

11. AMALGAMATION OF COMPANIES

ASSIGNMENT SOLUTIONS

PROBLEM NO:1

Calculation of Purchase Consideration under Net Assets Method

Particulars	Amount (Rs.)	Amount (Rs.)
Sundry assets		
$18,00,000 \times \frac{75}{100} \times \frac{112}{100} =$	15,12,000	
$18,00,000 \times \frac{25}{100} \times \frac{92}{100} =$	4,14,000	19,26,000
Less: Liabilities:		
10% Debentures	2,00,000	
Trade payables	2,40,000	
Bank overdraft	50,000	
Unrecorded liability	25,000	(5,15,000)
Purchase consideration		14,11,000

PROBLEM NO: 2

Value of 3,000 shares of X Ltd. @ Rs.70 = Rs. 2,10,000

The purchase consideration will be:

= Rs.2,10,000 for equity shares + Rs.60,000 for Liability towards preference shareholders = Rs.2,70,000

Rs. 60,000 out of the above will be in cash and Rs. 2,10,000 in the form of equity shares of Y Ltd., issued at Rs. 120 per share; the number of shares that will be issued = $2,10,000/120 = 1,750$ equity shares.

PROBLEM NO: 3

The purchase consideration will be

Particulars	Amount (Rs.)	Form
Preference shareholders : $2,000 \times \frac{3}{4} \times 100$	1,50,000	9% Pref. shares
Equity shareholders : $5,000 \times 20$	1,00,000	Cash
$5,000 \times \frac{6}{5} \times 125$	7,50,000	Equity shares
	10,00,000	

According to AS 14, 'consideration' for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. Therefore, debentures issued to the debenture holders will not be included in purchase consideration. Like trade payables. The liability in respect of debentures of S. Ltd. Will be taken by P Ltd. Which will then be settled by issuing new 8% debentures.

PROBLEM NO:4

Dr.	Realization Account		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Sundry assets	1,20,000	By Creditors	25,000
		By XY Ltd. (WN:1)	75,000
		By Shareholders (Loss on realization)	20,000
	1,20,000		1,20,000

Dr.	Shareholders A/c	Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realisation Account (Loss)	20,000	By Share Capital	1,00,000
To Shares in XY Ltd.	90,000	By Profit and Loss Account	10,000
	1,10,000		1,10,000

Dr.	Loan Y Ltd.	Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d.	15,000	By Shares in XY Ltd	15,000
	15,000		15,000
Dr.	Shares in XY Ltd.		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To XY Ltd.	75,000	By Share holders	90,000
To Loan Y Ltd.	15,000		
	90,000		90,000
Dr.	XY Ltd		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realization A/c. (PC due)	75,000	By Shares in XY Ltd	75,000
	75,000		75,000

Working note:**Computation of Purchase Consideration:**

Agreed value of assets taken over	= Rs.1,00,000
Less: Agreed value of liabilities taken over	= Rs. 25,000
Purchase consideration	= Rs. 75,000

PROBLEM NO:5**Balance Sheet of C Ltd. As at 1st April, 2012**

(Rupees in Lakhs)

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities:		
1. Shareholder's Funds		
a) Share Capital	1	1,200
b) Reserves and Surplus	2	1,650
2. Non-Current Liabilities		
Long-term borrowings	3	60
3. Current Liabilities		
Trade Payables	4	610
	Total	3,520
II. Assets:		
1. Non-Current assets		
a) Fixed assets		
i) Tangible assets	5	1,550
ii) Intangible assets	6	20
b) Non-current investments	7	200
2. Current assets		
a) Inventory		600
b) Trade receivables	8	650
c) Cash and cash equivalents		500
	Total	3,520

NOTES TO ACCOUNTS:

	Particulars	Amount (Rs. in Lakhs)	Amount (Rs. In Lakhs)
1. Share Capital			
Equity share capital			
70 Lakhs Equity shares of Rs.10 each		700	
5 Lakhs Preference shares of Rs.100 each		500	1,200
(all the above shares are allotted as fully paid-up pursuant to contracts without payment being received in cash)			
2. Reserves and surplus			
Securities Premium Account			
On equity shares - 70 Lakhs shares x Rs.20 = 1,400			
On preference shares - 5 Lakhs shares x Rs.50 = 250		1,650	
Investment Allowance Reserve		100	
Amalgamation adjustment Reserve		(100)	1,650
3. Long - term borrowings			
15% Debentures			60
4. Trade payables			
Sundry creditors		390	
Bills payables		220	610
5. Tangible assets			
Land and Buildings		950	
Plant and Machinery		600	1,550
6. Intangible assets			
Goodwill [W.N.2] (110 - 90)			20
7. Non - current Investments			
Investments			200
8. Trade receivables			
Sundry Debtors		550	
Bills receivables		100	650

WORKING NOTES:

No.	Particulars	(Rupees in Lakhs)	
		A Ltd.	B Ltd.
1. Computation of Purchase consideration:			
a) Preference shareholders:			
[3,00,00,000/100] i.e. 3,00,000 shares x Rs. 150 each		450	
[2,00,00,000/100] i.e. 2,00,000 shares x Rs. 150 each			300
b) Equity shareholders:			
[8,00,00,000 x 5/100] i.e. 40,00,000 shares x Rs. 30 each		1200	
[7,50,00,000 x 4/100] i.e. 30,00,000 shares x Rs. 30 each			900
Amount of Purchase Consideration		1,650	1,200
2. Net Assets taken Over			
Assets taken over:			
Land and Building		550	400
Plant and Machinery		350	250
Investments		150	50

Inventories	350	250
Sundry Debtors	250	300
Bills receivables	50	50
Cash and bank	300	200
Less: Liabilities taken over:		
Debentures	(40)	(20)
Sundry Creditors	(270)	(120)
Bills payable	(150)	(70)
Net assets taken over	1,540	1,290
Purchase consideration	1,650	1,200
Goodwill	110	
Capital reserve		90

PROBLEM NO:6

In the books of Gee Ltd.

Journal entries

Business purchase A/c (W.N.1)	Dr.	25,85,000	
To Liquidator of Pee Ltd.			25,85,000
(Being business of Pee Ltd. taken over)			
Building A/c	Dr.	7,75000	
Plant and machinery A/c	Dr.	8,50,000	
Furniture and fixtures A/c	Dr.	1,75,000	
Investments A/c	Dr.	2,50,000	
Inventory A/c	Dr.	4,75,000	
Debtors A/c	Dr.	4,60,000	
Bills receivables A/c	Dr.	55,000	
Bank A/c	Dr.	2,60,000	
To General reserve A/c (W.N.2) (2,50,000 - 2,35,000)			15,000
To Export profit reserve A/c			1,00,000
To Investment allowance reserve A/c			50,000
To Profit and loss A/c			1,25,000
To Liability for 15% Debentures A/c (Rs. 100 each)			1,75,000
To Trade creditors A/c			75,000
To Bills payables A/c			1,00,000
To Other current liabilities A/c			75,000
To Business purchase A/c			25,85,000
(Being assets and liabilities taken over)			
Liquidator of Pee Ltd.	Dr.	25,85,000	
To Equity share capital A/c			16,50,000
To 15% Preference share capital A/c			9,35,000
(Being purchase consideration discharged)			
General Reserve A/c *	Dr.	10,000	
To Cash at bank			10,000
(Being expenses of amalgamation paid)			
Liability for 15% Debentures in Pee Ltd. A/c	Dr.	1,75,000	
To 15% Debentures A/c			1,75,000
(Being debentures in Pee Ltd. discharged by issuing own 15% debentures)			
Bills payables A/c	Dr.	55,000	
To Bill receivables A/c			55,000
(Cancellation of mutual owing on account of bills of exchange)			

*It can also be adjusted against Profit & Loss A/c

Opening Balance Sheet of Gee Ltd. (after absorption) as on 1st April, 2015

	Particulars	Note No.	Amount (Rs.)
I.	Equity and Liabilities		
1.	Shareholders' funds		
a)	Share capital	1	61,85,000
b)	Reserves and Surplus	2	10,55,000
2.	Non-current liabilities		
	Long-term borrowings	3	4,25,000
3.	Current liabilities		
a)	Trade Payables	4	3,45,000
b)	Other current liabilities	5	1,75,000
		Total	81,85,000
II.	Assets		
1.	Non-current assets		
a)	Fixed assets	6	49,62,500
i)	Tangible assets	7	6,00,000
b)	Investments		
2.	Current assets		
a)	Inventories	8	11,00,000
b)	Trade receivables	9	9,10,000
c)	Cash and cash equivalents	10	6,12,500
		Total	81,85,000

Notes to accounts:

Particulars	Amount (Rs.)	Amount (Rs.)
1. Share Capital		
a) Equity share capital		
4,15,000 Equity shares of Rs.10 each (Out of above, 1,65,000 shares were issued for consideration other than cash)		41,50,000
b) Preference share capital		
9,350 15% Preference shares of Rs. 100 each (Out of above, 9,350 shares were issued for consideration other than cash)		9,35,000
11,000 14% Preference Shares of Rs.100 each		11,00,000
	Total	61,85,000
2. Reserves and Surplus		
a) General Reserve		
Opening balance	2,50,000	
Add: Adjustment under scheme of amalgamation	15,000	
Less: Amalgamation expense paid	(10,000)	2,55,000
b) Export profit reserve: Opening balance	1,50,000	
Add: Adjustment under scheme of amalgamation	1,00,000	2,50,000
c) Investment allowance reserve		50,000
d) Profit and loss account: Opening balance	3,75,000	
Add: Adjustment under scheme of amalgamation	1,25,000	5,00,000
	Total	10,55,000
3. Long-term borrowings		
Secured:		
15% Debentures	2,50,000	
Add: Adjustment under scheme of amalgamation	1,75,000	4,25,000

4. Trade payables		
Creditors: Opening balance	1,50,000	
Add: adjustment under scheme of amalgamation	75,000	2,25,000
Bills payable: Opening balance	75,000	
Add: Adjustment under scheme of amalgamation	1,00,000	
Less: Cancellation of mutual owing upon amalgamation	(55,000)	1,20,000
		3,45,000
5. Other current liabilities		
Opening balance	1,00,000	
Add: adjustment under scheme of amalgamation	75,000	1,75,000
6. Tangible assets		
Buildings - opening balance	12,50,000	
Add: adjustment under scheme of amalgamation	7,75,000	20,25,000
Plant and Machinery - Opening balance	16,25,000	
Add: adjustment under scheme of amalgamation	8,50,000	24,75,000
Furniture and fixtures - Opening balance	2,87,500	
Add: adjustment under scheme of amalgamation	1,75,000	4,62,500
Total		49,62,500
7. Investments		
Opening balance	3,50,000	
Add: adjustment under scheme of amalgamation	2,50,000	6,00,000
8. Inventories		
Opening balance	6,25,000	
Add: adjustment under scheme of amalgamation	4,75,000	11,00,000
9. Trade receivables:		
Debtors - Opening balance	4,00,000	
Add: adjustment under scheme of amalgamation	4,60,000	8,60,000
Bills receivable - Opening balance	50,000	
Add: adjustment under scheme of amalgamation	55,000	
Less: Cancellation of mutual owing on cancellation	(55,000)	50,000
Total		9,10,000
10. Cash and cash equivalents		
Opening balance	3,62,500	
Add: adjustment under scheme of amalgamation	2,60,000	
Less: Amalgamation expenses paid	(10,000)	6,12,500

Working Notes:**1. Calculation of purchase consideration**

Particulars	Amount (Rs.)
Equity shareholders of Pee Ltd. (1,65,000 x 10)	16,50,000
Preference shareholders of Pee Ltd. (8,50,000 x 110%)	9,35,000
Purchase consideration would be	25,85,000

2. Amount to be adjusted from general reserve

The difference between the amount recorded as share capital issued and the amount of share capital of Transferor Company should be adjusted in General Reserve. Thus, General reserve will be adjusted as follows:

Particulars	Amount (Rs.)
Purchase consideration	25,85,000
Less: Share capital issued (15,00,000 + 8,50,000)	(23,50,000)
Amount to be adjusted from general reserve	2,35,000

PROBLEM NO:7

LEDGER OF BETTER LIMITED

Fixed Assets Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	15,00,000	By Realisation A/c (transfer)	15,00,000

Current Assets Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	5,00,000	By Realisation A/c (transfer)	5,00,000

Liabilities Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realisation A/c	2,00,000	By Balance b/d	2,00,000

Realisation Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Fixed Assets A/c	15,00,000	By Liabilities A/c	2,00,000
To Current Assets A/c	5,00,000	By Best Limited (Purchase Consideration)	15,00,000
		By Shareholders' A/c (Loss on Realisation)	3,00,000
	20,00,000		20,00,000

Share Capital Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Sundry shareholders A/c (transfer)	15,00,000	By Balance b/d By Reserves & Surplus A/c (Bonus issue)	10,00,000 5,00,000
	15,00,000		15,00,000

Reserves & Surplus Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Share Capital (Bonus issue)	5,00,000	By Balance b/d	8,00,000
To Sundry Shareholders	3,00,000		8,00,000

Best Ltd.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realisation A/c – Purchase Consideration	15,00,000	By Shares in Best Ltd	15,00,000
	15,00,000		15,00,000

Shares in Best Ltd.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Best Ltd.	15,00,000	By Sundry Shareholders A/c	15,00,000

Sundry Shareholders Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realisation A/c (Loss)	3,00,000	By Share Capital A/c	15,00,000
To Share in Best Ltd.	15,00,000	By Reserves & Surplus A/c	3,00,000
	18,00,000		18,00,000

Journal of Best Ltd.

Fixed Assets A/c	Dr.	15,00,000	
Current Assets A/c	Dr.	5,00,000	
To Liabilities A/c			2,00,000
To Liquidator of Better Ltd. A/c			15,00,000
To Capital Reserve A/c			3,00,000
(Being Assets & Liabilities of Better Ltd. taken over for an agreed purchase consideration of Rs. 15,00,000 as per agreement dated....))			
Liquidator of Better Ltd. A/c	Dr.	15,00,000	
To Share Capital A/c			10,00,000
To Securities Premium A/c			5,00,000
(Being Discharge of Purchase consideration by the issue of equity shares of Rs. 10,00,000 at a premium of Rs. 50 per share as per agreement)			
Trade payables A/c.	Dr.	1,00,000	
To Trade receivables A/c			1,00,000
(Being Amount due from Better Ltd., and included in its creditors taken over, cancelled against own Trade receivables)			
Capital Reserve A/c	Dr.	10,000	
To Current Asset (Stock) A/c			10,000
(Being Unrealized profit on stock included in current assets of Better Ltd. written off to Reserve Account)			

Working Note:

Calculation of Purchase consideration:

Issued Capital of Better Ltd. (after bonus issue) at Rs. 100 per share Rs.15,00,000 Purchase consideration has been discharged by Best Ltd. by the issue of shares for Rs. 10,00,000 at a premium of Rs. 5,00,000. This gives the value of Rs. 150 per share.

Balance Sheet of Best Ltd. (After absorption)

Particulars	Notes	Rs.
Equity and Liabilities		
1. Shareholders' funds		
A Share capital	1	30,00,000
B Reserves and Surplus	2	17,90,000
2. Current liabilities		
		21,00,000
Total		68,90,000
Assets		
1. Non-current assets		
A Fixed assets		
Tangible assets	3	40,00,000
B Non-current investments		5,00,000
2. Current assets		
		23,90,000
Total		68,90,000

Notes to accounts

Particulars	Rs. (in lakhs)
1. Share Capital Equity share capital Issued & Subscribed 30,000 shares of Rs. 100 (of the above 10,000 shares have been issued for consideration other than cash)	30,00,000
Total	30,00,000
2. Reserves and Surplus Capital Reserve (3,00,000 – 10,000) Securities Premium Other reserves and surplus	2,90,000 5,00,000 10,00,000
Total	17,90,000
3. Tangible assets Fixed Assets Acquired during the year	25,00,000 15,00,000
Total	40,00,000

PROBLEM NO: 8

Books of P Ltd.

Dr.	Realization Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Goodwill	1,00,000	By 8% Debentures	2,00,000
To Land & Building	4,50,000	By Trade payables/ Creditors	88,000
To plant & Machinery	6,20,000	By PQ Ltd. (Purchase consideration)	16,02,100
To Furniture & Fitting	1,00,000	By Equity shareholders A/c (Loss)	1,37,900
To Trade receivables/ Debtors	3,25,000		
To Inventory / Stock	2,33,000		
To Cash at bank	1,08,000		
To Cash in hand	54,000		
To Preference share holders (Excess Payment)	38,000		
	20,28,000		20,28,000

Dr.	Equity shareholders A/c		Cr.
Particulars	Rs.	Particulars	Rs.
To Realisation A/c (Loss)	1,37,900	By Share capital	8,20,000
To Equity shares in PQ Ltd.	10,82,400	By Profit & Loss A/c	3,52,000
To Cash	1,01,700	By General reserve	1,50,000
	13,22,000		13,22,000

Dr.	9% Preference shareholders A/c		Cr.
Particulars	Rs.	Particulars	Rs.
To Preference shares in PQ Ltd.	4,18,000	By Preference share capital	3,80,000
		By Realisation A/c	38,000
	4,18,000		4,18,000

Dr.	PQ Ltd. A/c		Cr.
Particulars	Rs.	Particulars	Rs.
To Realisation A/c	16,02,100	By Shares in PQ Ltd.	
		For Equity - 10,82,400	

		For Preference - 4,18,000	15,00,400
		By cash	1,01,700
	16,02,100		16,02,100

Dr. **8% Debenture holders A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To 6% Debentures	2,00,000	By 8% Debentures	2,00,000

BOOKS OF Q Ltd.

Dr. **Realisation A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To Goodwill	80,000	By 8% Debentures	1,00,000
To Land & Building	3,40,000	By Trade payables/ Creditors	1,60,000
To plant & Machinery	4,50,000	By Unsecured Loan	1,75,000
To Furniture & Fitting	50,000	By PQ Ltd.(Purchase consideration)	7,92,250
To Trade receivables / Debtors	1,50,000	By Equity shareholders A/c (Loss)	90,750
To Inventory / Stock	1,05,000		
To Cash at bank	95,000		
To Cash in hand	20,000		
To Preference share holders	28,000		
	13,18,000		13,18,000

Dr. **Equity shareholders A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To Equity shares in PQ Ltd.	4,22,400	By Share capital	3,20,000
To Realisation	90,750	By Profit & Loss A/c	2,05,000
To Cash	61,850	By General Reserve	50,000
	5,75,000		5,75,000

Dr. **9% Preference shareholders A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To Preference shares in PQ Ltd.	3,08,000	By Share capital	2,80,000
		By Realisation	28,000
	3,08,000		3,08,000

Dr. **PQ Ltd. A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c	7,92,250	By Equity Shares in PQ Ltd.	
		For Equity – 4,22,400	
		For Pref. - 3,08,000	7,30,400
		By cash	61,850
	7,92,250		7,92,250

Dr. **8% Debenture holders A/c** Cr.

Particulars	Rs.	Particulars	Rs.
To 6% Debentures	1,00,000	By 8% Debentures	1,00,000

Working Notes:

i) **Purchase consideration:**

Particulars	P Ltd.	Q Ltd.
Payable to preference shareholders:		
Preference shares at Rs.22 per share	4,18,000	3,08,000

Equity Shares at Rs.22 per share	10,82,400	4,22,400
Cash [See W.N. (ii)]	1,01,700	61,850
	16,02,100	7,92,250

ii) Value of Net Assets:

Particulars	P Ltd.	Q Ltd.
Goodwill	1,00,000	80,000
Land & Building	4,50,000	3,40,000
Plant and Machinery less 10% Depreciation	5,58,000	4,05,000
Furniture & Fitting Less 10% Depreciation	90,000	45,000
Trade receivables less 5%	3,08,750	1,42,500
Inventory less 5%	2,21,350	99,750
Cash at Bank	1,08,000	95,000
Cash in hand	54,000	20,000
	18,90,100	12,27,250
Less: Debentures	(2,00,000)	(1,00,000)
Trade payables	(88,000)	(1,60,000)
Secured Loans	-	(1,75,000)
	16,02,100	7,92,250
Payable in Shares	15,00,400	7,30,400
Payable in Cash	1,01,700	(61,850)

iii)

	P	Q
Plant and Machinery	6,20,000	4,50,000
Less: Depreciation 10%	62,000	45,000
	5,58,000	4,05,000
Furniture & Fixtures	1,00,000	50,000
Less: Depreciation 10%	10,000	5,000
	90,000	45,000

PROBLEM NO. 9

Books of P Ltd.

Journal Entries

No.	Particulars	Debit (Rs. in Lacs)	Credit (Rs. in Lacs)
1.	Business Purchases A/c To Liquidator of V Ltd A/c (Being business of V Ltd. taken over for Consideration settled as per agreement)	Dr. 9,000	9,000
2.	Plant and Machinery A/c Furniture & Fittings A/c Inventory A/c Debtors A/c Cash at Bank A/c Bills Receivable A/c To Foreign Project Reserve A/c To General Reserve (3,200 - 3,000) A/c To Profit and Loss A/c (825 - 50*) A/c To Liability for 12% Debentures A/c To Creditors A/c To Provisions A/c To Business Purchase A/c (Being assets & liabilities taken over from V Ltd.)	Dr. 5,000 Dr. 1,700 Dr. 4,041 Dr. 1,020 Dr. 609 Dr. 80 310 200 775 1,000 463 702 9,000	200 775 1,000 463 702 9,000

3.	Liquidator of V Ltd. A/c To Equity Share Capital A/c (Being Purchase consideration discharged in the form of equity shares)	Dr.	9,000	9,000
4.	Profit & loss A/c To Bank A/c (Being Liquidation expenses paid by P Ltd)	Dr.	1	1
5.	Liability for 12% Debentures A/c To 13% Debentures A/c (Being 12% debentures discharged by issue of 13% debentures.)	Dr.	1,000	1,000
6.	Bills Payable A/c To Bills Receivable A/c (Being Cancellation of mutual owing on account of bills)	Dr.	80	80

Balance Sheet of P Ltd. as at 1st April, 20X1 (after merger)

Particulars	Notes	Rs. (in lakhs)
Equity and Liabilities		
1. Shareholders' funds		
A Share capital	1	24,000
B Reserves and Surplus	2	16,654
2. Non-current liabilities		
A Long-term borrowings	3	1,000
3. Current liabilities		
A Trade Payables (1,543 + 40)		1,583
B Short-term provisions		2,532
Total		45,769
Assets		
1. Non-current assets		
A Fixed assets		
Tangible assets	4	29,004
2. Current assets		
A Inventories		11,903
B Trade receivables		3,140
C Cash and cash equivalents		1,722
Total		45,769

Notes to accounts

Particulars	Rs. (in lakhs)
1. Share Capital	
Equity share capital	24,000
Authorised, issued, subscribed and paid up	
24 crores equity shares of Rs. 10 each	
(Of the above shares, 9 crores shares have been issued for consideration other than cash)	
Total	24,000
2. Reserves and Surplus	
General Reserve	9,700
Securities Premium	3,000
Foreign Project Reserve	310
Profit and Loss Account	3,644
Total	16,654
3. Long-term borrowings	
Secured	
13% Debentures	1,000
Total	1,000

4. Tangible assets		
Land & Buildings		6,000
Plant & Machinery		19,000
Furniture & Fittings		4,004
Total		29,004

Working Note:**Computation of purchase consideration**

The purchase consideration was discharged in the form of three equity shares of P Ltd. for every two equity shares held in V Ltd.

Purchase consideration = Rs.6000 Lacs x 3/2 = Rs. 9,000 Lacs.

* Cost of issue of debenture adjusted against P & L Account of V Ltd.

PROBLEM NO.10

In the books of V Ltd.

(Rupees in Lakhs)

Dr.	Realisation A/c		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Land and Building a/c	445	By 10% Secured Cumulative Debentures a/c	600
To Plant and Machinery a/c	593		
To Furniture, Fixtures & Fittings a/c	114	By Outstanding Debenture interest a/c	30
To Inventories a/c	380	By Trade payables a/c	170
To Trade Receivables a/c	256	By P Ltd. A/c (Purchase consideration: Refer WN)	1,150
To Bank a/c	69		
To Cash in Hand a/c	6		
To Equity Shareholders a/c (Profit on realisation)	87		
	1,950		1,950

In the books of P Ltd.

Journal Entries

(Rupees in Lakhs)

	Particulars	Debit	Credit
1.	Business Purchases a/c To Liquidator of V Ltd. a/c (Being purchase consideration due)	Dr. 1,150	1,150
2.	Land and building a/c Plant and Machinery a/c Furniture, Fixtures & Fittings A/c Inventory a/c Trade Receivables a/c Bank a/c Cash in Hand a/c Profit and Loss a/c To 10% Debentures a/c To Outstanding Debenture interest a/c To Trade payable a/c To Business Purchase a/c (Being assets and liabilities taken over from V Ltd. Under the scheme of amalgamation in the nature of merger)	Dr. 445 Dr. 593 Dr. 114 Dr. 380 Dr. 256 Dr. 69 Dr. 6 Dr. 87 600 30 170 1,150	

3.	Liquidators of V Ltd. a/c To Equity Share Capital a/c To 13% Cumulative Preference shares a/c To Securities premium a/c (Being discharge of consideration, by allotment of 64 Lakhs of equity shares of Rs.10 each at a premium of Rs.2.50Per share and 35 Lakhs 13% cumulative preference shares of Rs. 10 each at par)	Dr.	1,150	640 350 160
4.	10% Secured Cumulative Debentures a/c To 10.5% Secured Cumulative Debentures a/c (Being 10% Secured Cumulative Debentures of V Ltd. Convert into 10.5% Secured Cumulative Debentures of P Ltd)	Dr.	600	600
5.	Outstanding Debentures Interest a/c To Bank a/c (Being outstanding debentures interest paid in cash by p Ltd)	Dr.	30	30
6.	Profit and Loss a/c To Bank a/c (Being amalgamation expenses met by P Ltd.)	Dr.	2	2
7.	Trade Payable a/c To Trade Receivables a/c (Being settlement of mutual liability)	Dr.	7	7
8.	Profit and Loss a/c To Inventory a/c (5 x 20%) (Being unrealized profit on inventory eliminated from the Inventories of P Ltd.)	Dr.	1	1

WORKING NOTES:

Calculation of Purchase Consideration payable by P Ltd. (Rupees in Lakhs)

Particulars	Amount
Payment to preference shareholders: 13% Cumulative Preference Shares of Rs.10 each x 35 Lakhs shares x Rs.10)	350
Payment To Equity shareholders: (80 Lakhs shares x 4/5) = 64 Lakhs equity shares @ 10 each	640
Securities Premium (64 Lakhs equity shares @ Rs.2.5)	160
Total Purchase consideration	1,150

PROBLEM NO.11

Calculation of Purchase Consideration (Amount in Rupees)

Particulars	Ram Ltd. (Rs.)	Shyam Ltd. (Rs.)
Purchase Consideration		
Goodwill	1,60,000	60,000
Freehold property	2,10,000	1,20,000
Plant and machinery	50,000	30,000
Motor vehicles	60,000	--
Inventory	1,20,000	1,56,000
Trade receivables	1,64,000	--
Cash at Bank	86,000	--
	8,50,000	3,66,000
Less: Liabilities:		
6% Debentures (1,20,000 x 105%)	--	(1,26,000)
Trade payables	(1,50,000)	--
Net Assets taken over	7,00,000	2,40,000
To be satisfied by issue of shares of Ram and Shyam Ltd. @ Rs.10 each	70,000	24,000

Balance Sheet of Ram and Shyam Ltd. As at 1st April, 2015

Particulars	Note No.	Amount (Rs.)
Equity and Liabilities		
1. Shareholder's funds		
a) Share capital	1	9,40,000
b) Reserve and Surplus	2	6,000
2. Non - Current Liabilities		
a) Long-term borrowings	3	1,20,000
3. Current Liabilities		
a) Trade payables		1,50,000
	Total	12,16,000
Assets		
1. Non - current assets		
a) Fixed assets		
i) Tangible assets	4	4,70,000
ii) Intangible assets	5	2,20,000
2. Current assets		
a) Inventories (1,20,000 + 1,56,0000)		2,76,000
b) Trade receivables		1,64,000
c) Cash and cash equivalents		86,000
	Total	12,16,000

NOTES TO ACCOUNTS:

Particulars	Amount (Rs.)
1. Share Capital	
Equity share capital (94,000 shares of Rs. 10 each)	9,40,000
2. Reserves and Surplus	
Securities Premium (W.N.1)	6,000
3. Long Term borrowings	
Secured 6% debentures (assumed to be secured)	1,20,000
4. Tangible assets	
Free hold property (2,10,000 + 1,20,000)	3,30,000
Plant & Machinery	80,000
Motor vehicle	60,000
	Total
	4,70,000
5. Intangible assets	
Goodwill (1,60,000 + 60,000)	2,20,000

In the books of Shyam Ltd.

Journal Entries (Amount in Rupees)

	Particulars	Debit (Rs.)	Credit (Rs.)
1.	Realisation a/c	Dr.	3,48,000
	To Freehold Property a/c		1,20,000
	To Plant and Machinery a/c		30,000
	To Inventory a/c		1,56,000
	To Trade Receivables a/c		42,000
	(Being all assets except cash transferred to Realisation Account)		

2.	6% Debentures a/c Trade payables a/c To Realisation a/c (Being all liabilities transferred to Realisation Account)	Dr. Dr.	1,20,000 64,000	1,84,000
3	Equity Share Capital a/c Profit and loss a/c To Equity share holders a/c (Being equity transferred to equity shareholders accounts)	Dr. Dr.	1,60,000 40,000	2,00,000
4.	Ram and Shyam Ltd. a/c To Realisation a/c (Being Purchase consideration)	Dr.	2,40,000	2,40,000
5.	Bank a/c To Realisation a/c (Being cash realised from trade receivables in full)	Dr.	42,000	42,000
6.	Realisation a/c To Bank a/c (Being payment made to trade payables)	Dr.	64,000	64,000
7.	Shares in Ram and Shyam Ltd. To Ram and Shyam Ltd. (Being purchase consideration received in the form of shares of Ram and Shyam Ltd.)	Dr.	2,40,000	2,40,000
8.	Realisation a/c To Equity shareholders a/c (Being profit on realisation account transferred to shareholders account)	Dr.	54,000	54,000
9.	Equity shareholders a/c To Shares in Ram and Shyam a/c To Bank a/c (Being final payment made to shareholders)	Dr.	2,54,000	2,40,000 14,000

WORKING NOTE:**Calculation of Securities Premium balance**

Debentures issued by Ram and Shyam Ltd. to Shyam Ltd. at 5% Premium

Therefore, securities premium account will be credited with (Rs.1,20,000 x 5%) Rs.6,000.

PROBLEM NO.12**Balance sheet of Huge Ltd. After merger**

		Particulars	Notes No.	Amount (Rs.)
		1	2	3
1.	a b	EQUITY AND LIABILITIES: Shareholder's funds Share capital Reserves and Surplus	1 2	9,24,000 14,40,960
2.	a	Non-current liabilities Long term borrowings	3	2,00,000
3.	a b	Current liabilities Trade Payable (Creditors) Short term provisions	4	85,000 1,60,000 28,09,960
1.	a (i) (ii)	ASSETS: Non current assets Fixed assets Tangible assets Intangible assets (Good will)	5	13,50,000 3,80,000

5. Intangible assets	
Goodwill	1,00,000
	Total
	1,00,000
6. Cash and cash equivalents	
Balance with bank	2,30,000
Cash on hand	1,10,000
	Total
	3,40,000

The above solution based on pooling of interest method.

PROBLEM NO. 14

In the books of R Ltd.

No.	Particulars	Debit (Rs.)	Credit (Rs.)
1.	Business Purchases A/c To Liquidator of P Ltd A/c (Being business of P Ltd acquired)	Dr. 3,00,00,000	3,00,00,000
2.	Liquidator of P Ltd A/c To Equity share capital A/c To Securities Premium A/c (Being purchase consideration due to P Ltd discharged)	Dr. 3,00,00,000	2,50,00,000 5,00,000
3.	Patents A/c Land & Buildings A/c Plant and machinery A/c Inventories A/c Trade Receivables A/c Bank A/c Good will A/c (Bal. Fig) To Trade payables A/c To Business purchase A/c (Being assets & liabilities of P Ltd incorporated in books of accounts of R Ltd.)	Dr. 20,00,000 Dr. 60,00,000 Dr. 1,55,00,000 Dr. 35,00,000 Dr. 8,00,000 Dr. 4,50,000 Dr. 22,50,000 5,00,000 3,00,00,000	
4.	Business purchases A/c To Liquidator of Q Ltd (Being business of Q Ltd Acquired)	Dr. 48,00,000	48,00,000
5.	Liquidator of Q Ltd A/c To Equity share capital A/c To Securities Premium A/c (Being purchase consideration due to Q Ltd discharged)	Dr. 48,00,000	40,00,000 8,00,000
6.	Motor vehicles A/c Furniture A/c Inventories A/c Trade Receivables A/c Bank A/c Good will A/c (Bal. Fig) To Trade Payables A/c To Business purchase A/c (Being assets & liabilities of Q Ltd incorporated in books of accounts of R Ltd.)	Dr. 6,00,000 Dr. 3,50,000 Dr. 27,90,000 Dr. 6,20,000 Dr. 1,70,000 Dr. 4,80,000 2,10,000 48,00,000	

PROBLEM NO. 15**Journal Entries in the books of No Ltd.**

No.	Particulars	Debit (Rs. in Crores)	Credit (Rs. in Crores)
1.	Realisation Account To Fixed Assets Account To Current Assets Account (Being the assets taken over by Yes Ltd. transferred to Realisation Account)	Dr. 64.00	30.00 34.00
2.	Provision for depreciation Account Current Liabilities Account Unsecured Loan from Yes Ltd. Account To Realisation Account (Being the transfer of liabilities and provision to Realisation Account)	Dr. 24.00 Dr. 15.00 Dr. 10.00	49.00
3.	Yes Ltd. A/c To Realisation Account (Being the amount of consideration due from Yes Ltd. Credited to Realisation Account)	Dr. 1.2	1.2
4.	Equity Shareholders Account To Realisation Account (Being the loss on realisation transferred to equity shareholders account)	Dr. 13.80	13.80
5.	Equity Share Capital Account Reserves and Surplus Account To Equity Shareholders Account (Being the amount of share capital, reserves and surplus credited to equity shareholders account)	Dr. 5.00 Dr. 10.00	15.00
6.	Equity shares of Yes Ltd. A/c To Yes Ltd. A/c (Being the receipt of 10 lakhs equity shares of Rs.10 each at Rs. 12 per share for allotment to shareholders.)	Dr. 1.20	1.20
7.	Equity shareholders Account To Equity shares of Yes Ltd. (Being the distribution of equity shares received from Yes Ltd. to shareholders)	Dr. 1.2	1.2

Journal Entries in the books of Yes Ltd.

No.	Particulars	Debit (Rs. in Crores)	Credit (Rs. in Crores)
1.	Business Purchase Account To Liquidator of No Ltd. Account (Being the amount of purchase consideration agreed under approved scheme of amalgamation- W.N. 1))	Dr. 1.2	1.2
2.	Fixed Assets Account Current Assets Account To Current Liabilities Account To Unsecured Loan (from Yes Ltd.) To Business Purchase Account To Reserve & Surplus A/c To Profit & loss A/c (Being the assets and liabilities taken over and the surplus transferred to capital reserve)	Dr. 6.00 Dr. 34.00	15.00 10.00 1.20 10.00 3.80

3.	Liquidator of No Ltd. A/c To Equity Share Capital Account To Securities Premium Account (Being the allotment to shareholders of No Ltd. 10 lakhs equity shares of Rs. 10 each at a premium of Rs. 2 per share)	Dr.	1.2	1.00 0.20
4.	Unsecured Loan (from Yes Ltd.) Account To Loan to No. Ltd. Account (Being the cancellation of unsecured loan given to No Ltd.)	Dr.	10.00	10.00

Working Note:

$$\text{Purchase Consideration} = \frac{50\text{Lakhs}}{5} \times \text{Rs.12}$$

i.e., 10 lakhs equity shares at Rs. 12 per share = 1.2 Crores

$$\text{Number of equity shares of Rs. 10 each to be issued} \left(\frac{1.20\text{crores}}{12} \right) = 10 \text{ Lakhs.}$$

THE END

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To **MASTER MINDS**, Guntur.

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