

### PC of A

$$15\% \text{ Pref shares} = \underline{3000} \times 150 = 450000.$$

→ 100 FV  
→ 50 P.

$$\frac{800000}{100} = 8000.$$

$$\text{Equity shares} = \underline{8000} \times \underline{5} \times 30 = 1200000$$

→ 10 FV  
→ 20 P

$$\underline{1650000}$$

### PC of B

$$15\% \text{ Pref shares} = 2000 \times 150 = 300000$$

$$\text{Equity shares} = 7500 \times 4 \times 30 = \frac{900000}{1200000}$$

Bus Purc Dr	2850
to Liquidator of A	1630
to Liquidator of B	1200

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L&B Dr 950

P&M Dr 600

Int Dr 200

Stock Dr 600.

DrS Dr 550.

B/R Dr 100.

Bank Dr 500

G/W Dr 20

to Liab for deb <sup>n</sup>	60
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to CrS.	390
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to B/P	220
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to Bus Purchase	2850
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$$10\% \cdot 9000 = 9000$$

$$15\% x = 9000$$

$$x = \frac{9000}{15\%} = 60 \text{ } \cancel{000}$$

Liquidator of A Dr 1630

to 13% Pref Sh. Capital	300	(3000 × 10)
to Equity Share Capital	400	(8000 × 5 × 10)
to Security premium	950	
		(3000 × 50 + 8000 × 5 × 20)

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Liquidator of B Dr 1200

to 15% Pref Share cap	200	(2000 × 100)
to Equity Share Cap	300	(7500 × 4 × 10)
to Security premium	700	

diab for deb<sup>n</sup> dr 60

to 13% deb<sup>n</sup> 60

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Amal adj Dr 100

to Invnt all Res 100

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Balance sheet of C Ltd. ('000)  
as on 1.4.95.

Shareholder fund

Equity Share Capital (Rs 10 each) 700 ①  
15% Pref Share Capital  
(Rs 100 each) 500 ②

Security premium 1650 ③  
Investment all Res. 100

(-) Amal adj a/c (100)

Noncurrent liab

15% debenture 60

Current liab

S. Creditors 390

Bills Payable 220

W. Note

① 400 + 300

② 300 + 200

③ 950 + 700

Noncurrent AssetsTangible : L&B  
P&M

950

600.

Intangible: G/W  
Investment

20.

200.

Current Asset

Stock.

600

D/S.

550.

B/R

100.

Bank

500

# Intrinsic Value

$$IV = \text{All assets} - \text{All liabilities}$$



$$PC = \frac{\text{Asset}}{T/O} - \frac{\text{Liab}}{T/O}$$

$$\begin{aligned} & \text{Asset of PCo.} \\ & - \text{Liab} \\ & \hline & \text{IV of PCo.} \end{aligned}$$

$$\text{All A/L} = \frac{A/L}{T/O} + \frac{A/L \text{ not}}{T/O}$$

$$\begin{aligned} & - \text{Pref Sh Cap} \\ & \hline & \text{Funds for Equity} \end{aligned}$$

$$\text{All A/L} - \frac{A/L \text{ not}}{T/O} = \frac{A/L}{T/O}$$

$$\text{Value per Sh} = \frac{\text{FFE}}{\text{no. of Sh.}}$$

$$IV - \frac{A/L \text{ not}}{T/O} = PC$$

Intrinsic Value		
	B (VCo.)	Benson (PCo)
FA	7900000	16000000
CA.	6900000	16800000.
InvT	1700000	-
- Loans	2200000	4000000.
- Crs.	4200000	4600000
- Prop. for tax	1100000	5200000
- Prop. divid	-	1000000.
IV	9000000	18000000
÷ no. of shares	50000	800000
IV per share	180	22.5

Swap/ Exchange Ratio 8 : 1

Proof of PC.:

For every 1 chocolate, I issue 8 toffles.  
 For every 1 sh of VCo, I issue 8 sh. of PCo.  
 For 50000 sh of VCo, I issue 50000 X 8 sh of PCo.  
 I issue 400000 sh of 22.5  
 PC = 9000000



Books of B Co. Ltd.

Realisation Dr 17100.  
 to FA 8300  
 to QA. 6900  
 to Int 1700  
 to a/c 200

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Sh. Cap Dr 5000.  
 CR Dr 800.  
 GR Dr 3600  
 to S/H a/c 9400

Unsec loan Dr 2200  
 Crs Dr 4200.  
 Prof for tax Dr 1100  
 to Realisation 7500

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Prop divid Dr 200  
 to S/H a/c 200.

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Beeson Ltd Dr 9000  
 to Realisation 9000

Share Dr 9000  
to Beeson 9000

S/H Dr 9000  
to Shares 9000

17100	7500
	9000
	600

S/H Dr 600  
to Realisation 600

### Books of Beeson

Bus Purc Dr 9000  
to Liquidator of B 9000

FA Dr 7900  
CA Dr 6900  
Invnt Dr 1700  
to unsec loan 2200  
to CRTS 4200  
to prcr for tax 1100  
to Bus Pur 9000

Liquidator of B Dr 9000.

to Share capital 4000

$$\left( \frac{9000}{22.5} \times 10 \right)$$

to Sec prem 5000

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