

(1) Land and building to be taken at market price. The book value shown in the balance sheet is 20% less than the market price. (2) Machinery is to be purchased at 10% higher price, Vehicle at 90% amount and Stock at 15% less. (3) The company will take overall real assets and creditors. (4) Bank overdraft is to be paid by the firm. (5) The company will give its 7000 shares of Rs.100 each at 5% discount and Rs.25000 in cash.

Calculate net assets, Purchase consideration and Goodwill or Capital Reserve of the firm the above information.

Q-2 Explain the method of computing depreciation -(1) Straight Line Method (2) Diminishing Balance Method