

## 9. AMALGAMATION OF COMPANIES

NO. OF PROBLEMS IN 39e OF CA INTER: CLASSROOM - 13, ASSIGNMENT - 14

NO. OF PROBLEMS IN 40e OF CA INTER: CLASSROOM - 11, ASSIGNMENT - 14

NO. OF PROBLEMS IN 41e OF CA INTER: CLASSROOM - 11, ASSIGNMENT - 14

### MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER

MODEL NO.	N - 11	M - 12	N - 12	M - 13	N - 13	M - 14	N - 14	M - 15	N - 15	M - 16	N - 16	M - 17	N - 17	M-18 (O)	M-18 (N)	N-18 (O)	N-18 (N)
Model - 1	-	-	-	-	-	-	-	-	-	4	-	-	4	16	-	-	-
Model - 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Model - 3	-	-	16	-	-	-	-	16	-	-	-	-	-	-	-	-	-
Model - 4	-	-	-	-	-	16	-	-	-	16	-	16	-	-	20	16	-

Model - 1 : Computation of Purchase Consideration

Model - 2 : Merger & Purchase - Both methods of accounting

Model - 3 : Amalgamation in the nature of Merger

Model - 4 : Amalgamation in the nature of Purchase

### SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL

Problem No. in this Material	Problem no. in NEW SM	Problem no. in OLD SM	Problem no. in OLD PM	RTP	MTP	Previous Exams	Remarks
CRD 1	ILL - 1	ILL - 1	-	-	-	-	-
CRD 2	ILL - 2	ILL - 2	-	-	-	-	-
CRD 3	ILL - 9	ILL - 9	-	-	-	-	-
CRD 4	-	-	15	-	-	N18 (O)	-
CRD 5	-	-	13	M18 (N&O)	-	-	-
CRD 6	ILL - 5	ILL - 5	-	-	-	-	-
CRD 7	ILL - 7	ILL - 7	-	-	-	-	-
CRD 8	ILL - 10	-	7	N18 (N&O)	-	-	-
CRD 9	-	-	8	-	-	-	-
CRD 10	-	-	16	M19 (N&O)	-	M 15	-
CRD 11	ILL - 8	ILL - 8	-	-	-	-	-
ASG 1	-	-	9	-	M18	-	-
ASG 2	ILL - 3	ILL - 5	-	-	-	-	-
ASG 3	ILL - 2	ILL - 4	-	-	-	-	-
ASG 4	PQ - 2	-	6	-	-	-	-
ASG 5	-	-	-	M 13	-	-	-
ASG 6	-	-	11	-	-	-	-
ASG 7	ILL - 6	ILL - 6	-	-	-	-	-
ASG 8	-	-	-	-	-	M 17	-
ASG 9	PQ - 4	-	5	-	-	-	-
ASG 10	-	-	14	-	-	-	-
ASG 11	-	-	12	-	-	-	-
ASG 12	-	ILL-10	-	-	-	-	-
ASG 13	PQ - 3	-	4	-	-	-	-
ASG 14	-	-	-	-	-	-	-

## THEORY

### MEANING OF AMALGAMATION

**Amalgamation:** Usually, the term 'Amalgamation' is used when two or more existing companies go into liquidation and a new company is formed to take over their business. **For Example**, if a new company XY Ltd. is formed to take over the businesses of two existing companies, X Ltd. and Y Ltd., it is a case of Amalgamation.

**Absorption:** The term 'Absorption' is used when one or more existing company(s) goes into liquidation and some existing company takes over its business. **For Example**, if the business of an existing company X Ltd. is taken over by another existing company Y Ltd., it is a case of absorption.

**External Reconstruction:** The term 'External Reconstruction' is used when one existing company goes into liquidation and a new company is formed to take-over its business. **For Example**, if a new company X (New) Ltd. is formed to take over the business of an existing company X Ltd., it is a case of 'External Reconstruction'.

**Difference between Amalgamation, Absorption and External Reconstruction:**

Basis	Amalgamation	Absorption	External Reconstruction
Minimum number of Companies involved	At least three companies are involved.	At least two companies are involved.	Only two companies are involved.
Number of new resultant companies	Only one resultant company is formed. Two companies are wound up to form a <b>single</b> resultant company.	<b>No</b> new resultant company is formed.	Only one resultant company is formed. Under this case a <b>newly formed company</b> takes over the business of an existing company.
Objective	Amalgamation is done to cut competition & reap the economies in large scale.	Absorption is done to cut competition & reap the economies in large scale.	External reconstruction is done to reorganize the financial structure of the company.
Example	A Ltd. and B Ltd. amalgamate to form C Ltd.	A Ltd. takes over the business of another existing company B Ltd.	B Ltd. is formed to take over the business of an existing company A Ltd.

**Note:** Amalgamation includes absorption.

#### Why Amalgamation?

Amalgamation is a means of restructuring for companies in order to achieve growth and to utilise the advantages/synergies prevailing in their environment. E.g. Large scale production, expansion, global presence, tax benefits etc.

### TYPES OF AMALGAMATION

As per AS-14, Amalgamation is of two types:

1. Amalgamation is in the Nature of Merger
2. Amalgamation is in the Nature of Purchase

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1. **Amalgamation in the nature of merger:** An amalgamation is said to be "Amalgamation in the nature of merger", if It satisfies all the following five conditions:

- a) All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.
- b) Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company by virtue of the amalgamation.

- c) The consideration for the amalgamation receivable by those equity shareholders of the transferor company who agree to become equity shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares in the transferee company, except that cash may be paid in respect of any fractional shares.
- d) The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.
- e) No adjustment is intended to be made to the book values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies.

2. **Amalgamation in the nature of Purchase:** If any of the above conditions are not satisfied, then the nature of Amalgamation is said to be in the nature of Purchase.

**Difference between amalgamation in the nature of merger and amalgamation in the nature of purchase**

Best of Distinction	Amalgamation in the Nature of Merger	Amalgamation in the Nature of Purchase
a) Transfer of Assets and Liabilities	There is transfer of all assets & liabilities.	There need not be transfer for all assets & liabilities.
b) Shareholders of transferor company	Equity shareholders holding 90% equity shares in transferor company become shareholders of transferee company.	Equity shareholders need not become shareholders of transferee company.
c) Purchase Consideration	Purchase consideration is discharged wholly by issue of equity shares of transferee company (except cash only for fractional shares)	Purchase consideration need not be discharged wholly by issue of equity shares.
d) Same Business	The same business of the transferor company is intended to be carried on by the transferee company.	The business of the transferor company need not be intended to be carried on by the transferee company.
e) Recording of Assets & Liabilities	The assets & liabilities taken over are recorded at their existing carrying amounts except where adjustment is required to ensure uniformity of accounting policies.	The assets & liabilities taken over are recorded at their existing carrying amounts or the basis of their fair values.
f) Method of Accounting	Journal entries for recording the merger are passed by pooling of interest method.	Journal entries for recording the purchase of business are passed by purchase method.

**PURCHASE CONSIDERATION**

**Purchase Consideration (P.C.):** Consideration refers to the amount paid by buyer (transferee company) to seller (owners/ shareholders of transferor company)

**Meaning:** 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.

Any additional amount paid for any other purpose not to be taken as part of purchase consideration. E.g. expenses of winding up, settlement of liabilities etc.

1. **Net Assets Method (or) Net Assets taken Over Basis Method):** Under this method P. C. shall be computed as follows:

Particulars	Rs.
Agreed value of assets taken over	XXX
<b>Less:</b> Agreed value of Liabilities taken over	XXX
Purchase Consideration →	<b>XXX</b>

**Note:**

1. The term "agreed value" means the amount at which the transferor company has agreed to sell and the transferee company has agreed to take over a particular assets or a liability. Otherwise book value will be the agreed value.
  2. Fictitious assets (i.e., preliminary expenses, underwriting commission, discount on issue of shares, discount on issue of debentures and debit balance in P & L A/c) are not taken over.
2. **Payments Method (or) Net payments to Shareholder Basis Method:** Under this method purchase consideration should be calculated by aggregating total payments made by the purchasing company.

**Example 1:** A Ltd. had taken over B Ltd. and for that it agreed to pay Rs.5,00,000 in cash 4,00,000 Equity Shares of Rs.10 each fully paid at an agreed value of Rs.15 per share then the P.C. will be ascertained as follows:

Particulars	Rs.
Cash	5,00,000
4,00,000 E. Shares of Rs.10 each fully paid, at Rs.15 per share	60,00,000
Purchase Consideration →	<b>65,00,000</b>

**Note:** A modified method of indicating consideration is to say how much a shareholder get per share on the transfer of the company's business to transferee company.

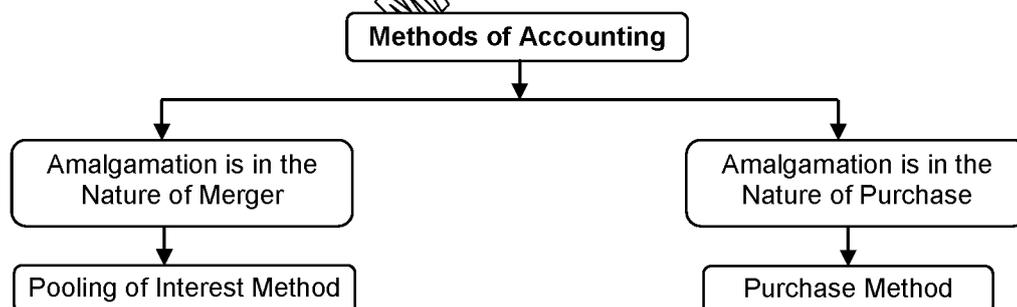
**Example: 2**

A Ltd is absorbed by B Ltd. the purchase consideration is settled by issue of shares of B Ltd. Swap ratio is decided on the basis of fair value (e.g. market value) of shares of both the companies. Fair value of A Ltd share - Rs.25 per share. Fair value of B Ltd. Rs.50 per share.

**Swap ratio:** Based on fair value of shares - 1 share of B Ltd for every 2 shares of A Ltd i.e. 1:2

**METHODS OF ACCOUNTING**

There are two main methods of accounting for amalgamation viz,

**ACCOUNTING ENTRIES-PURCHASE METHOD**

- A. **Entries in the books of Amalgamating Company / Selling Company / Transferor Company:** AS - 14 is not applicable since the standards are meant only for preparation and presentation of financial statements. The transferor company is wound up and there is no preparation of any General Purpose Financial Statements.

1.	<b>For transfer of all assets taken over by the purchasing company at book values to Realisation A/c (Except fictitious Assets):</b> Realisation A/c To Assets A/c (Individually) <b>Note:</b> i. If cash & bank balances are not taken over then they should not be transferred to Realisation A/c. ii. If there is a provision against an Asset then such an asset is to be transferred to Realisation A/c at gross figure.	Dr.	XXX	XXX
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2.	<b>For transfer of liabilities taken over by the Purchasing Co. at book values to Realisation A/c:</b> Liabilities A/c (Individually) Dr. To Realisation A/c <b>Note:</b> If any fund (or) reserve denotes liability it should be transferred to Realisation A/c. E.g. Workmen compensation fund.	XXX	XXX
3.	<b>Due entry for Purchase Consideration:</b> Purchasing Company A/c Dr. To Realisation A/c	XXX	XXX
4.	<b>Receipt entry for Purchase Consideration:</b> Cash/E. shares/P. shares/Debentures in Purchasing Company A/c Dr. To Purchasing Company A/c	XXX	XXX
5.	<b>For sale of Assets not taken over by the Purchasing Co.:</b> Cash A/c Dr. Realisation A/c [loss] Dr. To Assets A/c To Realisation A/c [profit]	XXX XXX	XXX XXX
6.	<b>For discharge of liabilities not taken over by the Purchasing Co.</b> Liability A/c Dr. Realisation A/c (loss) Dr. To cash A/c To Realisation A/c (profit)	XXX XXX	XXX XXX
7.	<b>Realization Expenses:</b> <b>Case I:</b> Borne by transferor company Realization A/c Dr. To Bank A/c <b>Case II:</b> Borne by transferee company <b>No entry in this books</b> <b>Case III:</b> Incurred by transferor (selling company) and reimbursed by transferee company <b>a) When Expenditure is incurred:</b> Purchasing company A/c Dr. To Bank A/c <b>b) On reimbursement:</b> Bank A/c Dr. To Purchasing company A/c	XXX XXX XXX XXX	XXX XXX XXX XXX
7A	<b>For liquidation expenses:</b> <b>a) Expenses to be borne by Selling co. and paid by Selling Co.</b> Realisation A/c Dr. To Cash A/c <b>b) Expenses to be borne by Purchasing Co. but paid by Selling Co.</b> 1. Purchasing Co. A/c Dr. To Cash A/c 2. Cash A/c Dr. To Purchasing co. A/c <b>c) Expenses to be borne by Purchasing Co &amp; paid by Purchasing Co.</b> No Entry -	XXX XXX XXX XXX	XXX XXX XXX XXX
8.	<b>For transfer of Preference share capital to Preference share holders A/c:</b> Preference share capital A/c Dr. To Preference share holders A/c	XXX	XXX
9.	<b>For making payment to pref. share holders:</b> Pref. shareholders A/c Dr. To Cash/E. shares/P. shares/Debentures in Purchasing Co. A/c	XXX	XXX

10.	<b>For transfer of equity capital &amp; reserves surplus to ESH A/c:</b> E. share capital A/c Reserve & Surplus A/c To E. share holders A/c	Dr. Dr.	XXX XXX	XXX
11.	<b>For transfer of realisation A/c balance to ESH:</b> <b>a) If profit:</b> Realisation A/c To E. share holders A/c	Dr.	XXX	XXX
	<b>b) If loss:</b> Equity share holders A/c To Realisation A/c	Dr.	XXX	XXX
12.	<b>For transfer of fictitious assets to ESH A/c:</b> E. share holders A/c To Fictitious Assets A/c	Dr.	XXX	XXX
13.	<b>For credit balance in ESH A/c which reveal the net amount finally payable to equity share holders and on payment of such amount to them.</b> E. shareholders A/c To Cash/E. shares/P. shares/Debentures in Purchasing Co. A/c	Dr.	XXX	XXX

**Note:** All Ledger Accounts would get closed after passing above entries.

**Note: (Optional)** Assets if they are not taken over by the transferee Company can be transferred. If sale those assets then the entry will be

Bank A/c	Dr.	XXX	
To Realisation A/c			XXX

**B. In the books of purchasing Co./Amalgamated Co./Transferee Co.:** AS - 14 Accounting for amalgamation, governs the accounting treatment in the books of transferee company. Since the transferee company carries on business and prepares General Purpose Financial statements which would include assets and liabilities of the transferor company taken over, AS - 14 prescribes accounting treatment for recognizing and measuring assets and liabilities taken over.

1.	<b>For purchase of business:</b> Business purchase A/c To liquidator of selling Co. A/c	Dr.	XXX	XXX
2.	<b>For incorporation of Assets &amp; Liabilities in the books at agreed values:</b> Assets A/c Good will A/c [b/f] To liabilities A/c To Business Purchase A/c To Capital reserve A/c [b/f] <b>Note:</b> i) If Purchase Consideration is greater than net assets taken over difference to be transfer to Good will A/c. ii) If Purchase Consideration is less than net Assets taken over than difference should be transfer to capital reserve A/c. iii) Goodwill and capital reserve are mutually exclusive. iv) Goodwill should be amortized over period of five years unless longer period is justified.	Dr. Dr.	XXX XXX	XXX XXX XXX
3.	<b>For discharge of Purchase Consideration:</b> Liquidator of Selling Co. A/c To E. share capital/Cash/P. share capital/ Debentures A/c	Dr.	XXX	XXX
4.	<b>Realization Expenses</b> i) Borne by selling company - NO ENTRY ii) Borne by purchasing company Goodwill /Capital reserve A/c To Bank A/c	Dr.	XXX	XXX



	<p>i. Excess of consideration paid over paid up share capital (equity and preference) is to be adjusted against:</p> <ul style="list-style-type: none"> <li>▶ Free reserves of selling company</li> <li>▶ Secondly against free reserves of purchasing company</li> <li>▶ Lastly, debit Profit and Loss A/c.</li> </ul>		
	<b>Note:</b> The sequence is usually specified in the "Scheme of Amalgamation".		
	<p>ii. Where the consideration paid is less than paid up share capital, the difference is to be credited to <b>capital reserves</b> of selling company while incorporation.</p>		
	<p><b>Note: See the Illustration given below for the following alternatives.</b></p> <p><b>Alternative 1:</b></p>		
	<p>Assets A/c <span style="float: right;">Dr.</span> <span style="float: right;">150</span></p> <p style="padding-left: 20px;">To Liabilities A/c <span style="float: right;">50</span></p> <p style="padding-left: 20px;">To Free Reserves A/c <span style="float: right;">45</span></p> <p style="padding-left: 20px;">To Statutory Reserves A/c <span style="float: right;">5</span></p> <p style="padding-left: 20px;">To Business purchase A/c <span style="float: right;">50</span></p>		
	<p><b>Alternative 2:</b></p>		
	<p>Assets A/c <span style="float: right;">Dr.</span> <span style="float: right;">150</span></p> <p style="padding-left: 20px;">To Liabilities A/c <span style="float: right;">50</span></p> <p style="padding-left: 20px;">To Free Reserves A/c <span style="float: right;">5</span></p> <p style="padding-left: 20px;">To Statutory Reserves A/c <span style="float: right;">5</span></p> <p style="padding-left: 20px;">To Business purchase A/c <span style="float: right;">90</span></p>		
	<p><b>Alternative 3:</b></p>		
	<p>Assets A/c <span style="float: right;">Dr.</span> <span style="float: right;">150</span></p> <p>Reserves or Profit and loss A/c <span style="float: right;">Dr.</span> <span style="float: right;">15</span></p> <p style="padding-left: 20px;">To Liabilities A/c <span style="float: right;">50</span></p> <p style="padding-left: 20px;">To Free Reserves A/c <span style="float: right;">-</span></p> <p style="padding-left: 20px;">To Statutory Reserves A/c <span style="float: right;">5</span></p> <p style="padding-left: 20px;">To Business purchase A/c <span style="float: right;">110</span></p>		
	<p><b>Alternative 4:</b></p>		
	<p>Assets A/c <span style="float: right;">Dr.</span> <span style="float: right;">150</span></p> <p style="padding-left: 20px;">To Liabilities A/c <span style="float: right;">50</span></p> <p style="padding-left: 20px;">To Free Reserves A/c <span style="float: right;">45</span></p> <p style="padding-left: 20px;">To Statutory Reserves A/c <span style="float: right;">5</span></p> <p style="padding-left: 20px;">To Capital reserve A/c <span style="float: right;">10</span></p> <p style="padding-left: 20px;">To Business purchase A/c <span style="float: right;">40</span></p>		
<b>3.</b>	<p><b>Discharge of P.C.:</b></p>		
	<p>Liquidator of Selling Co. A/c <span style="float: right;">Dr.</span> <span style="float: right;">XXX</span></p> <p>Discount on issue of shares A/c <span style="float: right;">Dr.</span> <span style="float: right;">XXX</span></p> <p style="padding-left: 20px;">To Bank A/c <span style="float: right;">XXX</span></p> <p style="padding-left: 20px;">To E. Share Capital A/c <span style="float: right;">XXX</span></p> <p style="padding-left: 20px;">To P. Share Capital A/c <span style="float: right;">XXX</span></p> <p style="padding-left: 20px;">To Securities premium A/c <span style="float: right;">XXX</span></p>		
	<p><b>Note:</b></p> <ul style="list-style-type: none"> <li>▶ In case of Merger Transferee Co may allot Pref. shares for the P. Share holders of the transferor Company.</li> </ul> <p>Transferee Company may allot securities other than E. Shares and give cash and the assets to satisfy the dissenting shareholders of the transferor Co.</p>		
<b>4.</b>	<p><b>Realization expenses</b></p>		
	<p>i. Borne by selling company - NO ENTRY</p>		
	<p>ii. Borne by purchasing company</p>		
	<p>Profit &amp; Loss A/c <span style="float: right;">Dr.</span> <span style="float: right;">XXX</span></p> <p style="padding-left: 20px;">To Bank A/c <span style="float: right;">XXX</span></p>		

	iii. Incurred by selling company and reimbursed by purchasing company			
	<b>Due Entry:</b>			
	Profit & Loss A/c	Dr.	XXX	XXX
	To Selling company A/c			
	<b>On settlement:</b>			
	Selling company A/c	Dr.	XXX	XXX
	To Bank A/c			XXX

**ILLUSTRATION:****Balance Sheet of selling company:**

Liabilities	Rs.	Assets	Rs.
Share capital	50	Total assets	150
<b>Reserves</b>			
Free reserves 45			
Statutory reserve <u>5</u>	50		
Outstanding liabilities	50		
	<b>150</b>		<b>150</b>

**Consideration:**

(Rs.)

I	II	III	IV
50	90	110	40

**Treatment of reserves:**

Particular	I	II	III	IV
1. Consideration	50	90	110	40
Paid up share capital of transferor company (equity & preference)	50	50	50	50
2. Excess of 1 over 2	-	40	60	(10)
3. Adjustment of above excess (3) against				
a. Free reserves of transferor company	-	(40)	(45)	-
b. Free reserves of transferee company	-	-	(15)	-
4. Balance of selling company reserves to be incorporated.				
a. Free reserves	45	5	-	45
b. Statutory reserves	5	5	5	5
c. Capital reserve	-	-	-	10

**Note:** The unique attributes of this type of amalgamation are the carry forward of assets and liabilities at book values and the carry forward of retained earnings. In addition, equity shareholders of the transferee companies continue to have a proportionate share in the transferee company.

**SOME IMPORTANT CONCEPTS**

- Dissenting Shareholders:** In an amalgamation, some shareholders of the transferor Company may not assent to the scheme of Amalgamation and may refuse to transfer their shares to the transferee company in accordance with the scheme. Such shareholders are called **Dissenting Shareholders**. Such shareholders are to be discharged as per the terms agreed upon by them.
- Passing Entries for par value of share:** In such a case purchasing company is left with a large debit in the Goodwill Account accompanied by quite a large amount in the Securities premium account. The two cannot be adjusted. However, it would be permissible to negotiate on the basis to the market value of the shares but to make entries only on the basis of par of shares of purchasing company. This will mean that Goodwill Account (or Capital Reserve) will be automatically adjusted for the sharing premium.
- List of disclosure requirements of AS - 14:** The first Financial Statement following the Amalgamation should disclose

For all Amalgamations	Additional disclosures under the Pooling of Interests Method	Additional disclosure under the Purchase Method.
<ul style="list-style-type: none"> <li>▶ Names and general nature of business of the amalgamating companies.</li> <li>▶ Effective date of amalgamation for accounting purpose;</li> <li>▶ Method of accounting used to reflect the amalgamation; and</li> <li>▶ Particulars of the scheme sanctioned under a statute.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Description and number of shares issued, together with the percentage of each company's equity shares exchanged to effect the amalgamation; and</li> <li>▶ Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consideration for the amalgamation and a description of the consideration paid or contingently payable; and</li> <li>▶ Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof including the period of amortization of any goodwill arising on amalgamation.</li> </ul>

#### 4. Effect of Amalgamation after the Balance Sheet date:

Amalgamation is effected	Treatment
<ul style="list-style-type: none"> <li>▶ After the Balance Sheet date but</li> <li>▶ Before the issuance of financial statements by either parties.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The amalgamation is not incorporated in the financial statements, but</li> <li>▶ Disclosure is made in accordance with AS-4.</li> </ul>

In certain circumstances, the amalgamation may also provide additional information affecting the financial statements themselves, for instance, by allowing the going concern concept assumption to be maintained.

**Example:** As per a scheme sanctioned under the Companies Act, 2013, Kripa Ltd. is amalgamated with Sundari Ltd. with effect from 1<sup>st</sup> May 2004. Both Companies close their accounts 31<sup>st</sup> March every year. For the year ended 31<sup>st</sup> March 2004, the Companies have not yet finalized their accounts. The amalgamation is to be accounted only during the financial year ending 31<sup>st</sup> March 2005. However, disclosure is made in the accounts for the year ending 31<sup>st</sup> March 2004, as per AS - 14 requirements.

#### 5. Inter-Company Owings: At the time of amalgamation, amounts owing by the transferee company to the transferor company, or *vice versa*, have to be eliminated.

**E.g.:** P Ltd. acquires the business of S Ltd. and the later company owes as a book debt Rs.40,000 to the former company, then after the amalgamation, the Sundry Debtors A/c and Sundry Creditors A/c should show the net figures after deduction of Rs.40,000. Then the entry in the books of P Ltd. will be as follows:

Sundry Creditors A/c	Dr.	XXX	
To Sundry Debtors A/c			XXX

**Note:** The treatment is exactly the same if the transferee company owed money to the transferee company.

Similar problem arises when at the time of amalgamation; the transferee company holds bills receivable accepted by the transferor company or *vice versa*. After amalgamation, such bills receivables have to be eliminated from the books of the transferee company by means of the following entry:

Bills Payable A/c	Dr.	XXX	
To Bills Receivable A/c			XXX

**Note:** No additional entry is required to be passed in the books of the transferor company.

Similarly, if the transferee company has, as investments, certain debentures issued by the transferor company after amalgamation the same are to be eliminated from the books of the transferee company by means of the following entry:

Debentures A/c To Investments in Debentures A/c	Dr.	XXX	XXX
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If debentures were acquired as investment at above or below the amount at which the debentures have been recorded as liability by the transferee company at the time of amalgamation, while passing the entry for cancellation of Investment & Debentures in the books of transferee company, the difference between cost of Investment & recorded value of Debentures cancelled is adjusted to goodwill or capital reserve in case of Amalgamation in the nature of purchase and general reserve or profit & loss A/c in case of Amalgamation in the nature of merger.

6. **Contingently payable consideration:** Where the scheme of amalgamation provides for an adjustment to the consideration contingent on one or more future events, the amount of the additional payments should be included in the consideration if payment is probable and a reasonable estimate of the amount can be made. In all other cases, the adjustment should be recognized as soon as the amount is determinable.

**Example:** X Ltd. acquired Y Ltd. for Rs.60 crores. X Ltd. will pay an additional Rs.5 crores, if the profits of the coming year is more than last year's profit.

This will be an adjustment to the consideration, which is contingent on future events. If it is probable that the target will be achieved the amount of additional payment should be included in the consideration, at the acquisition date.

## PROBLEMS FOR CLASSROOM DISCUSSION

**PROBLEM 1:** The following balance sheet of X Ltd as on 31<sup>st</sup> march 2014

Name of the Company : X Ltd

Balance Sheet as at : 31<sup>st</sup> March, 2014

('000)

		Particulars	Notes No.	Rs.
			2	3
1.		<b>EQUITY AND LIABILITIES:</b>		
		<b>Shareholder's funds</b>		
	A	Share capital	1	10,000
	B	Reserves and Surplus	2	12,50
2.		<b>Non-current liabilities</b>		
	A	Long term borrowings(12 % Debentures)		40,00
3.		<b>Current liabilities</b>		
	A	Trade Payable	3	20,00
		<b>TOTAL</b>		<b>172,50</b>
1.		<b>ASSETS:</b>		
		<b>Non Current Assets</b>		
		Fixed Assets		
	A	Tangible Assets	4	105,50
	B	Non Current Investments		5,00
2.		<b>Current Assets</b>		
		Inventories (stock)		23,00
		Trade receivables (debtors)		24,00
		Cash and cash equivalents		15,00
		<b>TOTAL</b>		<b>172,50</b>

**Note to Accounts:**

('000)

Particulars	Rs.
<b>1. Share capital</b>	
Equity shares of Rs.10 each	75,00
14% preference shares of 100 each	25,00

<b>2. Reserves and Surplus</b>	
General Reserve	12,50
<b>3. Trade Payable</b>	
Sundry creditors and other liabilities	20,00
<b>4. Tangible Assets</b>	
Land and buildings	50,00
Plant and machinery	45,00
Furniture	10,50

**Other Information:**

- Y Ltd. takes over X Ltd. on 10<sup>th</sup> April, 2014.
- Debentures holders of X Ltd. are discharged by Y Ltd. at 10% premium by issuing 15% own debentures of Y Ltd.
- 14% Preference Shareholders of X Ltd. are discharged at a premium of 20% by issuing necessary number of 15% Preference Shares of Y Ltd. (Face value Rs.100 each).
- Intrinsic value per share of X Ltd. is Rs.20 and that of Y Ltd. Rs.30. Y Ltd. will issue equity shares to satisfy the equity shareholders of X Ltd. on the basis of intrinsic value.

However, the entry should be made at par value only. The nominal value of each equity share of Y Ltd. is Rs.10. Compute the purchase consideration. (A) (NEW SM)

(ANS.: PURCHASE CONSIDERATION RS. 80,00,000) (SOLVE PROBLEM NO. 1, 2, 3 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 2:** Neel Ltd. and Gagan Ltd. amalgamated to form a new company on 1.04.2015. Following is the Draft Balance Sheet of Neel Ltd. and Gagan Ltd. as at 31.3.2015:

Liabilities	Neel	Gagan	Assets	Neel	Gagan
Capital	7,75,000	8,55,000	Plant & Machinery	4,85,000	6,14,000
Current Liabilities	6,23,500	5,57,600	Building	7,50,000	6,40,000
			Current assets	1,63,500	1,58,600
	<b>13,98,500</b>	<b>14,12,600</b>		<b>13,98,500</b>	<b>14,12,600</b>

Following are the additional information:

- The authorised capital of the new company will be Rs. 25,00,000 divided into 1,00,000 equity shares of Rs. 25 each.
- Liabilities of Neel Ltd. includes Rs. 50,000 due to Gagan Ltd. for the purchases made. Gagan Ltd. made a profit of 20% on sale to Neel Ltd.
- Neel Ltd. had purchased goods costing Rs. 10,000 from Gagan Ltd. All these goods are included in the current asset of Neel Ltd. as at 31st March, 2015.
- The assets of Neel Ltd. and Gagan Ltd. are to be revalued as under:

Particulars	Neel	Gagan
Plant and machinery	5,25,000	6,75,000
Building	7,75,000	6,48,000

- The purchase consideration is to be discharged as under:
  - Issue 24,000 equity shares of Rs. 25 each fully paid up in the proportion of their profitability in the preceding 2 years.
  - Profits for the preceding 2 years are given below:

Particulars	Neel	Gagan
1 <sup>st</sup> year	2,62,800	2,75,125
2 <sup>nd</sup> year	2,12,200	2,49,875
<b>Total</b>	<b>4,75,000</b>	<b>5,25,000</b>

- c) Issue 12% preference shares of Rs. 10 each fully paid up at par to provide income equivalent to 8% return on net assets in the business as on 31.3.2015 after revaluation of assets of Neel Ltd. and Gagan Ltd. respectively.

You are required to compute the

- Equity and preference shares issued to Neel Ltd. and Gagan Ltd.,
- Purchase consideration.

(B) (NEW SM, SIMILAR: M18(O)-16M)

(ANS.: (I) EQUITY SHARES OF NEEL AND GAGAN IS 11,400 AND 12,600 SHARES & PREFERENCE SHARES OF NEEL AND GAGAN IS 56,000 AND 61,600 SHARES (II) PURCHASE CONSIDERATION OF NEEL AND GAGAN IS RS. 8,45,000 AND RS.9,31,000)

Note: \_\_\_\_\_

**PROBLEM 3:** The following are the summarized Balance Sheets of P Ltd. and Q Ltd. as on 31<sup>st</sup> March, 2014:

Liabilities	P Ltd. Rs.	Q Ltd. Rs.	Assets	P Ltd. Rs.	Q Ltd. Rs.
<b>Share Capital</b>			Fixed Assets	7,00,000	2,50,000
Equity Shares of Rs. 10 each	6,00,000	3,00,000	Investment	80,000	80,000
10% Pref. Shares of Rs. 100 each	2,00,000	1,00,000	<b>Current assets:</b>		
Reserves & Surplus	3,00,000	2,00,000	Inventory	2,40,000	3,20,000
<b>Secured Loans:</b>			Trade receivables	4,20,000	2,10,000
12% Debentures	2,00,000	1,50,000	Cash at bank	1,10,000	40,000
<b>Current Liabilities:</b>					
Trade payables	2,50,000	1,50,000			
	<b>15,50,000</b>	<b>9,00,000</b>		<b>15,50,000</b>	<b>9,00,000</b>

Details of Trade receivables and trade payables are as under:

Particulars	P Ltd. (Rs.)	Q Ltd. (Rs.)
<b>Trade receivables</b>		
Debtors	3,60,000	1,90,000
Bills Receivable	60,000	20,000
	<b>4,20,000</b>	<b>2,10,000</b>
<b>Trade payables</b>		
Sundry Creditors	2,20,000	1,25,000
Bills Payable	30,000	25,000
	<b>2,50,000</b>	<b>1,50,000</b>

Fixed Assets of both the companies are to be revalued at 15% above book value.

Inventory in Trade and Debtors are taken over at 5% lesser than their book value. Both the companies are to pay 10% Equity dividend, Preference dividend having been already paid.

After the above transactions are given effect to, P Ltd. will absorb Q Ltd. on the following terms:

- 8 Equity Shares of Rs.10 each will be issued by P Ltd. at par against 6 shares of Q Ltd.
- 10% Preference Shareholders of Q Ltd. will be paid at 10% discount by issue of 10% Preference Shares of Rs.100 each at par in P Ltd.
- 12% Debenture holders of Q Ltd. are to be paid at 8% premium by 12% Debentures in P Ltd. issued at a discount of 10%.
- Rs. 30,000 is to be paid by P Ltd. to Q Ltd. for Liquidation expenses. Sundry Creditors of Q Ltd. includes Rs. 10,000 due to P Ltd.

Prepare:

- Journal entries in the books of P Ltd.
- Statement of consideration payable by P Ltd.

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To **MASTER MINDS**, Guntur

(A) (NEW SM, RTP N14)

(ANS.: PC UNDER PAYMENT METHOD RS. 4,90,000 & CAPITAL RESERVE - RS. 80,000)

**PROBLEM 4: (PRINTED SOLUTION AVAILABLE)** The summarized Balance Sheet of Srishti Ltd. as on 31st March, 2014 was as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	30,00,000	Goodwill	5,00,000
Export Profit Reserves	8,50,000	Tangible Fixed Assets	30,00,000
General Reserves	50,000	Stock	10,40,000
Profit and loss Account	5,50,000	Debtors	1,80,000
9% Debentures	5,00,000	Cash & Bank	2,80,000
Trade Creditors	1,00,000	Preliminary Expenses	50,000
	<b>50,50,000</b>		<b>50,50,000</b>

Anu Ltd. agreed to absorb the business of Srishti Ltd. with effect from 1st April, 2014.

- a) The purchase consideration settled by Anu Ltd. as agreed:
- 4,50,000 equity Shares of Rs. 10 each issued by Anu Ltd. by valuing its share @ 15 per share.
  - Cash payment equivalent to Rs. 2.50 for every share in Srishti Ltd.
- b) The issue of such an amount of fully paid 8% Debentures in Anu Ltd. at 96% as is sufficient to discharge 9% Debentures in Srishti Ltd. at a premium of 20%.
- c) Anu Ltd. will take over the Tangible Fixed Assets at 100% more than the book value, Stock at Rs. 7,10,000 and Debtors at their face value subject to a provision of 5% for doubtful Debts.
- d) The actual cost of liquidation of Srishti Ltd. was Rs. 75,000. Liquidation cost of Srishti Ltd is to be reimbursed by Anu Ltd. to the extent of Rs.50,000.
- e) Statutory Reserves are to be maintained for 1 more year.

**You are required to:**

- Close the books of Srishti Ltd. by preparing Realisation Account, Anu Ltd. Account, Shareholders Account and Debenture Account, and
- Pass Journal Entries in the books of Anu Ltd. regarding acquisition of business.

(A) (OLD PM, SIMILAR: N18 (O) - 16M) (ANS.: PURCHASE CONSIDERATION RS. 75,00,000 , PROFIT ON REALIZATION-31,00,000)

(SOLVE PROBLEM NO. 4, 5 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 5:** The summarised Balance Sheet of Mars Ltd. as on 31<sup>st</sup> March, 2015 was as follow:

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>		<b>Fixed Assets:</b>	
1,00,000 Equity shares of Rs.10 each fully paid up	10,00,000	Land and building	7,64,000
<b>Reserve and surplus:</b>		<b>Current Assets:</b>	
Capital reserve	42,000	Inventory	7,75,000
Contingency reserve	2,70,000	Trade receivables	1,82,000
Profit and loss A/c	2,52,000	Cash at bank	3,29,000
<b>Current Liabilities &amp; Provisions:</b>			
Trade payables	2,66,000		
Provision for income tax	2,20,000		
	<b>20,50,000</b>		<b>20,50,000</b>

On 1<sup>st</sup> April, 2015, Jupiter Limited agreed to absorb Mars Limited on the following terms and conditions:

- Jupiter Limited will take over the assets at the following values:

Particulars	Rs.
Land and building	10,80,000
Inventory	7,70,000
Bills receivable	30,000

2. Purchase consideration will be settled by Jupiter Ltd. as under:
  - 4,100 fully paid 10% preference shares of Rs. 100 will be issued and the balance will be settled by issuing equity shares of Rs. 10 each at Rs. 8 paid up.
3. Liquidation expenses are to be reimbursed by Jupiter Ltd. to the extent of Rs. 5,000.
4. Trade receivables realized Rs. 1,50,000. Bills payable were settled for Rs. 38,000. Income tax authorities fixed the taxation liability at Rs. 2,22,000 and the same was paid.
5. Trade payables were finally settled with cash remaining after meeting liquidation expenses amounting to Rs. 8,000.
6. Details of trade receivables and trade payables as under:

Trade Receivables		Amount (Rs.)
Trade receivables	1,60,000	
<b>Less</b> : Provision for doubtful debts	<u>(8,000)</u>	1,52,000
Bill receivable		30,000
		<b>1,82,000</b>
<b>Trade Payables</b>		
Bills payable		40,000
creditors		2,26,000
		<b>2,66,000</b>

You are required to:

1. Calculate the number of equity shares and preference shares to be allotted by Jupiter Limited in discharge of purchase consideration
2. Prepare the Realisation account, Bank account, Equity shareholders account and Jupiter Limited's account in the books of Mars Ltd. (A) (OLD PM, SIMILAR; RTP M18 (N&O))

(ANS.: (I) NO. OF EQUITY SHARES 1,83,750 & PREFERENCE SHARES 4,100 (II) REALISATION PROFIT RS.3,16,000)

(SOLVE PROBLEM NO. 6 AND 7 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 6:** Consider the following balance sheets of X Ltd. and Y Ltd.

Name of the Companies: X Ltd and Y Ltd

Balance Sheet as at : 31<sup>st</sup> March, 2015

(‘000)

		Particulars	Notes No.	X Ltd (Rs.)	Y Ltd (Rs.)
		1	2	3	4
		<b>EQUITY AND LIABILITIES:</b>			
		<b>Shareholder's funds</b>			
1	a	Share capital	1	72,00	47,00
	b	Reserves and Surplus	2	1550	1050
		<b>Non-current liabilities</b>			
2	a	Long term liabilities (13% debentures Rs. 100 each)		5,00	3,50
		<b>Current liabilities</b>			
3	a	Trade Payable (sundry creditors)		4,50	3,50
	b	Other current liabilities		2,00	1,50
		<b>TOTAL</b>		<b>99,00</b>	<b>66,00</b>
		<b>ASSETS:</b>			
		<b>Non-current assets</b>			
1	a	Fixed assets			
	I	Tangible assets	3	6,325	3,600

		Current Assets			
2	a	Current investment		7,00	5,00
	b	Inventories (Stock)		12,50	9,50
	c	Trade receivables (Debtors)		9,00	10,30
	d	Cash and cash equivalents (Cash and Bank)		7,25	5,20
			<b>TOTAL</b>	<b>99,00</b>	<b>66,00</b>

Notes to Accounts:

('000)

Particulars	X Ltd (Rs.)	Y Ltd (Rs.)
<b>1. Shareholder's funds:</b>		
Equity shares of Rs.10 each	50,00	30,00
14% preference shares of Rs.100 each	22,00	17,00
<b>2. Reserves and Surplus:</b>		
General reserve	5,00	2,50
Export profit reserve	3,00	2,00
Investment allowance reserve	-	1,00
Profit and loss A/c	7,50	5,00
<b>3. Tangible Assets:</b>		
Land & Building	25,00	15,50
Plant & Machinery	32,50	17,00
Furniture and fittings	5,75	3,50

X Ltd. takes over Y Ltd. on 1<sup>st</sup> April, 2015. X Ltd. discharges the purchase consideration as below:

- Issued 3,50,000 equity shares of Rs.10 each at par to the equity shareholders of Y Ltd.
- Issued 15% preference shares of Rs.100 each to discharge the preference shareholders of Y Ltd. at 10% premium.

The debentures of Y Ltd. will be converted into equivalent number of debentures of X Ltd. The statutory reserves of Y Ltd. are to be maintained for 2 more years.

Show the balance sheet of X Ltd. after amalgamation on the assumption that:

- The amalgamation is in the nature of merger.
- The amalgamation is in the nature of purchase.

(B) (NEW SM) (ANS.: PC RS. 5370, MERGER- BALANCE SHEET AMOUNT 16,500, PURCHASE-BALANCE SHEET AMOUNT 16,500)

Note: \_\_\_\_\_

**PROBLEM 7: (PRINTED SOLUTION AVAILABLE)** K Ltd. and L Ltd. amalgamate to form a new company LK Ltd. The financial position of these two companies on the date of amalgamation was as under:

**Balance Sheet of K Ltd. And L Ltd.**

	Particulars	Notes No.	K Ltd (Rs.)	L Ltd (Rs.)	
	1	2	3	4	
1	<b>EQUITY AND LIABILITIES:</b>				
	<b>Shareholder's funds</b>				
	a	Share capital	1	12,00,000	6,00,000
	b	Reserves and Surplus	2	3,71,375	1,97,175
2	<b>Non-current liabilities</b>				
	a	Long term borrowings			
		5% Debentures		2,00,000	-
		Secured loan		-	2,00,000

3		<b>Current liabilities</b>			
	a	Trade Payable (Creditors)		1,00,000	2,10,000
		<b>TOTAL</b>		<b>18,71,375</b>	<b>12,07,175</b>
1		<b>ASSETS:</b>			
		<b>Non-current assets</b>			
	a	Fixed assets			
	(i)	Tangible assets	3	11,30,000	8,20,000
	(ii)	In tangible assets	4	80,000	-
2		<b>Current Assets</b>			
	a	Inventories (Stock)		2,25,000	1,40,000
	b	Trade receivables (Debtors)		2,75,000	1,75,000
	c	Cash and cash equivalents	5	1,61,375	72,175
		<b>TOTAL</b>		<b>18,71,375</b>	<b>12,07,175</b>

**Note to Accounts:**

Particulars	K Ltd (Rs.)	L Ltd (Rs.)
<b>1. Share capital</b>		
Equity Shares of Rs.100 each	8,00,000	3,00,000
7% Preference Share of Rs.100 each	4,00,000	3,00,000
<b>2. Reserves and Surplus</b>		
General Reserve	-	1,00,000
Profit and Loss A/c	3,71,375	97,175
<b>3. Tangible Assets</b>		
Land & Building	4,50,000	3,00,000
Plant & Machinery	6,20,000	5,00,000
Furniture & Fittings	60,000	20,000
<b>4. Intangible Assets</b>		
Goodwill	80,000	-
<b>5. Cash and cash equivalents</b>		
Cash at Bank	1,20,000	55,000
Cash in hand	41,375	17,175

The terms of amalgamation are as under:

**A)**

- The assumption of assets and liabilities of both the Companies
- Issue of 5 Preference shares of Rs.20 each in LK Ltd @ Rs.18 paid up at premium of Rs.4 per share for each preference share held in both the Companies.
- Issue of 6 Equity shares of Rs.20 each in LK Ltd. @ Rs.18 paid up at a premium of Rs.4 per share for each equity share held in both the Companies. In addition necessary cash should be paid to the Equity Shareholders of both the Companies as is required to adjust the rights of shareholders of both the companies in accordance with the intrinsic value of the shares of both the companies.
- Issue of such amount of fully paid 6% debentures in LK Ltd. as is sufficient to discharge the 5% debentures in K Ltd at a discount of 5% after takeover.

**B)**

- The assets and liabilities are to be taken at book values Inventory and Trade receivables for which provisions at 2% and 2 ½ % respectively to be raised.
- The trade receivables of K Ltd. included Rs.20,000 due from L Ltd.

- C)** The LK Ltd is to issue 15,000 new equity shares of Rs.20 each, Rs.18 paid up at premium of Rs.4 per shares so as to have sufficient working capital. Prepare ledger accounts in the books of K Ltd. and L Ltd. to close their books.

(A) (NEW SM)

(ANS.: PURCHASE CONSIDERATION TO K LTD. RS. 15,60,000 AND L LTD RS. 7,90,000)

(SOLVE PROBLEM NO.8 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM 8:** The financial position of two companies Hari Ltd. and Vayu Ltd. as on 31st march, 2015 was as under:

**Name of the Companies : Hari Ltd and Vayu Ltd**  
**Balance Sheet as at : 31<sup>st</sup> march 2012**

		Particulars	Notes No.	Hari Ltd (Rs.)	Vayu Ltd (Rs.)
		1	2	3	4
1		<b>EQUITY AND LIABILITIES:</b>			
		Shareholder's funds			
	a	Share capital	1	11,00,000	4,00,000
	b	Reserves and Surplus	2	70,000	70,000
2		<b>Current liabilities</b>			
	a	Trade Payable (sundry creditors)		1,30,000	80,000
	b	Short term provisions (Retirement and gratuity fund)		50,000	20,000
		<b>TOTAL</b>		<b>13,50,000</b>	<b>5,70,000</b>
1		<b>ASSETS:</b>			
		<b>Non-current assets</b>			
	a	Fixed assets			
		I Tangible assets	3	8,00,000	2,50,000
	II Intangible assets (Good will)		50,000	25,000	
2		<b>Current Assets</b>			
	a	Inventories (Stock)		2,50,000	1,75,000
	b	Trade receivables (Debtors)		2,00,000	1,00,000
	c	Cash and cash equivalents (Cash at bank)		50,000	20,000
		<b>TOTAL</b>		<b>13,50,000</b>	<b>5,70,000</b>

**Notes to Accounts:**

Particulars	Hari (Rs.)	Vayu (Rs.)
<b>1. Shareholder's funds:</b>		
Equity share capital (Rs.10 each)	10,00,000	3,00,000
9% preference share capital (Rs.100 each)	1,00,000	-
10% preference share capital (Rs.100 each)	-	1,00,000
<b>2. Reserves and Surplus:</b>		
General reserve	70,000	70,000
<b>3. Tangible assets:</b>		
Building	3,00,000	1,00,000
Machinery	5,00,000	1,50,000

Hari Ltd. absorbs Vayu Ltd. on the following terms:

- 10% Preference Shareholders are to be paid at 10% premium by issue of 9% Preference Shares of Hari Ltd.
- Goodwill of Vayu Ltd. is valued at Rs.50,000, Buildings are valued at Rs.1,50,000 and the Machinery at Rs.1,60,000.
- Inventory to be taken over at 10% less value and Provision for Doubtful Debts to be created @ 7.5%.
- Equity Shareholders of Vayu Ltd. will be issued Equity Shares @ 5% premium.

Prepare necessary Ledger Accounts to close the books of Vayu Ltd. and Show the acquisition entries in the books of Hari Ltd. Also draft the Balance Sheet after absorption as at 31st March, 2015.

(A) (NEW SM, SIMILAR: RTP N18 (N&O))

(ANS.: NAV METHOD PC 5,30,000 , REALISATION PROFIT 50,000 , PC DISCHARGED IN THE FORM OF 9% PREFERENCE SHARES 1,10,000 AND EQUITY SHARES 4,20,000; TOTAL OF BALANCE SHEET RS.19,87,500)

(SOLVE PROBLEM NO. 9 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM 9:** The following is the summarized Balance Sheet of A Ltd. as at 31st March, 2015:

Liabilities	Rs.	Assets	Rs.
8,000 equity shares of Rs. 100 each	8,00,000	Building	3,40,000
10% debentures	4,00,000	Machinery	6,40,000
Loan from A	1,60,000	Inventory	2,20,000
Trade payables	3,20,000	Trade receivables	2,60,000
General Reserve	80,000	Bank	1,36,000
		Goodwill	1,30,000
		Share issue Expenses	34,000
	<b>17,60,000</b>		<b>17,60,000</b>

B Ltd. agreed to absorb A Ltd. on the following terms and conditions:

- B Ltd. would take over all assets, except bank balance at their book values less 10%. Goodwill is to be valued at 4 year's purchase of super profits, assuming that the normal rate of return be 8% on the combined amount of share capital and general reserve.
- B Ltd. is to take over trade payables at book value.
- The purchase consideration is to be paid in cash to the extent of Rs. 6,00,000 and the balance in fully paid equity shares of Rs. 100 each at Rs. 125 per share.

The average profit is Rs. 1,24,400. The liquidation expenses amounted to Rs. 16,000. B Ltd. sold prior to 31st March, 2015 goods costing Rs. 1,20,000 to A Ltd. for Rs. 1,60,000. Rs. 1,00,000 worth of goods are still in Inventory of A Ltd. on 31st March, 2015. Trade payables of A Ltd. include Rs. 40,000 still due to B Ltd.

Show the necessary Ledger Accounts to close the books of A Ltd. and prepare the Balance Sheet of B Ltd. as at 1st April, 2015 after the takeover. (A) (OLD PM)

(ANS.: TOTAL OF BALANCE SHEET RS.14,90,000 PURCHASE CONSIDERATION-12,10,000 LOSS ON REALISATION - 76,000)

(SOLVE PROBLEM NO. 10 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 10: (PRINTED SOLUTION AVAILABLE)** The financial position of two companies M/s. Abhay Ltd. and M/s. Asha Ltd. as on 31-03-2015 is as follows:

**Balance Sheet as on 31-03-2015**

Particulars	Abhay Ltd. (Rs)	Asha Ltd. (Rs)
<b>Sources of Funds</b>		
<b>Share Capital - Issued and Subscribed</b>		
15,000 equity shares @ Rs 100, fully paid	15,00,000	
10,000 equity shares @ Rs 100, fully paid		10,00,000
General Reserve	2,75,000	1,25,000
Profit & Loss	75,000	25,000
Securities Premium	1,50,000	50,000
Contingency Reserve	45,000	30,000
12% Debentures, @ Rs 100 fully paid		2,50,000
Sundry Creditors	55,000	35,000
	<b>21,00,000</b>	<b>15,15,000</b>
<b>Application of Funds</b>		
Land and Buildings	8,50,000	5,75,000
Plant and Machinery	3,45,000	2,25,000
Goodwill		1,45,000
Inventory	4,20,000	2,40,000
Sundry Debtors	3,05,000	2,85,000
Bank	1,80,000	45,000
	<b>21,00,000</b>	<b>15,15,000</b>

They decided to merge and form a new company M/s. Abhilasha Ltd: as on 1-4-2015 on the following terms:

- Goodwill to be valued at 2 years purchase of the super profits. The normal rate of return is 10% of the combined share capital and general reserve. All other reserves are to be ignored for the purpose of goodwill.  
Average profits of M/s. Abhay Ltd. is Rs 2,75,000 and M/s. Asha Ltd. is Rs 1,75,000.
- Land and Buildings, Plant and machinery and Inventory of both companies to be valued at 10% above book value and a provision of 10% to be provided on Sundry Debtors.
- 12% debentures to be redeemed by the issue of 12% preference shares of M/s. Abhilasha Ltd. (face value of Rs.100) at a premium of 10%.
- Sundry creditors to be taken over at book value. There is an unrecorded liability of Rs 15,500 of M/s. Asha Ltd as on 1-4-2015.
- The bank balance of both companies to be taken over by M/s. Abhilasha Ltd. after deducting liquidation expenses of Rs. 60,000 to be borne by M/s. Abhay Ltd. and M/s. Asha Ltd. in the ratio of 2:1.

You are required to:

- Compute the basis on which shares of M/s. Abhilasha Ltd. are to be issued to the shareholders of the existing company assuming that the nominal value of per share of M/s. Abhilasha Ltd. is Rs. 100.
- Draw Balance Sheet of M/s. Abhilasha Ltd. as on 1-4-2015 after the amalgamation.

(B) (M15 - 16M, SIMILAR: M18 (N)-20), SIMILAR: RTP M19 (N&O)) (ANS.: (I) NO. OF EQUITY SHARES OF ABHAY LTD. 23,310 & ASHA LTD. 12,250 (II) TOTAL OF BALANCE SHEET RS. 39,36,500 GOODWILL OF ABHAY LTD-1,95,000 ASHA LTD-1,25,000)

(SOLVE PROBLEM NO-11, 12 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 11: (PRINTED SOLUTION AVAILABLE)** The following are the summarized Balance Sheets of A Ltd. and B Ltd. as on 31.3.20X1:

Particulars	(Rs.in thousands)	
	A Ltd.	B Ltd.
<b>LIABILITIES</b>		
Share capital:		
Equity shares of 100 each fully paid up	2,000	1,000
Reserves	1,000	---
10% Debentures	500	---
Loans from Banks	250	450
Bank overdrafts	---	50
Trade payables	300	300
<b>Total</b>	<b>4,050</b>	<b>1,800</b>
<b>ASSETS</b>		
Tangible assets/fixed assets	2,700	850
Investments	700	---
Trade receivables	400	150
Cash at bank	250	---
Accumulated loss	---	800
<b>Total</b>	<b>4,050</b>	<b>1,800</b>

B Ltd. has acquired the business of A Ltd. The following scheme of merger was approved:

- Banks agreed to waive off the loan of Rs.60 thousand of B Ltd.
- B Ltd. will reduce its shares to Rs. 10 per share and then consolidate 10 such shares into one share of Rs. 100 each (new share).
- Shareholders of A Ltd. will be given one share (new) of B Ltd. in exchange of every share held in A Ltd.

iv) Trade payables of B Ltd. includes Rs. 1,00,000 payable to A Ltd.

Pass necessary entries in the books of B Ltd. and prepare Balance Sheet after merger.

(A) (NEW SM, SIMILAR: RTP M19 (N&O)) (ANS.: TOTAL OF BALANCE SHEET RS. 49,50,000)

(SOLVE PROBLEM NO. 13, 14 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

## ASSIGNMENT PROBLEMS

**PROBLEM 1:** The following is the summarized balance sheet of A Ltd as on 31<sup>st</sup> March 2015

Name of the Company : A Ltd

Balance Sheet as at : 31<sup>st</sup> March, 2015

		Particulars	Notes No.	Rs.
		1	2	3
1		<b>EQUITY AND LIABILITIES:</b>		
		<b>Shareholder's funds</b>		
	a	Share capital	1	14,00,000
	b	Reserves and Surplus	2	(80,000)
2		<b>Non-current liabilities</b>		
	a	Long term borrowings (10 % Debentures (secured))		2,00,000
3		<b>Current liabilities</b>		
	a	Trade Payable	3	2,40,000
	b	Other current liabilities (Bank L/D)		50,000
		<b>TOTAL</b>		<b>18,10,000</b>
1		<b>ASSETS:</b>		
	a	Sundry assets		18,00,000
	b	Other current assets	4	10,000
		<b>TOTAL</b>		<b>18,10,000</b>

Notes to Accounts:

Particulars	Rs.
<b>1. Share capital</b>	
14,000 equity shares of Rs.100 each fully paid up	14,00,000
<b>2. Reserves and Surplus</b>	
General Reserve	10,000
Profit & Loss A/c	(90,000)
<b>3. Trade Payables</b>	
Sundry creditors	2,00,000
Bill payable	40,000
<b>4. Other Current Assets</b>	
Discount on issue of debentures	10,000

'R' Ltd. agreed to take over the business of 'A' Ltd. Calculate purchase consideration under Net Assets method on the basis of the following:

The market value of 75% of the sundry assets is estimated to be 12% more than the book value and that of the remaining 25% at 8% less than the book value. The liabilities are taken over at book values. There is an unrecorded liability of Rs.25,000.

(B) (OLD PM, MTP2 N18(N))

(ANS.: PURCHASE CONSIDERATION RS.14,11,000)

**PROBLEM 2:** Y Ltd decides to absorb X Ltd. The draft balance sheet of X Ltd is as follows:

Liabilities	Rs.	Assets	Rs.
3,000 Equity shares of Rs.100 each	3,00,000	Net assets	2,90,000
Preference shares	60,000	Profit and loss account	70,000
	<b>3,60,000</b>		<b>3,60,000</b>

Y Ltd. agrees to take over the net assets of X Ltd. An equity share in X Ltd., for purposes of absorption, is valued @ Rs.70. Y Ltd. agrees to pay Rs.60,000 in cash for payment to preference shareholders and the balance in the form of its equity shares valued at Rs.120 each. Calculate purchase consideration to be paid by Y Ltd. and how will it be discharged?

(C) (NEW SM) (ANS.: PURCHASE CONSIDERATION RS. 2,70,000)

**PROBLEM 3:** S. Ltd. is absorbed by P. Ltd. The draft balance sheet of S. Ltd. is as under:

**Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Share Capital:		Sundry Assets	13,00,000
2,000,7%Preference shares of Rs. 100 each (fully paid-up)	2,00,000		
5,000 Equity shares of Rs. 100 each (fully paid-up)	5,00,000		
Reserves	3,00,000		
6% Debentures	2,00,000		
Trade payables	1,00,000		
	<b>13,00,000</b>		<b>13,00,000</b>

P. Ltd. has agreed:

- i) To issue 9% Preference shares of Rs. 100 each, in the ratio of 3 shares of P. Ltd. for 4 preference shares in S. Ltd.
- ii) To issue to the debenture-holders in S. Ltd. 8% Mortgage Debentures at Rs. 96 in lieu of 6% Debentures in S. Ltd. which are to be redeemed at a premium of 20%;
- iii) To pay Rs. 20 per share in cash and to issue six equity shares of Rs. 100 each (market value of Rs. 125) in lieu of every five shares held in S. Ltd.; and
- iv) To assume the liability to trade payables.

You are required to calculate the purchase consideration.

(A) (NEW SM) (SIMILAR: RTP N18 (N&O))

(ANS.: PURCHASE CONSIDERATION RS. 10,00,000)

**PROBLEM 4:** The following are the summarised Balance Sheets of X Ltd. and Y Ltd:

Particulars	X Ltd.	Y Ltd.
<b>Liabilities:</b>		
Equity Share Capital	1,00,000	50,000
Profit & Loss A/c	10,000	-
Trade payables	25,000	5,000
Loan X Ltd.	—	15,000
	<b>1,35,000</b>	<b>70,000</b>
<b>Assets:</b>		
Sundry Assets	1,20,000	60,000
Loan Y Ltd.	15,000	-
Profit & Loss A/c	—	10,000
	<b>1,35,000</b>	<b>70,000</b>

A new company XY Ltd. is formed to acquire the sundry assets and trade payables of X Ltd. and Y Ltd. and for this purpose, the sundry assets of X Ltd. are revalued at Rs.1,00,000. The debt due to X Ltd. is also to be discharged in shares of XY Ltd. Show the Ledger Accounts to close the books of X Ltd.

(B) (NEW SM) (ANS.: LOSS ON REALIZATION: RS. 20,000)

**PROBLEM 5:** A Ltd. and B Ltd. were amalgamated on and from 1<sup>st</sup> April, 2012. A amalgamated C Ltd. was formed to take over the business of the existing companies. The summarized Balance Sheets of A Ltd. and B Ltd. as on 31<sup>st</sup> March, 2012 are given below:

Liabilities	(Rs. in lakhs)		Assets	(Rs. in lakhs)	
	A Ltd.	B Ltd.		A Ltd.	B Ltd.
Share Capital			Fixed Assets		
Equity Shares of Rs. 100 each	800	750	Land and Building	550	400
12% Preference shares of Rs.100 each	300	200	Plant & Machinery	350	250
Reserves and Surplus			Investments	150	50
Revaluation Reserve	150	100	Current Assets:		
General Reserve	170	150	Loans & Advances		
Investment Allowance			Stock	350	250
Reserve	50	50	Sundry Debtors	250	300
Profit and Loss Account	50	30	Bills Receivable	50	50
Secured Loans			Cash and Bank	300	200
10% Debentures (Rs.100 each)	60	30			
Current Liabilities & Provisions					
Sundry Creditors	270	120			
Bills Payable	150	70			
	2,000	1,500		2,000	1,500

**Additional Information:**

- 10% Debenture holders of A Ltd. and B Ltd. are discharged by C Ltd. issuing such number of its 15% Debentures of Rs.100 each so as to maintain the same amount of interest.
- Preference shareholders of the two companies are issued equivalent number of 15% preference shares of C Ltd. at a price of Rs.150 per share (face value of Rs.100).
- C Ltd. will issue 5 equity shares for each equity share of A Ltd. and 4 equity shares for each equity share of B Ltd. The shares are to be issued @ Rs. 30 each, having a face value of Rs. 10 per share.
- Investment allowance reserve is to be maintained for 4 more years.

Prepare the Balance Sheet of C Ltd. as on 1st April, 2012 after the amalgamation has been carried out on the basis of Amalgamation in the nature of purchase.

(A) (RTP M13)

(ANS.: PURCHASE CONSIDERATION TO A LTD. RS.1650 LAKHS, B LTD RS. 1200 LAKHS)

**PROBLEM 6:** Summarized Balance Sheets As On 31<sup>st</sup> March 2015.

Name of the Companies : Gee Ltd and Pee Ltd

Balance Sheet as at : 31<sup>st</sup> March 2015

		Particulars	Notes No.	Gee Ltd (Rs.)	Pee Ltd (Rs.)
		1	2	3	4
1		<b>EQUITY AND LIABILITIES:</b>			
		<b>Shareholder's funds</b>			
	a	Share capital	1	36,00,000	23,50,000
	b	Reserves and Surplus	2	7,75,000	5,25,000
2		<b>Non- current liabilities</b>			
	a	Long term borrowings		2,50,000	1,75,000
	l	15% debentures 100 each (Secured)			

3		<b>Current liabilities</b>			
	a	Trade Payable	3	2,25,000	1,75,000
	b	Other current liabilities		1,00,000	75,000
		<b>TOTAL</b>		<b>49,50,000</b>	<b>33,00,000</b>
1		<b>ASSETS:</b>			
		<b>Non-current assets</b>			
	a	Fixed assets			
	i	Tangible assets	4	31,62,500	18,00,000
	ii	Non-current investments		3,50,000	2,50,000
2		<b>Current Assets</b>			
	a	Inventories (Stock)		6,25,000	4,75,000
	b	Trade receivables	5	4,50,000	5,15,000
	c	Cash and cash equivalents (Cash at bank)		3,62,500	2,60,000
		<b>TOTAL</b>		<b>49,50,000</b>	<b>33,00,000</b>

**Notes to Accounts:**

Particulars	Gee Ltd (Rs.)	Pee Ltd (Rs.)
<b>1. Shareholder's funds</b>		
Equity share capital fully paid up (Rs.10 each)	25,00,000	15,00,000
14% preference share capital (Rs.100 each)	11,00,000	8,50,000
<b>2. Reserves and Surplus</b>		
General reserve	2,50,000	2,50,000
Export profit reserve	1,50,000	1,00,000
Investment allowance reserve	-	50,000
Profit and loss A/c	3,75,000	1,25,000
<b>3. Trade payable</b>		
Creditors	1,50,000	75,000
Bills payables	75,000	1,00,000
<b>4. Tangible assets</b>		
Land and buildings	12,50,000	7,75,000
Plant and machinery	16,25,000	8,50,000
Furniture and fixtures	2,87,500	1,75,000
<b>5. Trade Receivables</b>		
Debtors	4,00,000	4,60,000
Bills receivables	50,000	55,000

All the bills receivables of Pee Ltd. were having Gee Ltd.'s acceptances.

Gee Ltd. takes over Pee Ltd. on 1st April, 2015. The purchase consideration is discharged as follows:

1. Issued 1,65,000 equity shares of Rs.10 each at par to the equity shareholders of Pee Ltd.
2. Issued 15% preference shares of Rs.100 each to discharge the preference shareholders of Pee Ltd. at 10% premium.
3. The debentures of Pee Ltd. will be converted into equivalent number of debentures of Gee Ltd.
4. The statutory reserves of Pee Ltd. are to be maintained for two more years.
5. Expenses of amalgamation amounting to Rs.10,000 will be borne by Gee Ltd.
6. Details of trade receivables and trade payables as under:

	Gee Ltd.	Pee Ltd.
<b>Trade payables</b>		
Trade payables	1,50,000	75,000
Bills payables	75,000	1,00,000
	<b>2,25,000</b>	<b>1,75,000</b>

<b>Trade receivables</b>		
Debtors	4,00,000	4,60,000
Bills receivables	50,000	55,000

Show the opening Journal entries and the opening balance sheet of Gee Ltd. as at 1<sup>st</sup> April, 2015 after amalgamation, on the assumption that the amalgamation is in the nature of the merger.

(A) (OLD PM) (ANS.: PURCHASE CONSIDERATION 25,85,000. TOTAL OF BALANCE SHEET 81,85,000)

**PROBLEM 7:** The following draft Balance Sheets are given as on 31st March, 2014:

Liabilities	(in lakhs)		Assets	(in lakhs)	
	Best Ltd	Better Ltd		Best Ltd	Better Ltd
<b>Share Capital:</b>			Fixed Assets	25	15
Shares of Rs. 100, each fully paid	20	10	Investments	5	-
Reserve and Surplus	10	8	Current Assets	20	5
Other Liabilities	20	2			
	50	20		50	20

The following further information is given:

- Better Limited issued bonus shares on 1st April, 2014, in the ratio of one share for every two held, out of Reserves and Surplus.
- It was agreed that Best Ltd. will take over the business of Better Ltd., on the basis of the latter's Balance Sheet, the consideration taking the form of allotment of shares in Best Ltd.
- The value of shares in Best Ltd. was considered to be Rs. 150 and the shares in Better Ltd. were valued at Rs. 100 after the issue of the bonus shares. The allotment of shares is to be made on the basis of these values.
- Liabilities of Better Ltd., included Rs. 1 lakh due to Best Ltd., for purchases from it, on which Best Ltd., made profit of 25% of the cost. The goods of Rs. 50,000 out of the said purchases, remained in stock on the date of the above Balance Sheet.

Make the closing ledger in the Books of Better Ltd. and the opening journal entries in the Books of Best Ltd., and prepare the Balance Sheet as at 1st April, 2014 after the takeover.

(C) (NEW SM) (ANS.: LOSS ON REALIZATION RS.3,00,000)

**PROBLEM 8:** P Ltd. and Q Ltd. agreed to amalgamate and form a new company called PQ Ltd. The balance sheets of both the companies on the date of amalgamation stood as below:

Liabilities	P Ltd. (Rs.)	Q Ltd. (Rs.)	Assets	P Ltd. (Rs.)	Q Ltd. (Rs.)
Equity Shares (Rs. 100 each)	8,20,000	3,20,000	Goodwill	1,00,000	80,000
9% Preference Shares (Rs. 100 each)	3,80,000	2,80,000	Land & Building	4,50,000	3,40,000
8% Debentures	2,00,000	1,00,000	Furniture & Fittings	1,00,000	50,000
General Reserve	1,50,000	50,000	Plant & Machinery	6,20,000	4,50,000
Profit & Loss a/c	3,52,000	2,05,000	Debtors	3,25,000	1,50,000
Unsecured Loan	-	1,75,000	Stock	2,33,000	1,05,000
Creditors	88,000	1,60,000	Cash at bank	1,08,000	95,000
			Cash in hand	54,000	20,000
	<b>19,90,000</b>	<b>12,90,000</b>		<b>19,90,000</b>	<b>12,90,000</b>

PQ Ltd. took over the assets and liabilities of both the companies at book value after creating provision @ 5% on Stock and Debtors respectively and depreciating Furniture & Fittings by @ 10 %, Plant and Machinery by @ 10%. The debtors of P Ltd. include Rs.25,000 due from Q Ltd. PQ Ltd., will issue

- 5 Pref. shares of Rs. 20 each @ Rs. 18 paid up at a premium of Rs4 per share for each pref. share held in both the companies.
- 6 Equity shares of Rs. 20 each @ Rs. 18 paid up at a premium of Rs4 per share for each equity share held in both the companies.

iii) 6% Debentures to discharge the 8% debentures of both the companies.

iv) 20,000 new Equity shares of Rs. 20 each for cash @ Rs. 18 paid up at a premium of Rs. 4 per share.

PQ Ltd. will pay cash to equity shareholders of both the companies in order to adjust their rights as per the intrinsic value of the shares of both the companies.

Prepare ledger accounts in the books of P Ltd. and Q Ltd. to close their books.

(A) (M17 - 16M)

**PROBLEM 9:** The following were the summarized Balance Sheets of P Ltd. and V Ltd. as at 31<sup>st</sup> March, 20X1:

(Rs. in Lakhs)

Liabilities	P Ltd.	V Ltd.
Equity Share Capital (Fully paid shares of Rs. 10 each)	15,000	6,000
Securities Premium	3,000	-
Foreign Project Reserve	-	310
General Reserve	9,500	3,200
Profit and Loss Account	2,870	825
12% Debentures	-	1,000
Trade payables	1,200	463
Provisions	1,830	702
	33,400	12,500

Assets	P Ltd. (Rs. in lakhs)	V Ltd. (Rs. in lakhs)
Land and Buildings	6,000	-
Plant and Machinery	14,000	5,000
Furniture, Fixtures and Fittings	2,304	1,700
Inventory	7,862	4,041
Trade receivables	2,120	1,100
Cash at Bank	1,114	609
Cost of Issue of Debentures	-	50
	33,400	12,500

All the bills receivable held by V Ltd. were P Ltd.'s acceptances.

On 1st April 20X1, P Ltd. took over V Ltd. in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business P Ltd. would allot three fully paid equity shares of Rs. 10 each at par for every two shares held in V Ltd. It was also agreed that 12% debentures in V Ltd. would be converted into 13% debentures in P Ltd. of the same amount and denomination.

Details of trade receivables and trade payables as under:

Assets	P Ltd. (Rs. in lakhs)	V Ltd. (Rs. in lakhs)
<b>Trade payables</b>		
Bills Payable	120	-
Creditors	1,080	463
	<b>1,200</b>	<b>463</b>
<b>Trade receivables</b>		
Trade receivables	2,120	1,020
Bills Receivable	-	80
	<b>2,120</b>	<b>1,100</b>

Expenses of amalgamation amounting to Rs. 1 lakh were borne by P Ltd. You are required to:

- Pass journal entries in the books of P Ltd. And
- Prepare P Ltd.'s Balance Sheet immediately after the merger considering that the cost of issue of debentures shown in the balance sheet of the V Ltd. company is not transferred to the P Ltd. company.

(A) (NEW SM) (ANS.: PURCHASE CONSIDERATION RS. 9,000 LAKHS, BALANCE SHEET TOTAL: RS.45,769 LAKHS)

**PROBLEM 10:** The following was the Balance Sheet of V Ltd. as on 31<sup>st</sup> March, 2015:

Particulars	Note No.	Amount (Rs. in lakhs)
<b>EQUITY AND LIABILITIES:</b>		
(1) Shareholders' Funds		
(a) Share Capital	1	1,150
(b) Reserves and Surplus	2	(87)
(2) Non-current Liabilities		
(a) Long-term Borrowings	3	630
(3) Current Liabilities		
Trade Payables		170
<b>Total</b>		<b>1,863</b>
<b>ASSETS:</b>		
(1) Non-current Assets		
Tangible Assets	4	1,152
(2) Current Assets		
Inventories		380
Trade Receivables		256
Cash and Cash equivalents	5	75
<b>Total</b>		<b>1,863</b>

**Notes:**

<b>(1) Share Capital</b>		
Authorised:		?
Issued, Subscribed and Paid up:		
80 lakhs Equity Shares of Rs. 10 each, fully paid up		800
35 lakhs 12% Cumulative Preference Shares of Rs. 10 each, fully paid up		350
<b>Total</b>		<b>1,150</b>
<b>(2) Reserves and Surplus</b>		
Profit & Loss Account		(87)
<b>(3) Long-term Borrowings</b>		
10% Secured Cumulative Debentures of Rs. 100 each, fully paid up		600
Outstanding Debenture Interest		30
<b>Total</b>		<b>630</b>
<b>(4) Tangible Assets</b>		
Land and Buildings		445
Plant and Machinery		593
Furniture, Fixtures and Fittings		114
<b>Total</b>		<b>1,152</b>
<b>(5) Cash and Cash Equivalents</b>		
Balance at Bank		69
Cash in hand		6
<b>Total</b>		<b>75</b>

On 1st April, 2015, P Ltd. took over the entire business of V Ltd. on the following terms:

V Ltd.'s equity shareholders would receive 4 fully paid equity shares of P Ltd. of Rs. 10 each issued at a premium of Rs. 2.50 each for every five shares held by them in V Ltd.

Preference shareholders of V Ltd. would get 35 lakhs 13% Cumulative Preference Shares of Rs. 10 each fully paid up in P Ltd., in lieu of their present holding.

All the debentures of V Ltd. would be converted into equal number of 10.5% Secured Cumulative Debentures of Rs. 100 each, fully paid up after the takeover by P Ltd., which would also pay outstanding debenture interest in cash.

Expenses of amalgamation would be borne by P Ltd. Expenses came to be Rs. 2 lakhs. P Ltd. discovered that its trade payables included Rs. 7 lakhs due to V Ltd. for goods purchased.

Also P Ltd.'s Inventory included goods of the invoice price of Rs. 5 lakhs earlier purchased from V Ltd., which had charged profit @ 20% of the invoice price.

**You are required to:**

1. Prepare Realisation A/c in the books of V Ltd.
2. Pass journal entries in the books of P Ltd. assuming it to be an amalgamation in the nature of merger. **(A) (OLD PM) (ANS.: PURCHASE CONSIDERATION RS.1,150 LAKHS; REALISATION PROFIT RS 87LAKHS)**

**PROBLEM 11:** Ram Limited and Shyam Limited carry on business of a similar nature and it is agreed that they should amalgamate. A new company, Ram and Shyam Limited, is to be formed to which the assets and liabilities of the existing companies, with certain exception, are to be transferred. On 31st March 2015, the Summarized Balance Sheets of the two companies were as under:

**Ram Limited Balance Sheet as at 31st March, 2015**

Liabilities	Rs.	Assets	Rs.
Issued and Subscribed Share Capital:		Freehold Property, at cost	2,10,000
30,000 Equity Shares of Rs. 10 each, fully paid	3,00,000	Plant and Machinery, at cost less Depreciation	50,000
General Reserve	1,60,000	Motor Vehicles at cost Less Depreciation	20,000
Profit and Loss Account	40,000	Inventory	1,20,000
Trade payables	1,50,000	Trade receivables	1,64,000
		Cash at Bank	86,000
	<b>6,50,000</b>		<b>6,50,000</b>

**Shyam Limited Balance Sheet as at 31st March, 2015**

Liabilities	Rs.	Assets	Rs.
Issued and Subscribed Share Capital:		Freehold Property, at cost	1,20,000
16,000 Equity Shares of Rs. 10 each, fully paid	1,60,000	Plant and Machinery, at cost less Depreciation	30,000
6% Debentures	20,000	Inventory	1,56,000
Profit and Loss Account	40,000	Trade receivables	42,000
Trade payables	64,000	Cash at Bank	36,000
	<b>3,84,000</b>		<b>3,84,000</b>

Assets and Liabilities are to be taken at book-value, with the following exceptions:

1. Goodwill of Ram Limited and of Shyam Limited is to be valued at Rs. 1,60,000 and Rs. 60,000 respectively.
2. Motor Vehicles of Ram Limited are to be valued at Rs. 60,000.
3. The debentures of Shyam Limited are to be discharged by the issue of 6% Debentures of Ram and Shyam Limited at a premium of 5%.
4. The Trade receivables of Shyam Ltd. realized fully and Bank Balance of Shyam Limited are to be retained by the liquidator and the Trade payables of Shyam Ltd. are to be paid out of the proceeds thereof.

**You are required to:**

1. Compute the basis on which shares in Ram and Shyam Limited will be issued to the Shareholders of the existing companies assuming that the nominal value of each share in Ram and Shyam Limited is Rs. 10.
2. Draw up a Balance Sheet of Ram and Shyam Limited as of 1st April, 2015, the date of completion of amalgamation.
3. Write up Journal entries, including Bank entries, for closing the books of Shyam Limited.

**(A) (OLD PM) (ANS.: (I) NO. OF SHARES OF RAM LTD. 70,000 & SHYAM LTD. 24,000; (II) TOTAL OF BALANCE SHEET RS. 12,16,000)**

**PROBLEM 12:** Given below are the summarized balance sheets of Huge Ltd and Big Ltd. as on 31.12.2013. Big Ltd. was merged with Huge Ltd. with effect from 01.01.2014.

**Balance Sheets as on 31.12.2013**

Liabilities	Huge Ltd.	Big Ltd.	Assets	Huge Ltd.	Big Ltd.
<b>Share capital:</b>			Sundry fixed assets	9,50,000	4,00,000
Equity shares of Rs. 10 each	7,00,000	2,50,000	Investments (Nontrade)	2,00,000	50,000
General reserve	3,50,000	1,20,000	Inventory	1,20,000	50,000
Profit and loss A/c	2,00,000	65,000	Trade receivables	75,000	80,000
Export profit reserve	70,000	40,000	Advance tax	80,000	20,000
12% Debentures	1,00,000	1,00,000	Cash and bank	2,75,000	1,30,000
Trade payables	40,000	45,000			
Provision for Taxation	1,00,000	60,000			
Proposed Dividend	1,40,000	50,000			
	<b>17,00,000</b>	<b>7,30,000</b>		<b>17,00,000</b>	<b>7,30,000</b>

Huge Ltd. would issue 12% debentures to discharge the claims of the debenture holders of Big Ltd. at par. Non-trade investments of Huge Ltd. fetched @ 25% while those of Big Ltd. fetched @ 18%.

Profit of Huge Ltd. and Big Ltd. during 2011, 2012 and 2013 were as follows:

Year	Huge Ltd.	Big Ltd.
2011	5,00,000	1,50,000
2012	6,50,000	2,10,000
2013	5,75,000	1,80,000

Goodwill may be calculated on the basis of capitalization method taking 20% as the normal rate of return. Purchase consideration is discharged by Huge Ltd. on the basis of intrinsic value per share. Both companies decided to cancel the proposed dividend as it has already been not approved by Board of Directors.

Pass Journal Entries and prepare the balance sheet of Huge Ltd. after the merger.

(A) (OLD SM) (ANS.: TOTAL OF BALANCE SHEET RS. 28,49,960)

**PROBLEM 13:** Super Express Ltd. and Fast Express Ltd. were in competing business. They decided to form a new company named Super-Fast Express Ltd. The summarized balance sheets of both the companies were as under:

**Name of the Companies: Super Ltd and Fast Ltd**

**Balance Sheet as at : 31<sup>st</sup> march 2014**

		Particulars	Notes No.	Super express Ltd. (Rs.)	Fast express Ltd. (Rs.)
		1	2	3	4
		<b>EQUITY AND LIABILITIES:</b>			
		Shareholder's funds			
1	A	Share capital	1	20,00,000	10,00,000
	B	Reserves and Surplus	2	1,00,000	2,60,000
		<b>Current liabilities</b>			
2	A	Trade Payable (sundry creditors)		60,000	40,000
	B	Short term provisions (Provident fund)		1,00,000	-
		<b>TOTAL</b>		<b>22,60,000</b>	<b>13,00,000</b>
		<b>ASSETS:</b>			
		<b>Non-current assets</b>			
1	A	Fixed assets			
	I	Tangible assets	3	14,00,000	11,00,000
	II	Intangible assets (Goodwill)		-	1,00,000
2	A	<b>Current Assets</b>			
		Inventories (Stock)		3,00,000	40,000

B	Trade receivables (Debtors)		2,40,000	40,000
C	Cash and cash equivalents	4	3,20,000	20,000
	<b>TOTAL</b>		<b>22,60,000</b>	<b>13,00,000</b>

**Notes to Accounts:**

Particulars	Super express	Fast express
<b>1. Shareholder's funds</b>		
20,000 equity shares of Rs.100 each	20,00,000	-
10,000 equity shares of Rs.100 each		10,00,000
<b>2. Reserves and Surplus</b>		
Insurance reserve	1,00,000	-
Employees profit sharing account	-	60,000
Reserve account	-	1,00,000
Surplus	-	1,00,000
<b>3. Tangible assets</b>		
Building	10,00,000	6,00,000
Machinery	4,00,000	5,00,000
<b>4. Cash and cash equivalents</b>		
Cash at bank	2,20,000	10,000
Cash in hand	1,00,000	10,000

The assets and liabilities of both the companies were taken over by the new company at their book values. The companies were allotted equity shares of Rs.100 each in lieu of purchase amounting to Rs.30,000 (20,000 for Super-Fast express Ltd. and 10,000 for fast express Ltd.). Prepare opening balance sheet of Super-Fast Express Ltd. (A) (NEW SM)

(ANS.: TOTAL OF BALANCE SHEET: RS 35,60,000 (AS PER POOLING OF INTEREST METHOD))

**PROBLEM 14:** The Balance Sheets 'P' Ltd. & 'Q' Ltd. as on 31.3.2003 were as follows:

Name of the Companies: P Ltd and Q Ltd.

Balance Sheet as at : 31.03.2003

(Rs. in 000's)

		Particulars	Notes No.	P Ltd (Rs.)	Q Ltd (Rs.)
		1	2	3	4
		<b><u>EQUITY AND LIABILITIES:</u></b>			
		<b>Shareholder's funds</b>			
1	a	Share capital	1	20,000	4,000
	b	Reserves and Surplus	2	8,900	320
2	a	<b>Current liabilities</b>			
		Trade Payable (Creditors)		500	210
		<b>TOTAL</b>		<b>29,400</b>	<b>4,530</b>
		<b><u>ASSETS</u></b>			
		<b>Non-current assets</b>			
1	a	Fixed assets			
	i)	Tangible assets	3	21,500	950
	ii)	In tangible assets	4	2,000	-
	iii)	Non-current investment		1,150	-
2	a	<b>Current Assets</b>			
	b	Inventories(stock)		3,500	2,790
	c	Trade receivables(debtors)		800	620
		Cash and cash equivalents (cash at bank)		450	170
		<b>TOTAL</b>		<b>29,400</b>	<b>4,530</b>

**Notes to Accounts:**

Particulars	P Ltd (Rs.)	Q Ltd (Rs.)
<b>1. Share capital</b>		
20,00,000 E. shares of Rs.10 each	20,000	-
4,00,000 E. shares of Rs.10 each	-	4,000
<b>2. Reserves and Surplus</b>		
General Reserve	8,000	-
Profit and Loss A/c	900	320
<b>3. Tangible Assets</b>		
Land & Building	6,000	-
Plant & Machinery	15,500	-
Motor vehicles	-	600
Furniture	-	350
<b>4. Intangible Assets</b>		
Patents	2,000	-

A new Company, 'R Ltd'. was formed to acquire the assets & liabilities of 'P Ltd'. & 'Q Ltd'. The terms of acquisition of business were as under:

- 'R Ltd'. to have an authorised capital of Rs.4,50,00,000 divided into 50,000, 13% P. shares of Rs.100 each and 40,00,000 equity shares of Rs.10 each
- Business of 'P Ltd'. Valued at Rs.3,00,00,000; settlement being made by issue of fully paid Equity shares at Rs.12.
- Business of 'Q Ltd'. Valued at Rs.48,00,000 to be satisfied by issue of fully-paid shares at Rs.12.
- 'R Ltd'. made a public issue of 30,000 P. shares at par and 3,00,000 E. shares at Rs.12. The issue was underwritten at the commission allowed by law and was fully subscribed. All obligations were met.
- 'S Ltd'. who mooted the scheme, was allotted 40,000 equity shares (fully paid) at Rs.12 in consideration of his services.

You are required to make opening entries in the books 'R Ltd'.

(B) (ANS.: TOTAL OF REALISATION A/C OF Q LTD. RS.5010000)

## PRINTED SOLUTIONS FOR SOME SELECTIVE PROBLEMS

**PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 4, 7, 10, 11**

### **PROBLEM NO: 4**

**Computation of Purchase consideration:**

Particulars	Amount (Rs.)
Cash payment for (3,00,000 x Rs. 2.5)	7,50,000
Equity Shares (4,50,000 x Rs. 15)	67,50,000
	<b>75,00,000</b>

In the books of Srishti Ltd.

#### Realisation Account

Particulars	Rs.	Particulars	Rs.
To Goodwill	5,00,000	By 9% Debentures	5,00,000
To Tangible Fixed Assets	30,00,000	By Creditors	1,00,000
To Stock	10,40,000	By Anu Ltd.	75,00,000
To Debtors	1,80,000	(Purchase consideration)	
To Cash & Bank A/c (2,80,000- 25,000)	2,55,000		
To Cash & Bank A/c (Realization expenses)	25,000		

To Profit on realization transfer to shareholders	31,00,000		
	<b>81,00,000</b>		<b>81,00,000</b>

**Equity Shareholders A/c**

Particulars	Rs.	Particulars	Rs.
To Preliminary expenses	50,000	By Equity Share Capital	30,00,000
To Equity Shares in Anu Ltd.	67,50,000	By Export Profit Reserves	8,50,000
To Cash & Bank A/c	7,50,000	By General Reserves	50,000
		By P & L A/c	5,50,000
		By Realization A/c	31,00,000
	<b>75,50,000</b>		<b>75,50,000</b>

**9% Debentures Account**

Particulars	Rs.	Particulars	Rs.
To Realization A/c	5,00,000	By Balance b/d	5,00,000
	<b>5,00,000</b>		<b>5,00,000</b>

**Anu Ltd.**

Particulars	Rs.	Particulars	Rs.
To Realization A/c	75,00,000	By Share Capital	67,50,000
		By Bank A/c	7,50,000
	<b>75,00,000</b>		<b>75,00,000</b>

**Journal Entries in the books of Anu Ltd.**

	Particulars	Debit(Rs)	Credit(Rs)
1	Business Purchase A/c	Dr.	75,00,000
	To Liquidator of Srishti Ltd (Being business of Srishti Ltd. taken over)		75,00,000
2	Tangible Fixed Assets	Dr	60,00,000
	Stock	Dr	7,10,000
	Debtors	Dr	1,80,000
	Cash & Bank A/c	Dr	2,55,000
	Goodwill A/c (Bal. fig.)	Dr	10,64,000
	To Provision for doubtful debts		9,000
	To Liability for 9 % Debentures		6,00,000
	To Creditors		1,00,000
	To Business Purchase account (Being assets and liabilities taken over)		75,00,000
3	Amalgamation Adjustment reserve A/c	Dr.	8,50,000
	To Export Profit Reserves (Being statutory Reserves taken over)		8,50,000
4	Goodwill	Dr.	50,000
	To Bank A/c (Being Liquidation expenses reimbursed))		50,000
5	Liquidator of Shristi Ltd.	Dr.	75,00,000
	To Equity Share Capital		45,00,000
	To Securities Premium		22,50,000
	To Bank A/c (Being purchase consideration discharged)		7,50,000
6	Liability for 9% Debentures ( 5,00,000 x 120/100)	Dr.	6,00,000
	Discount on issue of debentures		25,000
	To 8% Debentures (6,00,000 x 100/96) (Being liability of debenture holders' discharged)		6,25,000

**PROBLEM NO: 7**

Books of K Ltd.

**Realisation Account**

Particulars	Amount	Particulars	Amount
To Goodwill	80,000	By 5% Debentures	2,00,000
To Land & Building	4,50,000	By Trade payables	1,00,000
To Plant & Machinery	6,20,000	By LK Ltd.	15,60,000
To Furniture & Fittings	60,000	(Purchase consideration)	
To Trade receivables	2,75,000	By Equity shareholders A/c (loss)	51,375
To Stores & inventory	2,25,000		
To Cash at Bank	1,20,000		
To Cash in hand	41,375		
To Pref. shareholders (excess payment)	40,000		
	<b>19,11,375</b>		<b>19,11,375</b>

**Equity Shareholders Account**

Particulars	Amount	Particulars	Amount
To Realisation A/c (loss)	51,375	By Share capital	8,00,000
To Equity Shares in LK Ltd.	10,56,000	By Profit & Loss A/c	3,71,375
To Cash	64,000		
	<b>11,71,375</b>		<b>11,71,375</b>

**7% Preference Shareholders Account**

Particulars	Amount	Particulars	Amount
To Preference Shares in LK Ltd.	4,40,000	By Share capital	4,00,000
		By Realisation A/c	40,000
	4,40,000		4,40,000

**LK Ltd. Account**

Particulars	Amount	Particulars	Amount
To Realisation A/c	15,60,000	By Equity Shares in LK Ltd.	
		For Equity	10,56,000
		Pref.	4,40,000
		By Cash	64,000
	<b>15,60,000</b>		<b>15,60,000</b>

Books of L Ltd.

**Realisation Account**

Particulars	Amount	Particulars	Amount
To Land & Building	3,00,000	By Trade payables	2,10,000
To Plant & Machinery	5,00,000	By Secured loan	2,00,000
To Furniture & Fittings	20,000	By LK Ltd. (Purchase consideration)	7,90,000
To Trade receivables	1,75,000	By Equity shareholders A/c - Loss	37,175
To Inventory	1,40,000		
To Cash at bank	55,000		
To Cash in hand	17,175		
To Pref. shareholders	30,000		
	<b>12,37,175</b>		<b>12,37,175</b>

**Equity Shareholders Account**

Particulars	Amount	Particulars	Amount
To Equity shares in LK Ltd.	3,96,000	By Share Capital	3,00,000
To Realisation	37,175	By Profit & Loss A/c	97,175
To Cash	64,000	By Reserve	1,00,000
	<b>4,97,175</b>		<b>4,97,175</b>

**7% Preference Shareholders Account**

Particulars	Amount	Particulars	Amount
To Preference Shares in LK Ltd.	3,30,000	By Share capital	3,00,000
		By Realisation A/c	30,000
	<b>3,30,000</b>		<b>3,30,000</b>

## LK Ltd. Account

Particulars	Amount	Particulars	Amount
To Realisation A/c	7,90,000	By Equity shares in LK Ltd	.
		For Equity	3,96,000
		Preference	3,30,000
		By Cash	64,000
	<b>7,90,000</b>		<b>7,90,000</b>

## Working Notes:

## (i) Purchase consideration

	K Ltd.	L Ltd.
Payable to preference shareholders:		
Preference shares at Rs 22 per share	4,40,000	3,30,000
Equity Shares at Rs 22 per share	10,56,000	3,96,000
Cash [See W.N. (ii)]	64,000	64,000
	<b>15,60,000</b>	<b>7,90,000</b>

## (ii) Value of Net Assets

	K Ltd	L Ltd
Goodwill	80,000	
Land & Building	4,50,000	3,00,000
Plant & Machinery	6,20,000	5,00,000
Furniture & Fittings	60,000	20,000
Trade receivables less 2.5%	2,68,125	1,70,625
Inventory less 2%	2,20,500	1,37,200
Cash at Bank	1,20,000	55,000
Cash in hand	41,375	17,175
	<b>18,60,000</b>	<b>12,00,000</b>
<b>Less: Debentures</b>	<b>2,00,000</b>	<b>-</b>
Trade payables	1,00,000	2,10,000
Secured Loans	-	2,00,000
	<b>15,60,000</b>	<b>7,90,000</b>
Payable in shares	14,96,000	7,26,000
Payable in cash	64,000	64,000

**PROBLEM NO: 10**

## Computation of purchase consideration and basis of shares:

Particulars	Abhay Ltd	Asha Ltd
Average profits	2,75,000	1,75,000
<b>Less: Normal profits</b>	<b>1,77,500</b>	<b>1,12,500</b>
Super Profit	97,500	62,500
Goodwill (at 2 years purchase)	1,95,000	1,25,000
Land and Building	9,35,000	6,32,500
Plant and Machinery	3,79,500	2,47,500
Inventory	4,62,000	2,64,000
Debtors less provision	2,74,500	2,56,500
Bank (less liquidation expenses Rs. 40,000: 20,000)	1,40,000	25,000
	<b>23,86,000</b>	<b>15,50,500</b>
<b>Less: Creditors</b>	<b>(55,000)</b>	<b>(50,500)</b>
Debentures -		(2,75,000)
Purchase consideration (Basis for issue of shares)	23,31,000	12,25,000
To be satisfied by issue of equity share of Abhilasha Ltd. @ 100 face value	23,310	12,250

## Balance Sheet of Abhilasha Ltd. (After Amalgamation) as on 01.04.2015

	Particulars	Notes	Rs.
	<b>Equity and Liabilities</b>		
<b>1</b>	<b>Shareholders' funds</b>		
<b>a</b>	Share capital	1	38,31,000
<b>b</b>	Reserves and surplus		-

2		Current liabilities		
	a	Trade Payables		1,05,500
		<b>Total</b>		<b>39,36,500</b>
		<b>Assets</b>		
1		<b>Non-current assets</b>		
	a	Fixed assets		
		(i) Tangible assets	2	21,94,500
		(ii) Intangible assets	3	3,20,000
2		<b>Current assets</b>		
		Inventories		7,26,000
		Trade receivables	4	5,31,000
		Cash and cash equivalents	5	1,65,000
		<b>Total</b>		<b>39,36,500</b>

**Notes to accounts**

	Particulars		
1	Share Capital		
	Equity share capital		
	35,560 equity shares of Rs. 100 each	35,56,000	
	2,750 12% Preference shares @ Rs. 100 each	2,75,000	38,31,000
	(The above shares have been issued for consideration other than cash)		
2	Tangible assets		
	Fixed Assets		
	Land and Building (Rs. 9,35,000 + Rs. 6,32,500)	15,67,500	
	Plant and Machinery (Rs. 3,79,500 + Rs. 2,47,500)	6,27,000	21,94,500
3	Intangible assets		
	Goodwill (Rs. 1,95,000 + Rs. 1,25,000)		3,20,000
	<b>Current Assets</b>		
4.	Trade Receivables Rs. (3,05,000 + 2,85,000)	5,90,000	
	<b>Less:</b> Provision for doubtful debts	(59,000)	5,31,000
5.	Cash and cash equivalents (Bank)		1,65,000

**Note:** It has been presumed that debentures of Asha Ltd. are redeemed at premium of 10% by issue of preference shares of Abhilasha Ltd. at par

**PROBLEM NO: 11**

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To **MASTER MINDS**, Guntur

**Calculation of Purchase Consideration**

One share of B Ltd. will be Issued in exchange of every share of A Ltd. (i.e. 20,000 equity shares of B Ltd. will be issued against 20,000 equity shares of A Ltd.)	20,000 Shares
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**Journal Entries in the books of B Ltd.**

(Rupees in thousands)

S.No	Particulars	Debit	Credit
1.	Loan from bank a/c Dr.	60	
	To Capital reduction a/c		60
	(Being Loan from bank waived off to the extent of Rs. 60 thousand)		
2.	Equity Share capital a/c (Rs. 100) Dr.	1,000	
	To Equity share capital a/c (Rs. 10)		100
	To Capital Reduction a/c		900
	(Being equity shares of Rs.100 each reduced to Rs.10 Each)		
3.	Equity share capital a/c (Rs.10) Dr.	100	
	To Equity share capital a/c (Rs. 100)		100
	(Being 10 equity shares of Rs.10 each consolidated to one share of Rs.100 each)		
4.	Capital reduction a/c Dr.	960	
	To Profit and Loss a/c		800
	To Capital reserve a/c		160
	(Being accumulated Losses set Off against reconstruction a/c and balance transferred to capital reserve account)		

5.	Business purchase a/c	Dr.	2,000	
	To Liquidator of A Ltd.			2,000
	(Being purchase of business of A Ltd.)			
6.	Fixed assets a/c	Dr.	2,700	
	Investment a/c	Dr.	700	
	Trade receivables a/c	Dr.	400	
	Cash at Bank a/c	Dr.	250	
	To Trade payables a/c			300
	To Loans From bank a/c			250
	To 10% Debentures a/c			500
	To Business purchase a/c			2,000
	To Reserves a/c			1,000
	(Being assets, liabilities and reserves taken over under pooling of interest method)			
7.	Liquidation of A Ltd. a/c	Dr.	2,000	
	To Equity share capital a/c			2,000
	(Being payment made to liquidators of A Ltd. by allotment of 20,000 new equity shares)			
8.	Trade payables a/c	Dr.	100	
	To Trade receivables a/c			100
	(Being mutual owing cancelled)			

## Balance Sheet of B Ltd. after merger as on 31.03.20x1

Particulars		Note No.	Rs. In '000
<b>Equity and Liabilities</b>			
<b>1 Shareholder's funds</b>			
a)	Share capital	1	2,100
b)	Reserve and Surplus	2	1,160
<b>2 Non-Current Liabilities</b>			
a)	Long-term borrowings	3	1,140
<b>3 Current Liabilities</b>			
a)	Trade payables		500
b)	short term borrowings	4	50
<b>Total</b>			<b>4,950</b>
<b>Assets</b>			
<b>1 Non - current assets</b>			
a)	Fixed assets		
	Tangible assets		3,550
b)	Non-current investments		700
<b>2 Current assets</b>			
a)	Trade receivables		450
b)	Cash and cash equivalents		250
<b>Total</b>			<b>4,950</b>

## Notes to Accounts:

		Rs. In '000
<b>1. Share Capital</b>		
21,000 Equity shares of Rs.100 each fully paid (out of the above , 20,000 shares have been issued for consideration other than cash)		2,100
<b>2. Reserves and Surplus</b>		
	Capital reserve	160
	General reserve	1000
		<b>1,160</b>
<b>3. Long Term Provisions</b>		
	10% Debentures	500
	Loan from Bank (250 + 450 - 60)	640
		1140
<b>4. Short term borrowings</b>		
	Bank overdraft	50

THE END