of the partnership firm.

**Solution :**

**Purchase consideration (P.C.)**

P.C. (given)		5,80,000
Settlement		
1) Cash / Bank	1,00,000	
2) Equity shares	4,80,000	5,80,000
(40,000 shares of ₹10 each)		

**Ledger Accounts**

**Realisation A/c**

Dr.		Cr.	
To Assets A/c		By Liabilities A/c	
Goodwill	20,000	Creditors	1,52,000
Land	40,000	Bill Payable	28,000
Building	2,20,000	Provision on Debtors	4,000
Machinery	1,00,000	By ABC Ltd. (PC)	5,80,000
Bills Received	40,000	By Furniture	1,000
Debtors	80,000	By Investments	6,000
To loose tools	4,000		
To Vehicles	6,000		
To P. Capital			
(in A 1,30,500			
PSR) B 87,000			
C 43,500	2,61,000		
(gain on realization)			
	<b>7,71,000</b>		<b>7,71,000</b>

## Partners' Capital A/c

	Partners				Partners		
	A	B	C		A	B	C
To Current A/c	-	-	1,12,000	By Balance b/d	1,40,000	1,60,000	20,000
To Profit & Loss A/c (PSR)	12,000	8,000	4,000	By General Reserve (PSR)	18,000	12,000	6,000
To Equity Share in ABC Ltd.	2,40,000	1,60,000	80,000	By Investment fluctuation period (PSR)	4,000	2,667	1,333
To Bank (final payment done)	70,500	93,667	--	By Loan's (adj 5)	30,000	--	66,000
				By Realisation (gain)	1,30,500	87,000	43,500
				By Bank (Cash brought to adj. excess)	--	--	59,167
	<b>3,22,500</b>	<b>2,61,667</b>	<b>1,96,000</b>		<b>3,22,500</b>	<b>2,61,667</b>	<b>1,96,000</b>

## ABC Ltd. A/c

To Realisation A/c	5,80,000	By Bank	1,00,000
		By Equity Shares in ABC	4,80,000
	<b>5,80,000</b>		<b>5,80,000</b>

## Bank A/c

To Balance b/d (Cash)	38,000	By Balance b/d	1,20,000
To ABC Ltd.	1,00,000	By O/S Expenses	40,000
To loose tools	10,000	By B's Capital	93,667
To Vehicles	50,000	By A's Capital	70,500
To Furniture	25,000		
To Investments	42,000		
To C's Capital	59,167		
	<b>3,24,167</b>		<b>3,24,167</b>

**Loose Tools A/c**

To Balance b/d	14,000	By Bank	10,000
		By Realisation (Loss)	4,000
	<b>14,000</b>		<b>14,000</b>

**Vehicles A/c**

To Balance b/d	56,000	By Bank	50,000
		By Realisation (Loss)	6,000
	<b>56,000</b>		<b>56,000</b>

**Furniture A/c**

To Balance b/d	24,000	By Bank	25,000
To Realisation (gain)	1,000		
	<b>25,000</b>		<b>25,000</b>

**Investment A/c**

To Balance b/d	36,000	By Bank	42,000
To Realisation	6,000		
	<b>42,000</b>		<b>42,000</b>

**Outstanding Expenses A/c**

To Bank	40,000	By Balance b/d	40,000
	<b>40,000</b>		<b>40,000</b>

**Equity Share in ABC Ltd.**

To ABC Ltd.	4,80,000	By Partners' Capital (in PSR)	
		A (3/6)	2,40,000
		B (2/6)	1,60,000
		C (1/6)	80,000
	<b>4,80,000</b>		<b>4,80,000</b>

**Illustration 2**

Amar, Akbar and Anthony were carrying on a Partnership business sharing profits & losses in the ratio of 4 : 3 : 1. Their business was expanding rapidly and hence they decided to convert their firm to AB Ltd., a joint stock company on 1/4/2018.

The Balance sheet of the firm as on 31/3/2018 was as follows :

Capital		Property	3,60,000
Amar	4,00,000	Equipment	2,40,000
Akbar	3,00,000	Debtors	3,00,000
Anthony	2,60,000	Stock	2,60,000
Bank Loan	80,000	Bank balance	40,000
Creditors	1,60,000		
	<b>12,00,000</b>		<b>12,00,000</b>

**Adjustments :**

1) The Co. agreed to take the assets & liabilities at the following values :

Property -	₹4,40,000
Equipment -	₹2,00,000
Debtors -	₹2,75,000
Stock -	₹2,50,000
Creditors -	₹1,45,000

2) The Co. agreed to pay ₹8, 00,000 through equity shares of ₹10 each and balance in cash.

3) The expenses of liquidation of the firm amounted to ₹10,000.

Journalise all the transactions in the books of the partnership firm.

**Solution :**

**I) Calculation of P.C. & its settlement Assets taken over (at agreed values)**

Property -	4, 40,000
Equipment -	2, 00,000
Debtors -	2, 75,000
Stock -	2, 50,000
Creditors -	<u>40,000</u>
	12, 05,000

Less : Liabilities

Creditors	1,45,000	
Bank Loan	<u>80,000</u>	<u>2,25,000</u>
<b>P.C</b>		<b>9,80,000</b>

			<b>Dr. Rs.</b>	<b>Cr. Rs.</b>
<b>1.</b>	Realisation A/c To Property A/c To Equipment A/c To Debtors A/c To Stock A/c To Bank A/c (Being Assets transfer to Realization a/c)	Dr.	12,00,000	3,60,000 2,40,000 3,00,000 2,60,000 40,000
<b>2.</b>	Creditors A/c Bank loan A/c To Realisation A/c (Being liabilities transfer to realization A/c)	Dr. Dr.	1,60,000 80,000	2,40,000
<b>3.</b>	AB Ltd. A/c To Realisation A/c (Being P.C. recorded)	Dr.	9,80,000	9,80,000
<b>4.</b>	Realisation A/c To Bank A/c (Being realization expenses paid)	Dr.	10,000	10,000
<b>5.</b>	Equity Shares in AB Ltd. A/c Bank A/c To AB Ltd. A/c (Being P.C. Received)	Dr. Dr.	8,00,000 1,80,000	9,80,000
<b>6.</b>	Realisation A/c To Amar's Capital A/c To Akbar's Capital A/c To Anthony's Capital A/c (Being Realisation gain transferred to Capital)	Dr.	20,000	10,000 7,500 2,500
<b>7.</b>	Amar's Capital A/c Akbar Capital A/c Anthony's Capital A/c To Bank A/c (Being Cash paid to Partners)	Dr. Dr.	10,000 7,500 1,62,500	1,80,000
<b>8.</b>	Amar's Capital A/c Akbar's Capital A/c Anthony's Capital A/c To Equity Shares in AB Ltd. A/c (Being equity shares received in P.C. settled to the partners)	Dr. Dr. Dr.	4,00,000 3,00,000 1,00,000	8,00,000

**Partners Capital A/c****WN1**

	Amar	Akbar	Anthony		Amar	Akbar	Anthony
To Equity Shares (8L in PSR)	4,00,000	3,00,000	1,00,000	By Balance	4,00,000	3,00,000	2,60,000
To Cash	10,000	7,500	1,62,500	By Realisation	10,000	7,500	2,500
<b>(Balance)</b>	<b>4,10,000</b>	<b>3,07,500</b>	<b>2,62,500</b>		<b>4,10,000</b>	<b>3,07,500</b>	<b>2,62,500</b>

**WN-2****Realisation A/c**

To Total Assets	12,00,000	By Total Liabilities	2,40,000
To Partners' Capital		By AB Ltd. A/C	9,80,000
Amar 10,000			
Akbar 7,500			
Anthony 2,500	20,000		
	<b>12,20,000</b>		<b>12,20,000</b>

**Illustration 3**

Kavita and Savita are equal partners. Their Balance sheet as on 31/3/2018 is as follows :

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital			
Kavita	1,50,000	Bank	15,000
Savita	1,40,000	Fixed Assets	2,15,000
Creditors	1,00,000	Stock	1,00,000
Bank overdraft	40,000	Debtors	1,00,000
	<b>4,30,000</b>		<b>4,30,000</b>

The partners sold the business to KS Ltd. a Company on 1/4/2018. The value of goodwill was fixed at ₹15,000 and rest of the assets & liabilities were taken at the Balance sheet values. The company paid the purchase consideration through

- 1) 2500 10% debentures of ₹100 each and
- 2) Equity shares of ₹10 each

Prepare the Balance sheet of the Ltd. Co.

**Solution :****I) Calculation of P.C.**

Goodwill -		75,000
Bank -		15,000
Fixed Assets		2,15,000
Stock -		1,00,000
Debtors -		<u>1,00,000</u>
		5,05,000

Less : Liabilities

Creditors	1,00,000	
Bank Overdraft	<u>40,000</u>	1,40,000
<b>P.C</b>		<b>3,65,000</b>

**Settlement of P.C.**

1) 10% Debenture (2500 x ₹100 each)	2,50,000
2) Equity shares (bal) (11500 shares x ₹10)	<u>1,15,000</u>
<b>Total</b>	<b>3,65,000</b>

**II) Balance sheet of KS Ltd. as on 1/4/2018**

Particulars	Note no.	₹
<b>A) Capital &amp; Liabilities</b>		
1) Share holders funds		
a) Share Capital	1	1,15,000
b) Reserves & Surplus		--
2) Non Current Liabilities	2	2,50,000
3) Current Liabilities	3	1,40,000
<b>Total</b>		<b>5,05,000</b>
<b>B) Assets</b>		
1) Non Current Assets	4	2,90,000
2) Current Assets	5	2,15,000
<b>Total</b>		<b>5,05,000</b>



On 1/1/2019; they formed a Ltd. Co. "Pink Ad Films Ltd." on the following conditions:

- 1) Distribute the bank balance amongst themselves.
- 2) The Company would discharge the P.C. through
  - a) 10% Debentures - ₹60,000
  - b) 15% Preference shares - ₹1,20,000
  - c) 15,000 equity shares of ₹10 each of ₹12 share
- 3) The partners agreed to share the debentures as : Aishwarya - ₹30,000 & Aradhya - ₹30,000
- 4) The Preference shares were to be allotted in the PSR and the equity shares will adjust the remaining capital balances.

Prepare the Realisation A/c and partners capital in the books of the partnership firm and Balance sheet of the new Co.

**Solution :**

**Calculation of P.C.**

1) 10% Debentures	60,000
2) 15% Preference shares	1,20,000
3) Equity shares (15,000 x 12)	<u>1,80,000</u>
(Equity Capital - 15,000 x 10 = 1,50,000	<b>3,60,000 (PC)</b>
Sec Premium - 15,000 x 2 = 30,000)	

**Realisation A/c**

To Debtors	60,000	By Creditors	60,000
To Bill Received	30,000	By Pink Advising Films Ltd. (PC)	3,60,000
To Fixed Assets	3,00,000		
To Partners' Capital*			
Abhishek (2/4) 15,000			
Aishwarya (1/4) 7,500			
Aradhya (1/4) <u>7,500</u>	30,000		
	<b>4,20,000</b>		<b>4,20,000</b>

\*(Profit on Realisation = ₹30,000)

## Partners Capital A/c

	Abhishek	Aishwarya	Aradhya		Abhishek	Aishwarya	Aradhya
To Bank (PSR)	15,000	7,500	7,500	By Balance b/d	1,80,000	1,50,000	30,000
To 10% Debentures	--	30,000	30,000	By Realisation	15,000	7,500	7,500
To Preference Shares (PSR)	80,000	46,000	--				
To Equity Shares (Balance)	1,00,000	80,000	--				
	<b>1,95,000</b>	<b>1,57,500</b>	<b>37,500</b>		<b>1,95,000</b>	<b>1,57,500</b>	<b>37,500</b>

**\*Note-** As the capital and dues of Aradhya are settled through Bank and debentures she will not be given preference and equity shares.

## Pink Ad Films Ltd.

Balance sheet as on 1/1/2019

Particulars	Note no.	₹
1) Share holders funds		
a) Share Capital	<b>1</b>	2,70,000
b) Reserves & surplus	<b>2</b>	30,000
2) Non Current Liability	<b>3</b>	60,000
3) Current Liabilities	<b>4</b>	60,000
<b>Total</b>		<b>4,20,000</b>
Assets		
1) Non Current Assets	<b>5</b>	3,00,000
2) Current Assets	<b>6</b>	1,20,000
<b>Total</b>		<b>4,20,000</b>

## Notes to Accounts

## Note 1 : Share Capital

15% Preference Share Capital	1,20,000
Equity Share Capital	<u>1,50,000</u>
	2,70,000

(The entire shares have been issued to the vendors; hence no consideration is received here upon.)

**Note 2 : Reserves & Surplus**

Security Premium (Refer P.C. Calculation)	30,000
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**Note 3: Non Current Liabilities**

10% Debentures	60,000
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\*(The debentures have been issued to the vendors hence there is no amount received from them.)

**Note 4: Current Liabilities**

Creditors	60,000
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**Note 5: Non Current Assets**

Fixed Assets	3, 00,000
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**Note 6 : Current Assets**

Debtors	60,000
Bills Received	<u>30,000</u>
	<b>90,000</b>

**Illustration 5**

Following is the Balance sheet of Amar and Naman sharing Profit & Loss in the ratio of 2 : 3.

Liabilities	Rs.	Assets	Rs.
Capital		Plant & Machinery	4,00,000
Aman	4,00,000	Equipment	4,00,000
Naman	5,00,000	Stock	65,000
Bank Loan	75,000	Debtors	50,000
Creditors	50,000	Bills Received	45,000
		Bank	65,000
	<b>10,25,000</b>		<b>10,25,000</b>

Aman & Naman sold their business to Mr. Shaman who formed a new company Namaste Ltd. The Co. took over all the assets at book values excluding equipment which was taken at ₹3,00,000. The Co. settled the P.C. by issuing.

- i) 40,000 equity shares of ₹10 each
- ii) 4000 10% Preference shares of ₹100 each &
- iii) 11% Debentures - ₹1,50,000

Close the books of the partnership firm and prepare the Balance sheet of the Co.

**Solution :****Calculation of P.C.**

1) Equity shares (40,000 x ₹10)	4,00,000
2) 10% Preference shares (4000 x ₹100)	4,00,000
3) 11% Debentures	<u>1,50,000</u>
<b>P.C.</b>	<b>9,50,000</b>

**Calculation of assets & liabilities taken over for finding out goodwill / Capital reserves****Assets**

Plant & Machinery	4,00,000
Equipment	3,00,000
Stock	65,000
Debtors	50,000
Bills Receive	45,000
Bank	<u>65,000</u>
	<b>9,25,000</b>

## Less : Liabilities

Bank Loan	75,000	
Creditors	<u>50,000</u>	1,25,000
<b>Net Assets</b>		<b>8,00,000</b>

**\*\*Point to Remember**

- 1) PC > NA = Goodwill
- 2) PC < NA = Capital Reserve

**\*\*In this case, the Company will have Goodwill of ₹1,50,000.**

(PC Rs. 9,25,000- Net Assets Rs. 8,00,000= 1,50,000)

**Realisation A/c**

To Plant & Machinery	4,00,000	By Bank Loan	75,000
To Equipment	4,00,000	By Creditors	50,000
To Stock	65,000	By Namaste Ltd.	9,50,000
To Debtors	50,000	(PC)	
To B / R	45,000		
To Bank	65,000		
To Partners' Capital			
Aman (2/5) 20,000			
Naman (3/5) 30,000	50,000		
	<b>10,75,000</b>		<b>10,75,000</b>

**Namaste Ltd. A/c**

To Realisation	9,50,000	By Equity Shares	4,00,000
		By Preference Shares	4,00,000
		By Debentures	1,50,000
	<b>9,50,000</b>		<b>9,50,000</b>

**Partners Capital A/c**

	Amar	Akbar		Amar	Akbar
To Equity Shares	1,60,000	2,40,000	Balance b/d	4,00,000	5,00,000
To Preference Shares	1,60,000	2,40,000	Realization	20,000	30,000
To Debentures (Balance)	1,00,000	50,000			
	<b>4,20,000</b>	<b>5,30,000</b>		<b>4,20,000</b>	<b>5,30,000</b>

**Equity Shares in Namaste Ltd. A/c**

To Namaste Ltd.	4,00,000	By Aman (2/5)	1,60,000
		By Naman (3/5)	2,40,000
	<b>4,00,000</b>		<b>4,00,000</b>

**Preference Shares in Namaste Ltd. A/c**

To Namaste Ltd.	4,00,000	By Aman	1,60,000
		By Naman	2,40,000
	<b>4,00,000</b>		<b>4,00,000</b>

**Debentures in Namaste Ltd. A/c**

To Namaste Ltd.	1,50,000	By Aman	1,00,000
		By Naman	50,000
	<b>1,50,000</b>		<b>1,50,000</b>

**Note** : As the apportionment ratios are not given, one of the disbursement has to be used for settling the partners capital A/c. (Here debentures are settled based on the partners capital's pending settlement)

**Namaste Ltd.**  
**Balance sheet as on \_\_\_\_\_**

**I) Capital and Liabilities****1) Share holder's funds**

a) Share Capital	1	8,00,000
b) Reserves & surplus		
2) Non Current Liabilities	2	2,25,000
3) Current Liabilities	3	<u>50,000</u>
<b>Total</b>		<b>10,75,000</b>

**Assets**

1) Non Current Assets	4	8,50,000
2) Current Assets	5	<u>2,25,000</u>
<b>Total</b>		<b>10,75,000</b>

**Notes to Accounts****1) Share Capital**

10% Preference Share of ₹100 each	4,00,000
Equity share of ₹10 each	<u>4,00,000</u>
	8,00,000

(These shares are issued to the vendors hence no consideration is received here upon)

**2) Non Current Liabilities**

11% Debentures	1,50,000
Bank Loan	<u>75,000</u>
	<b>2,25,000</b>

(The Debentures are issued to the vendor for the settlement of PC hence no consideration is received here upon)

**3) Current Liabilities**

Creditors	50,000
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**4) Non Current Assets****Intangible**

Goodwill (refer **Point to remember)	1,50,000
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**Tangible**

Plant & Machinery	4,00,000
Equipment	<u>3,00,000</u>
	<b>8,50,000</b>

**5) Current Assets**

Stock	65,000
Debtors	50,000
Bills Received	45,000
Bank	<u>65,000</u>
	<b>2,25,000</b>