

10. AMALGAMATION OF COMPANIES

ASSIGNMENT SOLUTIONS

PROBLEM NO.1

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 debentures 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.2

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. 3

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. 4Dr. 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
	<u>1,20,000</u>		<u>1,20,000</u>

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
	<u>1,10,000</u>		<u>1,10,000</u>

Dr. Loan Y Ltd. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d.	15,000	By Shares in XY Ltd	15,000
	<u>15,000</u>		<u>15,000</u>

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		
	<u>90,000</u>		<u>90,000</u>

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
	<u>75,000</u>		<u>75,000</u>

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

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

PROBLEM NO. 5Balance Sheet of Super Fast Express Ltd as at 1st Jan., 2015

Particulars	Note No.	Amount (Rs.)
Equity and Liabilities		
1. Shareholder's funds		
a) Share capital	1	30,00,000
b) Reserve and Surplus	2	3,60,000
2. Non-Current Liabilities		
a) Long-term borrowings	3	1,00,000
3. Current Liabilities		
a) Trade payables		1,00,000
Total		35,60,000
Assets		
1. Non - current assets		
a) Fixed assets		
i) Tangible assets	4	25,00,000
ii) Intangible assets	5	1,00,000
2. Current assets		
a) Inventories		3,40,000
b) Trade receivables		2,80,000
c) Cash and cash equivalents	6	3,40,000
Total		35,60,000

NOTES TO ACCOUNTS:

Particulars	Amount (Rs.)
1. Share Capital	
Equity share capital Issued, subscribed and paid up 30,000 Equity shares of Rs.100 each	30,00,000
Total	30,00,000
2. Reserves and Surplus	
Reserves account	1,00,000
Surplus	1,00,000
Insurance reserve	1,00,000
Employee profit sharing account	60,000
Total	3,60,000
3. Long Term Provisions	
Provident fund	1,00,000
Total	1,00,000
4. Tangible assets	
Buildings	16,00,000
Machinery	9,00,000
Total	25,00,000
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. 6Books of A Limited
Realisation Account

		Rs.			Rs.
To	Building	3,40,000	By	Trade payables	3,20,000
To	Machinery	6,40,000	By	B Ltd.	12,10,000
To	Inventory	2,20,000	By	Equity Shareholders (Loss)	76,000
To	Trade receivables	2,60,000			
To	Goodwill	1,30,000			
To	Bank (Exp.)	<u>16,000</u>			
		<u>16,06,000</u>			<u>16,06,000</u>

Bank Account

To	Balance b/d	1,36,000	By	Realisation (Exp.)	16,000
To	B Ltd.	6,00,000	By	10% debentures	4,00,000
			By	Loan from A	1,60,000
		<u> </u>	By	Equity shareholders	<u>1,60,000</u>
		<u>7,36,000</u>			<u>7,36,000</u>

10% Debentures Account

To	Bank	<u>4,00,000</u>	By	Balance b/d	<u>4,00,000</u>
		<u>4,00,000</u>			<u>4,00,000</u>

Loan from A Account

To	Bank	<u>1,60,000</u>	By	Balance b/d	<u>1,60,000</u>
		<u>1,60,000</u>			<u>1,60,000</u>

Share issue Expenses Account

To	Balance b/d	<u>34,000</u>	By	Equity shareholders	<u>34,000</u>
		<u>34,000</u>			<u>34,000</u>

General Reserve Account

To	Equity shareholders	<u>80,000</u>	By	Balance b/d	<u>80,000</u>
		<u>80,000</u>			<u>80,000</u>

B Ltd. Account

To	Realisation A/c	12,10,000	By	Bank	6,00,000
			By	Equity share in B Ltd.(4,880 shares at Rs. 125 each)	<u>6,10,000</u>
		<u>12,10,000</u>			<u>12,10,000</u>

Equity Shares in B Ltd. Account

To	B Ltd.	<u>6,10,000</u>	By	Equity shareholders	<u>6,10,000</u>
		<u>6,10,000</u>			<u>6,10,000</u>

Equity Share Holders Account

To	Realisation	76,000	By	Equity share capital	8,00,000
To	Share issue Expenses	34,000	By	General reserve	80,000

To	Equity shares in B Ltd.	6,10,000			
To	Bank	<u>1,60,000</u>			
		<u>8,80,000</u>			<u>8,80,000</u>

B Ltd

Balance Sheet as on 1st April, 2015 (An extract)

	Particulars	Notes	Rs.
	Equity and Liabilities		
1	Shareholders' funds		
a	Share capital	1	4,88,000
b	Reserves and Surplus	2	1,07,000
2	Current liabilities		
a	Trade Payables	3	2,80,000
b	Bank overdraft		6,00,000
	Total		14,75,000
	Assets		
1	Non-current assets		
a	Fixed assets		
	Tangible assets	4	8,82,000
	Intangible assets	5	2,16,000
2	Current assets		
a	Inventories	6	1,83,000
b	Trade receivables	7	1,94,000
			14,75,000

Notes to accounts

		Rs.
1	Share Capital	
	Equity share capital 4,880 Equity shares of Rs. 100 each (Shares have been issued for consideration other than cash)	4,88,000
	Total	4,88,000
2	Reserves and Surplus (an extract)	
	Securities Premium	1,22,000
	Profit and loss account
	Less: Unrealised profit	<u>(15,000)</u>
	Total	<u>1,07,000</u>
3	Trade payables	
	Opening balance	3,20,000
	Less: Inter-company transaction cancelled upon amalgamation	<u>(40,000)</u>
4	Tangible assets	
	Buildings	3,06,000
	Machinery	5,76,000
	Total	8,82,000

5	Intangible assets		
	Goodwill		2,16,000
6	Inventories		
	Opening balance	1,98,000	
	Less: Cancellation of profit upon amalgamation	(15,000)	1,83,000
7	Trade receivables		
	Opening balance	2,60,000	
	Less: Intercompany transaction cancelled upon amalgamation	(40,000)	
	Less: Provision for doubtful debts	(26,000)	1,94,000

Working Notes:

1. Valuation of Goodwill	Rs.
Average profit	1,24,400
Less: 8% of Rs. 8,80,000	<u>(70,400)</u>
Super profit	<u>54,000</u>
Value of Goodwill = 54,000 x 4	<u>2,16,000</u>
2. Net Assets for purchase consideration	
Goodwill as valued in W.N.1	2,16,000
Building	3,06,000
Machinery	5,76,000
Inventory	1,98,000
Trade receivables (2,60,000-26,000)	<u>2,34,000</u>
Total Assets	15,30,000
Less: Trade payables	(3,20,000)
Net Assets	<u>12,10,000</u>
Out of this Rs. 6,00,000 is to be paid in cash and remaining i.e., (12,10,000 – 6,00,000) Rs. 6,10,000 in shares of Rs. 125. Thus, the number of shares to be allotted $6,10,000/125 = 4,880$ shares.	
3. Unrealised Profit on Inventory	Rs.
The Inventory of A Ltd. includes goods worth Rs. 1,00,000 which was sold by B Ltd. on profit. Unrealised profit on this Inventory will be $40,000 / 1,60,000 \times 1,00,000 =$	25,000
As B Ltd purchased assets of A Ltd. at a price 10% less than the book value, 10% need to be adjusted from the Inventory i.e., 10% of Rs.1,00,000.	<u>(10,000)</u>
Amount of unrealized profit	<u>15,000</u>

PROBLEM NO.7

Journal Entries in the books of No Ltd.

(Rupees in crores)

	Dr.	Cr.
Realisation Account	Dr.	64.00
To Fixed Assets Account		30.00
To Current Assets Account		34.00
(Being the assets taken over by Yes Ltd. transferred to Realisation Account)		

Provision for depreciation Account	Dr.	24.00	
Current Liabilities Account	Dr.	15.00	
Unsecured Loan from Yes Ltd. Account	Dr.	10.00	
To Realisation Account			49.00
(Being the transfer of liabilities and provision to Realisation Account)			
Yes Ltd.	Dr.	1.2	
To Realisation Account			1.2
(Being the amount of consideration due from Yes Ltd. credited to Realisation Account)			
Equity Shareholders Account	Dr.	13.80	
To Realisation Account			13.80
(Being the loss on realisation transferred to equity shareholders account)			
Equity Share Capital Account	Dr.	5.00	
Reserves and Surplus Account	Dr.	10.00	
To Equity Shareholders Account			15.00
(Being the amount of share capital, reserves and surplus credited to equity shareholders account)			
Equity shares of Yes Ltd.	Dr.	1.20	
To Yes Ltd.			1.20
(Being the receipt of 10 lakhs equity shares of Rs. 10 each at Rs. 12 per share for allotment to shareholders)			
Equity shareholders Account	Dr.	1.20	
To Equity shares of Yes Ltd.			1.20
(Being the distribution of equity shares received from Yes Ltd. to shareholders)			

Journal Entries in the books of Yes Ltd.

(Rupees in crores)

	Dr.	Cr.
Business Purchase Account	Dr.	1.2
To Liquidator of No Ltd. Account		1.2
(Being the amount of purchase consideration agreed under approved scheme of amalgamation- W.N. 1)		
Fixed Assets	Dr.	6.00
Current Assets	Dr.	34.00
To Current Liabilities		15.00
To Unsecured Loan (from Yes Ltd.)		10.00
To Business Purchase Account		1.20
To Reserve & Surplus A/c		10.00
To Profit & loss A/c		3.80
(Being the assets and liabilities taken over and the surplus transferred to capital reserve)		
Liquidator of No Ltd.	Dr.	1.20
To Equity Share Capital Account		1.00
To Securities Premium Account		0.20

(Being the allotment to shareholders of No Ltd. 10 lakhs equity shares of Rs. 10 each at a premium of Rs. 2 per share)			
Unsecured Loan (from Yes Ltd.)	Dr.	10.00	
To Loan to No. Ltd.			10.00
(Being the cancellation of unsecured loan given to No Ltd.)			

Working Note:

Purchase Consideration Rs. in crores
 $\frac{50 \text{ lakhs}}{5} \times 12$ i.e., 10 lakhs equity shares at Rs. 12 per share 1.20

Number of equity shares of ` 10 each to be issued $\frac{1.2 \text{ crores}}{12} = 10$ lakhs

PROBLEM NO. 8In the books of Gee Ltd.Journal entries

Particulars		Dr. Rs.	Cr. Rs.
Business purchase A/c (W.N.1) To Liquidator of Pee Ltd. (Being business of Pee Ltd. taken over)	Dr.	25,85,000	25,85,000
Building A/c	Dr.	7,75,000	
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		
	i) Tangible assets	6	49,62,500
	b) Investments	7	6,00,000
	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	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	9,35,000
11,000 14% Preference Shares of Rs.100 each	11,00,000	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 owings upon amalgamation	(55,000)	1,20,000
Total		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. 9

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	1,150		

		(Purchase consideration: Refer WN)	
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 Dr.	1,150	
	To Liquidator of V Ltd. a/c		1,150
	(Being purchase consideration due)		
2.	Land and building a/c Dr.	445	
	Plant and Machinery a/c Dr.	593	
	Furniture, Fixtures & Fittings A/c Dr.	114	
	Inventory a/c Dr.	380	
	Trade Receivables a/c Dr.	256	
	Bank a/c Dr.	69	
	Cash in Hand a/c Dr.	6	
	Profit and Loss a/c Dr.	87	
	To 10% Debentures a/c		600
	To Outstanding Debenture interest a/c		30
	To Trade payable a/c		170
	To Business Purchase a/c		1,150
	(Being assets and liabilities taken over from V Ltd. Under the scheme of amalgamation in the nature of merger)		
3.	Liquidators of V Ltd. a/c Dr.	1,150	
	To Equity Share Capital a/c		640
	To 13% Cumulative Preference shares a/c		350
	To Securities premium a/c		160
	(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)		
4.	10% Secured Cumulative Debentures a/c Dr.	600	
	To 10.5% Secured Cumulative Debentures a/c		600
	(Being 10% Secured Cumulative Debentures of V Ltd. Convert into 10.5% Secured Cumulative Debentures of P Ltd)		
5.	Outstanding Debentures Interest a/c Dr.	30	
	To Bank a/c		30
	(Being outstanding debentures interest paid in cash by p Ltd)		
6.	Profit and Loss a/c Dr.	2	
	To Bank a/c		2
	(Being amalgamation expenses met by P Ltd.)		
7.	Trade Payable a/c Dr.	7	
	To Trade Receivables a/c		7
	(Being settlement of mutual liability)		
8.	Profit and Loss a/c Dr.	1	
	To Inventory a/c (5 x 20%)		1
	(Being unrealized profit on inventory eliminated from the Inventories of P Ltd.)		

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 (35 Lakhs shares x Rs.10)	350
Payment To Equity shareholders: (80 Lakhs shares x 4/5) = 64 Lakhs equity shares @ 10 each Securities Premium (64 Lakhs equity shares @ Rs.2.5)	640
Total Purchase consideration	1,150

PROBLEM NO. 10

Balance sheet of Huge Ltd. After merger

Particulars	Notes No.	Amount (Rs.)
1	2	3
EQUITY AND LIABILITIES:		
1. Shareholder's funds		
a) Share capital	1	9,24,000
b) Reserves and Surplus	2	14,40,960
2. Non-current liabilities		
a) Long term borrowings	3	2,00,000
3. Current liabilities		
a) Trade Payable (Creditors)		85,000
b) Short term provisions	4	1,60,000
TOTAL		28,09,960
ASSETS:		
1. Non-current assets		
a) Fixed assets		
(i) Tangible assets		13,50,000
(ii) Intangible assets (Good will)	5	3,80,000
b) Non-current investments		2,50,000
2. Current Assets		
a) Inventories (Stock)		1,70,000
b) Trade receivables (Debtors)		1,55,000
c) Cash & Cash equivalents (4,05,000 - 40)		4,04,960
d) Short term loans and advances	6	1,00,000
TOTAL		28,09,960

Notes to Accounts:

Particulars	Rs.
1. Share capital	
92,400 equity shares of Rs.10 each (Out of which 22,400 shares were issued for consideration other than cash)	9,24,000
2. Reserves and surplus	
Security premium	6,80,960
General reserve	3,50,000
Profit and loss A/c	2,00,000
Add: Proposed dividend cancelled	1,40,000
Export profit reserve (70,000 + 40,000)	1,10,000
Less: Amalgamation Adjustment reserve	(70,000)
3. Long term borrowings	
Secured 12% debentures (1,00,000 + 1,00,000)	2,00,000
4. Short term provision	
Provision for tax (1,00,000 + 60,000)	1,60,000
5. Intangible assets	
Good will (WN)	3,80,000
6. Short term loans and advances	
(Advance tax 80,000 + 20,000)	1,00,000

WORKING NOTES:**1. Calculation of purchase consideration:**

Equity shares of Big Ltd.	25,000 shares
Intrinsic value per share of Big Ltd. (W.N.2)	Rs. 36.2
Value of shares	Rs. 9,05,000
Intrinsic value per share of Huge Ltd. (W.N.2)	Rs. 40.4

No. of shares to be issued by Huge Ltd. $\text{Rs.}9,05,000 / \text{Rs.}40.4 = 22,400.99$ shares i.e. 22,400 shares and cash for fraction i.e. $0.99 \times \text{Rs.}40.4 = \text{Rs.} 40$

PURCHASE CONSIDERATION:**i) 22,400 shares @ Rs.40.4**

Capital [Rs.10 / Share]	2,24,000	
Premium [Rs.30.4 / Share]	<u>6,80,960</u>	9,04,960

ii) Cash for fraction 40

iii) Total purchase consideration payable 9,05,000

2. Intrinsic Value Per Share:

Particulars	Huge Ltd. (Rs.)		Big Ltd. (Rs.)	
	Rs.	Rs.	Rs.	Rs.
ASSETS:				
i) Goodwill (W.N.3)	13,65,000		3,80,000	
ii) Sundry fixed assets	9,50,000		4,00,000	
iii) Investments	2,00,000		50,000	
iv) Inventory	1,20,000		50,000	
v) Trade receivables	75,000		80,000	
vi) Advance tax	80,000		20,000	
vii) Cash and bank balance	<u>2,75,000</u>	30,65,000	<u>1,30,000</u>	11,10,000
LIABILITIES:				
i) 12% Debentures	1,00,000		1,00,000	
ii) Trade payables	40,000		45,000	
iii) Provision for tax	<u>1,00,000</u>	<u>(2,40,000)</u>	<u>60,000</u>	<u>(2,05,000)</u>
Net assets		<u>28,25,000</u>		<u>9,05,000</u>
No. of shares		70,000		25,000
Intrinsic value per share (up to one decimal)		40.4		36.2

3. Valuation of Goodwill:**a) Capital Employed:**

Particulars	Huge Ltd. (Rs.)		Big Ltd. (Rs.)	
	Rs.	Rs.	Rs.	Rs.
ASSETS:				
i) Sundry fixed assets	9,50,000		4,00,000	
ii) Investment (Non-trade)	-		-	
iii) Inventory	1,20,000		50,000	
iv) Trade receivables	75,000		80,000	
v) Advance tax	80,000		20,000	
vi) Cash and bank balance	<u>2,75,000</u>	15,00,000	<u>1,30,000</u>	6,80,000
LIABILITIES:				
i) 12% Debentures	1,00,000		1,00,000	
ii) Sundry creditors	40,000		45,000	
iii) Provision for tax	<u>1,00,000</u>	<u>(2,40,000)</u>	<u>60,000</u>	<u>(2,05,000)</u>
Capital employed		12,60,000		4,75,000

b) Average Pre-Tax Profit:

Particulars	Huge Ltd. (Rs.)	Big Ltd. (Rs.)
2010	5,00,000	1,50,000
2011	6,50,000	2,10,000
2012	<u>5,75,000</u>	<u>1,80,000</u>
Total (a + b + c)	<u>17,25,000</u>	<u>5,40,000</u>
Simple Average [Total / 3]	5,75,000	1,80,000
Less: Non-trading income (2,00,000 @ 25%) (50,000 @ 18%)	(50,000)	
Average profit	<u>5,25,000</u>	<u>1,71,000</u>

Particulars	Huge Ltd. (Rs.)	Big Ltd. (Rs.)
Capitalized value of average profits (average profit / NRR)	26,25,000	8,55,000
Capital employed	<u>12,60,000</u>	<u>4,75,000</u>
Goodwill	13,65,000	3,80,000

PROBLEM NO. 11

Computation of Purchase consideration	(Rs. in '000)	Form of consideration
For Preference Shareholders of X Ltd.	3,000	30,000 15% Preference shares in Y Ltd.
For equity shareholders of X Ltd. $(\frac{2}{3} \times 7,50,000) \times \frac{10}{10}$	5,000	5,00,000 Equity shares of Y Ltd.
Total Purchase consideration	8,000	

Note: Consideration for debenture holders should not be included above. Such debentures will be taken over by Y Ltd. and then discharged.

PROBLEM NO. 12

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. 13

LEDGER OF BETTER LIMITED

Fixed Assets Account

	Rs.		Rs.
To Balance b/d	<u>15,00,000</u>	By Realisation A/c (transfer)	<u>15,00,000</u>

Current Assets Account

	Rs.		Rs.
To Balance b/d	<u>15,00,000</u>	By Realisation A/c (transfer)	<u>5,00,000</u>

Liabilities Account

	Rs.		Rs.
To Realisation A/c	<u>2,00,000</u>	By Balance b/d	<u>2,00,000</u>

Realisation Account

	Rs.		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

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

Reserves & Surplus Account

	Rs.		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		8,00,000

Best Ltd.

	Rs.		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.

	Rs.		Rs.
To Best Ltd.	15,00,000	By Sundry Shareholders A/c	15,00,000

Sundry Shareholders Account

	Rs.		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.

2014				
Apr 1	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.			15,00,000
	To Capital Reserve A/c			3,00,000
	(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
	(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

	(Amount due from Better Ltd., and included in its creditors taken over, cancelled against own Trade receivables)		
	Capital Reserve A/c To Current Asset (Stock) A/c (Unrealized profit on stock included in current assets of Better Ltd. written off to Reserve Account)	Dr.	10,000 10,000

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 No.	Amount (Rs.)
1	2	3
EQUITY AND LIABILITIES:		
1. Shareholder's 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		
(i) 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

	(Rs.)
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)	2,90,000
Securities Premium	5,00,000
Other reserves and surplus	10,00,000
Total	17,90,000
3. Tangible Assets	
Fixed assets	25,00,000
Acquired during the year	15,00,000
Total	40,00,000

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To **MASTER MINDS**, Guntur

SOLUTIONS FOR SELF PRACTICE**PROBLEM NO. 1**

M/s R Ltd.

Balance Sheet as at 1.4.2018

	Particulars	Notes	Rs. In'000
	Equity and Liabilities		
1	Shareholder's funds		
	a. Share Capital	1	6,55,980
	b. Reserves and Surplus	2	2,77,990
2	Non – Current Liabilities		
	a. Long – term borrowings	3	80,000
3	Current Liabilities		
	a. Trade Payables short – term	4	80,000
	b. Provision	5	22,000
	Total		11,15,970
	Assets		
1	Non – Current Assets		
	a. Property, Plant & Equipment	6	5,60,000
2	Tangible Assets		
	a. Non – current Investments	7	1,30,000
3	Current Assets		
	a. Inventory	8	1,52,000
	b. Trade receivables	9	1,44,000
	c. Cash and Cash Equivalents	10	1,29,970
	Total		11,15,970

Notes to accounts

	Rs. in'000
1. Share Capital	
Equity share capital	
55,598 Equity shares of Rs.10 each, fully paid up (W.N.2)	5,55,980
Preference share capital	
9% Preference share capital (Share of Rs.100 each) (W.N.2)	1,00,000
	6,55,980
2. Reserves and Surplus	
Securities premium (W.N.2) Investment allowance reserve (Rs.10,000+ Rs.4,000)	2,77,990
Amalgamation adjustment reserve	14,000
	(14,000)
	2,77,990
3. Long-term borrowings	
Secured	
10% Debentures (50% of Rs.1,60,000)	80,000

4.	Trade Payables (Rs.50,000+ Rs.30,000)	80,000
5.	Short term provisions Provision for tax (Rs.14,000+ Rs.8,000)	22,000
6.	Tangible assets Building (Rs.1,32,000+Rs.1,05,000) Plant and machinery (Rs.1,76,000+Rs.1,47,000)	2,37,000 <u>3,23,000</u> <u>5,60,000</u>
7.	Non – current Investments (Rs.80,000+ Rs.50,000)	1,30,000
8.	Inventory Stock (Rs. 72,000+ Rs. 80,000)	1,52,000
9.	Trade receivables Trade receivables (90% of (Rs.90,000+ Rs.70,000))	1,44,000
10.	Cash and cash equivalents Cash and Bank (Rs. 80,000+ Rs. 50,000 – Rs. 30)	1,29,970

Working Notes:**1. Calculation of value of equity shares issued to transferor companies**

		P Ltd. (Rs.)		Q Ltd. (Rs.)
Assets taken over:				
Building		1,32,000		1,05,000
Plant and machinery		1,76,000		1,47,000
Investments		80,000		50,000
Inventories		72,000		80,000
Trade receivables		81,000		63,000
Cash & Bank		<u>80,000</u>		<u>50,000</u>
		6,21,000		4,95,000
Less: Liabilities:				
10% Debentures	1,00,000		60,000	
Trade payables	50,000		30,000	
Tax Provision	<u>14,000</u>	<u>1,64,000</u>	<u>8,000</u>	<u>98,000</u>
		4,57,000		3,97,000
Less: Preference Share Capital		<u>60,000</u>		<u>40,000</u>
		<u>3,97,000</u>		<u>3,57,000</u>

2. Number of shares issued to equity shareholders, debenture holders and preference shareholders

	P Ltd.	Q Ltd.	Total
Equity shares issued @ Rs. 15 per share (including Rs.5 premium)			
Rs.3,97,000/15	26,466		
	shares		
Rs.3,57,000/15		23,800	50,266

Equity share capital @ Rs.10	Rs.2,64,660	shares Rs.2,38,000	shares Rs.5,02,660
Securities premium @ Rs.5	<u>Rs.1,32,330</u>	<u>Rs.1,19,000</u>	<u>Rs.2,51,330</u>
	<u>Rs.3,96,990</u>	<u>Rs.3,57,000</u>	<u>Rs.7,53,990</u>
50% of Debentures are converted into equity shares @ Rs. 15 per share			
1,00,000/2 = 50,000/15	3,332 shares		
60,000/2 = 30,000/15		2,000 shares	5,332 shares
Equity share capital @ Rs.10	Rs.33,320	Rs.20,000	Rs.53,320
Security premium @ Rs.5	<u>Rs.16,660</u>	<u>Rs.10,000</u>	<u>Rs.26,660</u>
	<u>Rs.49,980</u>	<u>Rs.30,000</u>	<u>Rs.79,980</u>
9% Preference share capital issued	Rs.60,000	Rs.40,000	Rs.1,00,000

PROBLEM NO. 2

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

In the books of R Ltd.

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

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To **MASTER MINDS**, Guntur.

THE END