8. AMALGAMATION_II

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC

MODEL NO.	N-11	M-12	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16
Amalgamation-II	16	16	-	-	-	16	-	16	-	-	-

Note: Refer theory which is in Amalgamation-I Chapter

PROBLEMS FOR CLASSROOM DISCUSSION

Problem 1: (PRINTED SOLUTION AVAILABLE) Following are the summarized Balance Sheets of A Ltd. and B Ltd. as 31.3.12:

Name of the Companies: A Ltd. And B Ltd.

Balance Sheet as at : 31st March, 2012

			Particulars	Notes No.	A Ltd (Rs.)	B Ltd (Rs.)
			1	2	3	4
1			**EQUITY AND LIABILITIES:**			
			Shareholder's funds			
	a		Share capital	1	10,00,000	6,00,000
	b		Reserves and Surplus	2	6,80,000	4,10,000
2			**Non-current liabilities**			
	a		**Long term borrowings**			
		i	10% Debentures		5,00,000	--
		ii	Secured loan		--	3,00,000
3			**Current liabilities**			
	a		Trade payables (Creditors)		2,60,000	1,70,000
			TOTAL		**24,40,000**	**14,80,000**
1			**ASSETS:**			
			Non-current assets			
	a		Fixed assets			
		i	Tangible assets	3	14,00,000	8,30,000
		ii	Non-current investment		80,000	---
2			**Current Asset**			
	a		Inventories (stock)		5,20,000	3,50,000
	b		Trade receivables (debtors)		4,10,000	2,60,000
	c		Cash and cash equivalents (Cash at bank)		30,000	40,000
			TOTAL		**24,40,000**	**14,80,000**

Note to Accounts:

Particulars	A Ltd (Rs.)	B Ltd (Rs.)
1. Share capital		
Equity shares of Rs.10 each (Fully paid up)	10,00,000	6,00,000
2. Reserves and Surplus		
Securities premium	2,00,000	--
General reserve	3,00,000	2,50,000
Profit and Loss account	1,80,000	1,60,000
3. Tangible assets		
Land and buildings	9,00,000	4,50,000
Plant and machinery	5,00,000	3,80,000

The companies agree on a scheme of amalgamation on the following terms:

1. A new company is to be formed by name AB Ltd.
2. AB Ltd to take over all the assets and liabilities of the existing companies.
3. For the purpose of amalgamation, the shares of the existing companies are to be valued as under:
   (a) A Ltd. = Rs.18 per share
   (b) B Ltd. = Rs.20 per share
4. A contingent liability of A Ltd. of Rs.60,000 is to be treated as actual existing liability.
5. The shareholders of A Ltd. and B Ltd. are to be paid by issuing sufficient number of shares of AB Ltd. at a premium of Rs.6 per share.
6. The face value of shares of AB Ltd. are to be of Rs.10 each.

You are required to:

1. Calculate the purchase consideration (i.e. number of shares to be issued to A Ltd. and B Ltd.).
2. Pass journal entries in the books of A Ltd. for the transfer of assets and liabilities.
3. Pass journal entries in the books of AB Ltd. for acquisition of A Ltd. and B Ltd.
4. Prepare the Balance Sheet of AB Ltd. **(SM) (May-2008)**

(Ans.: 1. Purchase consideration as per no. of shares A ltd. 1,12,500 & B ltd. 75,000 shares ; 4.Total of Balance Sheet: Rs. 42,90,000)

Note: ____

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Problem 2: A Ltd agreed to acquire the business of B Ltd. as B Ltd. as on 31st December, 2011. On that date Balance Sheet of B Ltd. was summarized as follows:

Name of the Company : B Ltd

Balance Sheet as at : 31st Dec, 2011

			Particulars	Notes No.	Rs.
			1	2	3
1			**EQUITY AND LIABILITIES:**		
	a		**Shareholder's funds**		
	b		Share capital	1	3,00,000
			Reserves and Surplus	2	1,40,000
2			**Non-current liabilities**		
	a		Long tem borrowings		
		(i)	6% Debentures (Secured)		50,000
3			**Current liabilities**		
	a		Trade Payable(creditors)		10,000
			TOTAL		**5,00,000**
1			**ASSETS:**		
			Non-current assets		
	a		Fixed assets		
		(i)	Tangible assets	3	3,20,000
		(ii)	Intangible assets	4	50,000
2			**Current Assets**		
	a		Inventories (Stock)		84,000
	b		Trade receivables (Debtors)		18,000
	c		Cash and cash equivalents (Cash & bank balance)		28,000
			TOTAL		**5,00,000**

Note to Accounts:

Particulars	Rs.
1. Share capital	
Fully paid share of Rs.10 each)	3,00,000
2. Reserves and Surplus	
General Reserve	85,000
Transfer from statement of profit and loss	55,000
3. Tangible Assets	
Land, Building and Plant	3,20,000
4. Intangible assets	
Goodwill	50,000

The Debentures holders agreed to receive such 7% Debentures issued as 96 each as would discharge the debentures in B Ltd. at a premium of 20%. The shareholders in B Ltd. were to receive Rs.2.50 in cash per share and 3 shares in A Ltd. for every two shares held – the shares in A Ltd. being considered as worth Rs.12.50 each.

There were fractions equaling 50 shares for which cash was paid. The directors of A Ltd. considered the various assets to be value as follows:

Particulars	Rs.
Land	1,00,000
Building	2,50,000
Plant	3,50,000
Inventories	80,000
Trade Receivables	18,000

The cost of liquidation of B Ltd. ultimately was Rs.5,000. Due to a technical hitch, the transaction could be completed only on 1st July, 2012. Till date B Ltd. carried on trading which resulted in a profit Rs.20,000 (subject to interest) after providing Rs.15,000 as depreciation. On 30th June, 2012 inventory was Rs.90,000. Trade receivables were Rs.25,000 and trade payables were Rs.15,000. There was no addition to or deletion from the fixed assets. It was agreed that the profit should belong to A Ltd.

You are required, as on July 1, 2012, to:

1. Prepare Realisation Account and the Shareholders Account in the ledger of B Ltd., and
2. Give journal entries in the books of A Ltd. **(SM)**

(Ans.: Profit on Realisation: Rs. 1,97,500, purchase consideration Rs. 6,37,500; Cash balance-55,000; Profit on amalgamation transferred to Capital reserve-1,18,500)

(Solve problem no 1 of assignment problems as rework)

Note: ______________________________

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Problem 3: Star and Moon had been carrying on business independently. They agreed to amalgamate and form a new company Neptune Ltd. with an authorized share capital of Rs.2,00,000 divided into 40,000 equity shares of Rs.5 each.

On 31st December, 2012, the respective Balance Sheets of Star and Moon were as follows:

Particular	Star (Rs.)	Moon (Rs.)
Fixed Assets	3,17,500	1,82,500
Current Assets	1,63,500	83,875
	4,81,000	**2,66,375**
Less: Current Liabilities	(2, 98,500)	(90,125)
Representing Capital	1,82,500	1,76,250

Additional Information:

1. Revalued figures of Fixed and Current Assets were as follows:

Particulars	Star (Rs.)	Moon (Rs.)
Fixed Assets	3,55,000	1,95,000
Current Assets	1,49,750	78,875

2. The Trade receivables and Trade payables—include Rs.21,675 owed by Star to Moon.

The purchase consideration is satisfied by issue of the following shares and debentures:

a. 30,000 equity shares of Neptune Ltd., to Star and Moon in the proportion to the profitability of their respective business based on the average net profit during the last three years which were as follows :

Particulars	Star (Rs.)	Moon (Rs.)
2010 Profit	2,24,788	1,36,950
2011 (Loss)/Profit	(1,250)	1,71,050
2012 Profit	1,88,962	1,79,500

b. 15% debentures in Neptune Ltd., at par to provide an income equivalent to 8% return on capital employed in their respective business as on 31st December, 2012 after revaluation of assets.

You are requested to:

1. Compute the amount of debentures and shares to be issued to Star and Moon.
2. A Balance Sheet of Neptune Ltd., showing the position immediately after amalgamation **(SM)**

(Ans.: 1. Amount of shares to star- 68,750 & Moon-81,250; Amount of Debentures to Star-Rs.1,10,000 & Moon- Rs. 98,000; 2.Total of Balance sheet is 7,56,950; 3.Purchase consideration to star-68,750+1,10,000)=1,78,750; Purchase consideration to Moon ltd-(81,250+98,000)=1,79,250; Capital reserve (49,175-17,175)=32,000)

(Solve problem no 2 and 3 of assignment problems as rework)

Note: ____

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Problem 4: X Ltd. and Y Ltd. were amalgamated on and from 1st April, 2012 and formed a new company Z Ltd. to takeover the business of X Ltd. and Y Ltd. The summarized Balance Sheets of X Ltd. and Y Ltd., as on 31st March, 2012 are as follows:

					(Rs. in Crores)
Liabilities	**X Ltd.**	**Y Ltd.**	**Assets**	**X Ltd.**	**Y Ltd.**
Share Capital:			Land and Buildings	38	25
Equity share of Rs. 10 each	50	45	Plant and Machinery	24	17
10% Preference shares of Rs.100 each	20	14	Investments	10	6
Revaluation Reserve	10	6	Inventory	22	15
General Reserve	12	8			
Investment Allowance	5	4	Trade Receivable	30	24
Reserve			Cash at Bank	16	13
Profit & Loss Account	8	6			
15% Debentures of Rs. 100 each (Secured)	4	5			
Trade payable	31	12			
	140	**100**		**140**	**100**

Additional Information:

1. Z Ltd. will issue 6 equity shares for 10 equity shares of X Ltd. and 2 equity shares for 5 equity shares of B Ltd. The shares are issued @ Rs. 30 each having a face value of Rs. 10 per share.
2. Preference shareholders of two companies are issued equivalent number of 15% preference shares of Z Ltd. at a price of Rs. 120 per share (face value Rs. 100).
3. 15% Debentureholders of X Ltd. and Y Ltd. are discharged by Z Ltd. issuing such number of its 18% Debentures of Rs. 100 each so as to maintain the same amount of interest.
4. Investment allowance reserve is to be maintained for 4 more years.

Prepare the Balance Sheet of Z Ltd. after amalgamation. The amalgamation took place in the nature of purchase. **(SM)**

(Ans: Purchase consideration (in crores) X Ltd: 114, Y Ltd: 70.8 & Total of balance sheet Rs.249 crores; Loss on amalgamation- X ltd-8.33; Profit on amalgamation- Y ltd-13.03; Capital reserve-4.70)

(Solve problem no 4 of assignment problems as rework)

Note: ____

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Problem 5: The Balance Sheet of A Ltd. and B Ltd. as at 31st March, 2012 are as follows:

Name of the Companies: A Ltd. And B Ltd.

Balance Sheet as at : 31st March, 2012

			Particulars	Notes No.	A Ltd (Rs.)	B Ltd (Rs.)
			1	2	3	4
1			**EQUITY AND LIABILITIES:**			
			Shareholder's funds			
	a		Share capital	1	20,00,000	12,00,000
	b		Reserves and Surplus	2	4,00,000	2,20,000
2			**Current liabilities**			
	a		Trade payables (Creditors)		6,00,000	3,80,000
			TOTAL		**30,00,000**	**18,00,000**
1			**ASSETS:**			
			Non-current assets			
			Non-current investments		-	-
2			**Current Assets** (Sundry assets)		30,00,000	18,00.000
			TOTAL		**30,00,000**	**18,00,000**

Note to Accounts:

Particulars	A Ltd (Rs.)	B Ltd (Rs.)
1. Share capital		
Equity shares of Rs.10 each	20,00,000	12,00,000
2. Reserves and Surplus		
General Reserve	4,00,000	2,20,000

Sundry assets of B Ltd. includes long term investment of Rs. 4,00,000, the market value of which is now Rs. 4,80,000. A Ltd. absorbed B Ltd. on the basis of intrinsic value of the shares. The purchase consideration is to be discharged in fully paid-up equity shares. A sum of Rs. 1,00,000 is owed by A Ltd. to B Ltd., also included in the Inventory of A Ltd. is Rs. 1,20,000 goods supplied by B Ltd. at cost plus 20%.

Give Journal entries in the books of both the companies, if entries are made at intrinsic value. Also prepare Balance Sheet of A Ltd. after absorption. **(SM)**

(Ans.: Total of Balance Sheet: Rs. 47,60,000; Purchase consideration=1,25,000 shares @ Rs.12=15,00,000; Profit on realization-80,000; Intrinsic value per share of A ltd-Rs.12)

(Solve problem no 5 of assignment problems as rework)

Note: ____

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Problem 6: AX Ltd. and BX Ltd. amalgamated on and from 1st January, 2013. A new Company ABX Ltd. was formed to take over the businesses of the existing companies.

Summarized Balance Sheet as on 31-12-2012

Equity and Liabilities	AX Ltd. Rs. '000	BX Ltd. Rs. '000	Assets	AX Ltd. Rs. '000	BX Ltd. Rs. '000
Share Capital			Sundry Fixed		
Equity Shares of Rs. 10 each	60,00	70,00	Assets	85,00	75,00
General Reserve	15,00	20,00	Investment	10,50	5,50
P & L A/c	10,00	5,00	Inventory	12,50	27,50
Investment Allowance			Trade receivables	18,00	40,00
Reserve	5,00	1,00	Cash & Bank	4,50	4,00
Export Profit Reserve	50	1,00			
12% Debentures	30,00	40,00			
Trade payables	10,00	15,00			
	130,50	**152,00**		**130,50**	**152,00**

ABX Ltd. issued requisite number of shares to discharge the claims of the equity shareholders of the transferor companies.

You are required to prepare (i) Note showing purchase consideration and discharge thereof, (ii) Journal entries in the books of ABX Ltd. For taking over both companies, (iii) Balance Sheet of ABX Ltd. as on 1st January, 2013 assuming the amalgamation is in the nature of purchase. **(SM)**

(Ans: Purchase consideration AX Ltd: 90,50,000, BX Ltd: 97,00,000; Total of balance sheet Rs. 290,00,000)

(Solve problem no 6 and 7 of assignment problems as rework)

Note: ____

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Problem 7: All India Motels Ltd. absorbed the business of West India Motels Ltd. as on 31st March, 2011. Their respective positions of assets and liabilities as on that date to absorption were as under:

Particulars	***All India* (Rs.)**	***West India* (Rs.)**
Share Capital	6,00,00,000	6,00,00,000
Reserves and Surplus	5,40,00,000	3,60,00,000
Debentures	8,00,00,000	9,60,00,000
Sundry Creditors	2,20,00,000	4,80,00,000
Goodwill	4,48,00,000	3,20,00,000
Buildings	11,60,00,000	11,20,00,000
Machinery	1,80,00,000	1,60,00,000
Sundry Debtors	60,00,000	5,60,00,000
Stock/Inventory	80,00,000	2,00,00,000
Cash	32,00,000	40,00,000
Investments	2,00,00,000	-

The intrinsic value of West India shares has to be determined. Equivalent intrinsic value worth of Rs.10 fully paid up shares of All India are to be issued to the shareholders of West India. 50% of debtors of All India comprises of moneys due from West India. Inventory of West India includes goods worth Rs.30 lakhs sold by All India at cost plus 20% value. Called and paid up on All India shares is Rs.8 per share whilst it is Rs.5 per share in case of West India. Face value of shares of both the companies is Rs.10. Investments were valued at Rs.2,60,00,000.

Indicate the necessary journal entries to record the above transactions assuming amalgamation in the nature of purchase. **(RTP Nov.2011)**

(Solve problem no. 8 of assignment problems as rework)

Note: ______________________________

Problem 8: (PRINTED SOLUTION AVAILABLE) Given below are the summarized balance sheets of Vasudha Ltd. and Vaishali Ltd as at 31st March, 2013. **(Amount in Rs.)**

Liabilities	Vasudha Ltd	Vaishali Ltd.	Assets	Vasudha Ltd	Vaishali Ltd.
Issued Share Capital:			Factory Building	2,10,000	1,60,000
Equity Shares of Rs. 10 Each	5,40,000	4,03,300	Trade receivables	2,86,900	1,72,900
General Reserves	86,000	54,990	Inventory	91,500	82,500
Profit & Loss A/c	66,000	43,500	Goodwill	50,000	35,000
Trade payables	44,400	58,200	Cash at Bank	98,000	1,09,590
	7,36,400	5,59,990		7,36,400	5,59,990

Goodwill of the Companies Vasudha Ltd. and Vaishali Ltd. is to be valued at Rs. 75,000 and Rs.50,000 respectively. Factory Building of Vasudha Ltd is worth Rs.1,95,000 and of Vaishali Ltd 1,75,000.Inventory of Vaishali has been shown at 10% above of its cost.

It is decided that Vasudha Ltd will absorb Vaishali Ltd, by taking over its entire business by issue of shares at the Intrinsic Value.

You are required to draft the balance sheet of the Vasudha Ltd after putting through the scheme assuming that the assets & liabilities of Vaishali Ltd. were incorporated in Vasudha Ltd at fair value and assets and liabilities of Vasudha Ltd. have been carried at carrying values only. **(PM)** *(Ans: Balance sheet total 13,18,890)*

(Solve problem no 9 and 10 of assignment problems as rework)

Note: ______________________________

ASSIGNMENT PROBLEMS

Problem 1: Exe Limited was wound up on 31.3.2013 and its summarized Balance Sheet as on that date was given below:

Balance Sheet of Exe Limited as on 31.3. 2013

Liabilities	***Rs.***	***Assets***	***Rs.***
Share capital:		Fixed assets	9,64,000
1,20,000 Equity shares of Rs.10 each	12,00,000	Current assets:	
Reserves and surplus:		Inventory	7,75,000
Profit prior to incorporation	42,000	Trade	
Contingency reserve	2,70,000	receivables	1,82,000
Profit and loss A/c	2,52,000	Cash at bank	3,29,000
Current liabilities			
Trade payables	2,66,000		
Provisions:			
Provision for income tax	2,20,000		
	22,50,000		22,50,000

The details of Trade receivables and trade payables are as under:

Trade receivables		
Sundry debtors	1,60,000	
Less: Provision for bad and doubtful debts	(8,000)	1,52,000
Bills receivable		30,000
		1,82,000
Trade payables		40,000
Bills payable		2,26,000
Sundry creditors		2,66,000

Wye Limited took over the following assets at values shown as under:

Fixed assets Rs.12,80,000, Inventory Rs.7,70,000 and Bills Receivable Rs.30,000.

Purchase consideration was settled by Wye Limited as under:

Rs. 5,10,000 of the consideration was satisfied by the allotment of fully paid 10% Preference shares of Rs.100 each. The balance was settled by issuing equity shares of Rs.10 each at Rs. 8 per share paid up.

Trade receivables realised Rs. 1,50,000. Bills payable was settled for Rs.38,000. Income tax authorities fixed the taxation liability at Rs.2,22,000.

Creditors were finally settled with the cash remaining after meeting liquidation expenses amounting to Rs. 8,000.

You are required to:

i) Calculate the number of equity shares and preference shares to be allotted by Wye Limited in discharge of purchase consideration.

ii) Prepare the Realisation account, Cash/Bank account, Equity shareholders account and Wye Limited account in the books of Exe Limited.

iii) Pass journal entries in the books of Wye Limited.

(PM) ***(Ans: Purchase consideration 20,80,000)***

Problem 2: The Balance sheets of Rahul Ltd. and Rohit Ltd. as at 31st march, 2011 were as under

Name of the Companies : Rahul Ltd. and Rohit Ltd.

Balance Sheet as at : 31st march, 2011

			Particulars	***Notes No.***	***Rahul Ltd. (Rs.)***	***Rohit Ltd. (Rs.)***
			1	**2**	**3**	**4**
			EQUITY AND LIABILITIES:			
			Shareholder's funds			
1	**a**		Share capital	**1**	3,75,000	3,00,000
	b		Reserves and Surplus		2,25,000	25,000
			Non-current liabilities			
2			Long tem borrowings		--	1,00,000
	a	(i)	7% Debentures (Secured)			
			Current liabilities			
	a		Trade payables (Creditors)			1,25,000
	b		Short term provisions		1,40,000	
3			(Provision for taxation)			25,000
			TOTAL		60,000	**5,75,000**
					8,00,000	

1			**ASSETS:** **NON-CURRENT ASSETS:**			
	a		Fixed Assets		4,75,000	2,75,000
			Current assets:			
	a		Inventories (Stock)		1,25,000	75,000
2	b		Trade receivables (Debtors)		1,50,000	1,00,000
	c		Cash and cash equivalents (Bank)		50,000	1,25,000
			TOTAL		**8,00,000**	**5,75,000**

Note to Accounts:

Particulars	*Rahul Ltd. (Rs.)*	*Rohit Ltd. (Rs.)*
1. Share capital		
Share capital in Equity shares of Rs.10 each	3,75,000	3,00,000

It was agreed that Rahul Ltd. should absorb Rohit Ltd. as at 31-3-2011 on the basis of following information and adjustments:

a. The adjusted profits for the last three years are:

Particulars	*Rahul Ltd. (Rs.)*	*Rohit Ltd. (Rs.)*
Year ending 31-3-2011	2,25,000	1,50,000
Year ending 31-3-2010	2,40,000	1,35,000
Year ending 31-3-2009	2,35,000	90,000

b. The shares of companies were to be valued on net assets basis, subject to goodwill of Rohit Ltd. being taken at one year's purchase of average profits of last 3 years and no goodwill to be taken for Rahul Ltd.

c. 7% Debentures are to be repaid on 31-3-2011 at par by Rohit Ltd.

d. The fixed asset of Rahul Ltd. are to be valued at **Rs.**6,25,000.

e. Cost of absorption of **Rs.**5000 is met by Rahul Ltd.

You are required to calculate the ratio of exchange of shares and draw up resulting Balance Sheet of Rahul Ltd. after absorption. **(GROUP -1, RTP Nov-2011)**

(Ans.: Total of Balance sheet is 14,20,000)

Problem 3: L Ltd. and S Ltd. were amalgamated on and from 1st April, 2014. A new company M Ltd. was formed to take over the businesses of the existing companies. The summarized balance sheets of L Ltd. and S Ltd. as on 31st March, 2014 are given below:

(Rs. in lakhs)

Equity and Liabilities	**L Ltd.**	**S Ltd.**	**Assets**	**L Ltd.**	**S Ltd.**
Share Capital:					
Equity shares of Rs. 100 each	1,700	1,450	**Fixed Assets:**		
14% Preference Shares of Rs. 100 each	640	350	Land & Building	920	550
Reserves and Surplus:			Plant & Machinery	650	420
Revaluation reserve	250	160	Investments	150	100
Capital Reserve	600	400	**Current Assets:**		
Investment Allowance Reserve	100	60	Inventory	650	538
P & L Account	30	24	Trade receivables	660	540
Secured Loans:			Cash and Bank	770	502
13% Debentures (Rs. 100 each)	100	56			

Unsecured Loan:					
Public deposits	50	-			
Current Liabilities & Provisions					
Trade payables	330	150			
	3,800	**2,650**		**3,800**	**2,650**

Other information

1. 13% Debenture holders of L Ltd. and S Ltd. are discharged by M Ltd. by issuing such number of its 15% Debentures of Rs. 100 each so as to maintain the same amount of interest.
2. Preference Shareholders of the two companies are issued equivalent number of 15% preference shares of M Ltd. at a price of Rs. 125 per share (face value Rs. 100)
3. M Ltd. will issue 4 equity shares for each equity share of L Ltd. and 3 equity shares for each equity share of S Ltd. The shares are to be issued @ Rs. 35 each, having a face value of Rs. 10 per share.
4. Investment allowance reserve is to be maintained for two more years.

Prepare the balance sheet of M Ltd. as on 1st April, 2014 after the amalgamation has been carried out if amalgamation is in the nature of purchase. **(RTP-Nov-14)**

(Ans: Total of Balance sheet Rs.6,610 lakhs)

Problem 4: Sun Ltd. and Moon Ltd. were amalgamated on and from 1st April, 2009.A new company Star Ltd. was formed to take over the business of the existing companies. The Balance Sheets of Sun Ltd. and Moon Ltd. as at 31st March, 2009 are given below:

Rs. (in Lakhs)

Liabilities	Sun Ltd.	Moon Ltd.	Assets	Sun Ltd.	Moon Ltd.
Share Capital:			**Fixed Assets:**		
Equity Share of Rs.100 each	400	375	Land & Building	275	200
12% preference shares of Rs.100 each	150	100	Plant & Machinery	175	125
Reserves and surplus:			Investments	75	25
Revaluation reserve	75	50	**Current Assets, Loans and Advances:**		
General Reserve	85	75	Stock	175	125
Investment allowance reserve	25	25	Sundry Debtors	125	150
P & L account	25	15	Bills receivables	25	25
Secured Loan:			Cash and Bank Balances	150	100
10% debentures (Rs.100 each)	30	15			
Current Liabilities and Provisions:					
Sundry creditors	135	60			
Acceptance	75	35			
Total	**1,000**	**750**	**Total**	**1000**	**750**

Additional information:

1. Star Ltd. will issue 5 equity shares for each equity share of Sun Ltd. and 4 equity shares for each equity share of Moon Ltd. The shares are to be issued @ Rs. 30 each, having a face value of Rs. 10 per share.
2. Preference shareholders of the two companies are issued equivalent number of 15% preference shares of Star Ltd. at a price of Rs. 150 per share (face value Rs.100).

3. 10% Debenture holders of Sun Ltd. and Moon Ltd. are discharged by Star Ltd., issuing such number of its 15%Debentures of Rs.100 each so as to maintain the same amount of interest.
4. Investment allowance reserve is to be maintained for 4 more years.
5. Liquidation expenses are:

   Sun Ltd. Rs.2,00,000

   Moon Ltd. Rs.1,00,0O0

   It was decided that these expenses would be borne by Star Ltd.
6. All the assets and liabilities of Sun Ltd. and Moon Ltd. are taken over at book value.
7. Authorised equity share capital of Star Ltd. is Rs.5,00,00,000, divided into equity shares of Rs.10 each. After issuing required number of shares to the Liquidators of Sun Ltd. and Moon Ltd., Star Ltd. issued balance shares to Public. The issue was fully subscribed.

Required:

Prepare the Balance Sheet of Star Ltd. as at 1st April, 2009 after amalgamation has been carried out on the basis of Amalgamation in the nature of Purchase. **(N - 09)**

(Ans: Total of Balance sheet Rs.1,960 lakhs)

Problem 5: Mickey ltd.is absorbed by Donald ltd. Given below are the Balance sheets of the two companies prepared after revaluation of their assets on a uniform basis:

Liabilities	Mickey	Donald	Assets	Mickey	Donald
Authorised share capital:			Sundry assets	16,85,000	43,57,500
9,000 equity shares of Rs.150 each	13,50,000	-	Cash in hand	3,500	27,500
60,000 equity shares of Rs.75 each	-	45,00,000			
Paid up Share Capital:					
9,000 Shares of Rs.150 each Rs.135 paid up	12,15,000	-			
40,000 Shares of Rs.75 each fully paid up	-	30,00,000			
General Reserve	4,03,500	12,85,000			
Profit and Loss A/c	15,000	35,000			
Sundry Creditors	55,000	65,000			
Total	**16,88,500**	**43,85,000**	**Total**	**16,88,500**	**43,85,000**

The holder of every three shares in Mickey Ltd was to receive five Shares in the Donald Ltd plus as much cash as is necessary to adjust the rights of Shareholders of both the Companies in accordance with the Intrinsic Values of the Share as per the respective Balance Sheets.

Pass necessary Journal Entries in the books of Donald Ltd and prepare the Balance Sheet giving effect to the above scheme of absorption. Entries are to be made at par value only.

(Padhuka's) *(Ans: Total of Balance sheet Rs.60,60,000)*

Problem 6: Given below are the balance sheets of two companies as on 31st December, 2011: ***Name of the Company : A Limited***

Balance Sheet as at : 31st December, 2011

			Particulars	*Notes No.*	Rs.
			1	2	3
1	a		**EQUITY AND LIABILITIES:** **Shareholder's funds** Share capital	1	20,00,000

	b		Reserves and Surplus	2	8,90,000
2	a		**Current liabilities** Trade Payables (Creditors) **TOTAL**		50,000 **29,40,000**
1	a	 (i) (ii)	**ASSETS:** **Non Current Assets:** Fixed Assets Tangible assets Intangible assets (Patent rights)	 3	 21,50,000 2,00,000
2	a b c		**Current Assets:** Inventories (Stock) Trade receivables (Debtors) Cash and cash equivalents (Cash and bank balance) **TOTAL**		 3,50,000 80,000 1,60,000 **29,40,000**

Note to Accounts:

Particulars	**Rs.**
1. Share capital:	
Issued and fully paid share capital:	
50,000 8% cumulative preference shares of **Rs.**10 each	5,00,000
1,50,000 equity shares of **Rs.**10 each	15,00,000
2. Reserves and Surplus:	
General reserves	8,00,000
Profit and loss A/c	90,000
3. Tangible assets:	
Land and buildings	6,00,000
Plant and machinery	15,50,000

Name of the Company : B Limited

Balance Sheet as at : 31st December, 2011

			Particulars	***Notes No.***	**Rs.**
			1	**2**	**3**
1	a b		**EQUITY AND LIABILITIES:** **Shareholder's funds** Share capital Reserves and Surplus	 1 2	 4,00,000 32,000
2	a		**Current liabilities** Trade payables (Creditors) **TOTAL**		21,000 **4,53,000**
1	a	 (i) (ii)	**ASSETS:** **NON CURRENT ASSETS** Fixed Assets Tangible assets Intangible assets (Goodwill)	 3	 65,000 70,000
2	a b c		**Current Assets** Inventories (Stock) Trade receivables (Debtors) Cash and cash equivalents (Cash and bank balance) **TOTAL**		 2,39,000 62,000 17,000 **4,53,000**

Note to Accounts:

Particulars	Rs.
1. Share capital	
Issued and fully paid share capital:	
40,000 shares of Rs.10 each	4,00,000
2. Reserves and Surplus	
Profit and loss A/c	32,000
3. Tangible assets	
Motor Vehicles	40,000
Furniture	25,000

On 1st January, 2012, it has been agreed that both these companies should be wound up and a new company Shakti Ltd. should be formed to acquire the assets of both the companies on the following terms:

a. Shakti Ltd. is to have an authorized capital of Rs.30,00,000 divided into 50,000 5% cumulative preference shares of Rs.10 each and 2,50,000 equity shares of Rs.10 each.

b. Shakti Ltd. is to purchase whole of the assets of A Ltd. (Except cash and bank balances) for Rs.27,95,000 to be settled by paying Rs.5,45,000 in cash and balance by issue of 1,80,000 equity shares at a premium of Rs.2.50 each.

c. Shakti Ltd. is to purchase whole of the assets of B Ltd. (except cash and bank balances) for Rs.3,81,000 to be settled by paying Rs.6,000 in cash and balance by issue of 30,000, equity shares Rs.12.50 each.

d. Shakti Ltd. is to make a public issue of 50,000, 5% cumulative preference shares at par and 30,000 equity shares, at the issue price of Rs.12.50 per share, all payable in full on application.

e. A Ltd. and B Ltd. both are to be wound up, the two liquidators distributing the shares in Shakti Ltd. in kind among the equity shareholders of the respective companies.

f. The liquidator of A Ltd. is to pay the preference shareholders Rs.10 in cash for every share held in full satisfaction of their claims.

It is estimated that the costs of liquidation (including the liquidators, remuneration) will be Rs.5,000 in case of A Ltd. and Rs.2,000 in the case of B Ltd. and that the preliminary expenses of Shakti Ltd. will amount to Rs.18,000 exclusive of the underwriting commission of Rs. 23,750 payable on the public issue. The scheme has been sanctioned and carried through in its entirety.

You are required to:

(a) Pass the necessary journal entries in the books of A Ltd. for winding up.

(b) Draw up the initial Balance Sheet of Shakti Ltd. on the basis that all assets other than goodwill are taken over at the books values. **(RTP May - 2012)**

(Ans.: Total of Balance sheet is 34,58,250)

Problem 7: The summarized Balanced Sheets of A Ltd and B Ltd at 1st January, 2008 are as under:

Name of the Companies : A Ltd & B Ltd.

Balance Sheet as at : 1st January, 2008

			Particulars	*Notes No.*	*A Ltd. (Rs.)*	*B Ltd. (Rs.)*
			1	2	3	4
			EQUITY AND LIABILITIES:			
			Shareholder's funds			
1	a		Share capital	1	2,50,000	1,50,000
	b		Reserves and Surplus	2	1,00,000	1,00,000
2			**Current liabilities**			

	a		Trade payables(Creditors)		30,000	20,000
			TOTAL		**3,80,000**	**2,70,000**
			ASSETS:			
1			**Non Current Assets**			
	a		Fixed Assets		1,50,000	1,20,000
			Current Assets			
2	a		Inventories (Stock)		70,000	80,000
	b		Trade receivables (Debtors)		80,000	40,000
	c		Cash and cash equivalents (Cash & Bank)		80,000	30,000
			TOTAL		**3,80,000**	**2,70,000**

Note to Accounts:

Particulars	***A Ltd.* (Rs.)**	***B Ltd.* (Rs.)**
1.Share capital		
Equity Shares of **Rs.**10 each	2,50,000	1,50,000
2.Reserves and Surplus		
Reserve	60,000	40,000
Profit and Loss Account	40,000	60,000

The above two companies agree to amalgamate and form a new company AB Ltd on the following conditions:

a. AB Ltd. will take over all the assets and liabilities of A Ltd. and B Ltd., subject to the following adjustments in order to ensure uniform accounting policies-

i. Though both the companies follow straight line method of depreciation, A Ltd. Charges depreciation @ 10% p.a. whereas B Ltd charges depreciation @ 15% per annum in effect depreciation over charged by B Ltd amount to **Rs.**10,000 has to be adjusted.

ii. A Ltd. value stock on LIFO basis, whereas B Ltd values stock on FIFO basis. To bring B Ltd.'s value in line with those of A Ltd., its value is to be reduced by **Rs.**5,000.

b. The entire purchase consideration will be satisfied by the issue of equity shares of **Rs.**10 each. A Ltd will get 30,000 shares and B Ltd will get 20,000 shares.

You are required to:

1. Close the books of A Ltd. and B Ltd.

2. Pass journal entries in the books of AB Ltd; and Prepare the balance Sheet of AB Ltd.

(Ans: Total of balance sheet is 6,55,000)

Problem 8: The following are the balance sheets of CAMIH Ltd. and Small Ltd. as at 31st March, 2001 (Figure in crores of rupees):

Particulars	***CAMIH Ltd.* (Rs.)**	***SMALL Ltd.* (Rs.)**
Equity share capital – in equity shares of Rs.10 each	50	40
Preference share capital in 10 % preference shares of Rs.100 each	-	60
Reserves and surplus	200	150
	250	250
Loans – secured	100	100
Total Funds	350	350
Applied for: fixed assets at cost less depreciation	150	150
Current assets less current liabilities	200	200
	350	350

The present worth of fixed assets of CAMIH Ltd. is Rs.200 crores and that of Small Ltd. is Rs.429 crores. Goodwill of CAMIH Ltd. is Rs.40 crores and of Small Ltd. is Rs.75 crores.

On 1st April Small Ltd. absorbs CAMIH Ltd. by issuing equity shares at par in such a way that intrinsic net worth is maintained.

Goodwill account is not to appear in the books. Fixed assets are to appear at old figures.

Required:

1. Show the balance sheet after absorption.
2. Draft a statement of valuation of shares on intrinsic value basis and prove the accuracy of your working. ***(Ans: Total of Balance Sheet: Rs. 700)***

Problem 9: The following are the Balance Sheets of Sadashiva Ltd and Kailash Ltd as at 31st March: **(Amount in Rs.)**

Liabilities	Sadashiva	Kailash	Assets	Sadashiva	Kailash
Share Capital: of Rs. 10 each	1,50,000	1,20,000	Fixed Assets Cost less Depreciation	1,40,000	75,000
Reserves	95,000	10,000	Current Assets		
Secured Loans-10% Debentures	-	20,000	Stock	42,000	47,000
Current Liabilities			Trade Debtors	30,000	50,000
-Trade Creditors	47,000	32,000	Balance at Bank	80,000	10,000
Total	2,92,000	1,82,000	**Total**	2,92,000	1,82,000

Sadashiva Ltd agreed to absorb Kailash Ltd on the above date, on the following terms -

1) Sadashiva Ltd agreed to repay 10% Debentures of Kailash Ltd immediately.

2) Sadashiva Ltd to revalue its Fixed Assets at Rs.1,95,000, to be incorporated in the books.

3) Shares of both the Companies to be valued on Net Assets basis, after considering Rs.50,000 towards value of Goodwill of Kailash Ltd.

4) The costs of absorption of Rs.3,000 are met by Sadashiva Ltd.

You are required to:

1) Calculate the Ratio of Exchange of Shares.

2) Give Journal Entries in the books of Sadashiva Ltd

3) Construct the Bank Account to arrive at the balance after absorption.

4) Prepare Balance Sheet of Sadashiva Ltd after the above arrangements.

(Padhuka's) ***(Ans: closing Bank balance Rs.67,000; Total of Balance sheet Rs.5,59,000)***

Problem 10: The Balance Sheets of A Co. Ltd. and B Co. Ltd., as on 31st October, 2009 are as follows:

Name of the Company : A Co Limited

Balance Sheet as at : 31st October, 2009

			Particulars	***Notes No.***	**Rs.**
			1	**2**	**3**
			EQUITY AND LIABILITIES:		
			Shareholder's funds		
1	**a**		Share capital	**1**	10,00,000
	b		Reserves and Surplus	**2**	2,70,000

2			**Non current liabilities**		
	a		Unsecured loans		2,00,000
3			**Current liabilities**		
	a		Trade payables(Creditors)		3,10,000
			TOTAL		**17,80,000**
1			**ASSETS:**		
			NON CURRENT ASSETS		
	a		Fixed Assets		
		(i)	Tangible assets		8,00,000
		(ii)	Intangible assets (Goodwill)		80,000
2			**CURRENT ASSESTS**		
	a		Other current assets		9,00,000
			TOTAL		**17,80,000**

Note to Accounts:

Particulars	***A Ltd. (Rs.)***
1. Share capital	
Authorized Capital:	
10,000 shares of Rs.100 each	10,00,000
Issued Capital:	
10,000 shares of Rs.100 each fully paid	10,00,000
2. Reserves and Surplus	
Capital reserve	2,00,000
General reserve	70,000

Name of the Company : B Limited

Balance Sheet as at : 31st October, 2009

			Particulars	***Notes No.***	**Rs.**
			1	**2**	**3**
1			**EQUITY AND LIABILITIES:**		
			Shareholder's funds		
	a		Share capital	**1**	8,00,000
	b		Reserves and Surplus	**2**	8,00,000
2			**Non current liabilities**		
	a		Secured loans		5,00,000
3			**Current liabilities**		
	a		Trade payables (Creditors)		3,60,000
			TOTAL		**24,60,000**
1			**ASSETS:**		
			Non Current Assets		
	a		Fixed Assets		16,00,000
2			**CURRENT ASSETS**		
	a		Cash and cash equivalents (Bank)		2,00,000
	b		Other current assets (Others)		6,60,000
			TOTAL		**24,60,000**

Note to Accounts:

Particulars	*B Ltd.*
1. Share capital	
Authorized Capital:	
2,00,000 shares of Rs.10 each	20,00,000
Issued Capital:	
80,000 shares of Rs.10 each fully paid	8,00,000
2. Reserves and Surplus	
General reserve	8,00,000

It was proposed that A Co. Ltd., should be taken over by B Co. Ltd. The following arrangement was accepted by both the companies:

a) Goodwill of A Co. Ltd., is considered valueless.

b) Arrears of depreciation in A Co. Ltd. amounted to **Rs.**40,000.

c) The holder of every 2 shares in A Co. Ltd., was to receive:

(i) As fully paid at intrinsic value and

(ii) So much cash as is necessary to adjust the right of shareholders of both the companies in accordance with the intrinsic value of the shares as per their balance sheets subject to necessary adjustment with regard to goodwill and depreciation in A Co. Ltd.'s Balance Sheet.

You are required to:-

a) Determine the composition of purchase consideration; and

b) Show the Balance Sheet after absorption. **(RTP May-2010)**

(Ans: Total of Balance sheet is 39,70,000)

ABC ANALYSIS

	A Category	B Category	C Category
Class Room Problems	1, 3, 5	4, 6, 7, 8	2
Assignment Problems	1, 2, 4, 6, 9	3, 5, 7, 8, 10	-

Verified by: Hari Narayana Sir, GV Siva Rao Sir,
Purnachandra rao sir,
Executed by: Rajasekhar

THE END