

12. AMALGAMATION OF COMPANIES - I

PROBLEM NO: 1

(i) Calculation of equity shares to be issued to Neel Ltd. And Gagan Ltd.

(Amount in Rs.)

Profits of	Neel	Gagan
I Year	2,62,800	2,75,125
II year	2,12,200	2,49,875
Total	4,75,000	5,25,000

No. of shares to be issued = 24,000 equity shares in the proportion of the preceding 2 years profitability.

	Neel	Gagan
24,000 x 475/1000	11,400 equity shares	
24,000 x 525/1000		12,600 equity shares

Calculation of 12% Preference shares to be issued to Neel Ltd. And Gagan Ltd.

(Amount in Rs.)

	Neel	Gagan
Net assets (Refer working note)	8,40,000	9,24,000
8% return on Net assets	67,200	73,920
12% Preference shares to be issued		
[67,200 x 100/12] = 5,60,000 @ Rs.10 each	56,000 shares	
[73,920 x 100/12] = 6,16,000 @ Rs. 10 each		61,600 shares

(ii) Total Purchase Consideration

(Amount in Rs.)

	Neel	Gagan
Equity shares @ of RS.25 each	2,85,000	3,15,000
12% Preference shares @ of Rs.10 each	5,60,000	6,16,000
	8,45,000	9,31,000

WORKING NOTE:

Calculation of Net assets as on 31.3.2015

(Amount in Rs.)

	Neel	Gagan
Plant and machinery	5,25,000	6,75,000
Building	7,75,000	6,48,000
Current assets	1,63,500	1,58,600
Less: Current liabilities	(6,23,500)	(5,57,600)
	8,40,000	9,24,000

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PROBLEM NO: 2**a) Computation of Purchase Consideration**

	Amount (Rs.)
Value of 15,000 equity shares @ Rs.80 per share = Rs.12,00,000 Shares to be issued by Y Co. Ltd. (Rs. 12,00,000/120 per share) = 10,000 Shares @ Rs.120 each)	12,00,000
11% Preference shareholders to be issued equivalent 11% Redeemable Debentures by Y Co. Ltd.	5,00,000
Total Purchase consideration	17,00,000

b) Journal Entries in the books of Y Co. Ltd

	Particulars	Debit (Rs.)	Credit (Rs.)
1.	Business Purchase a/c Dr.	17,00,000	
	To Liquidator of X Co. Ltd.		17,00,000
	(Being the amount payable to X Co. Ltd's liquidator)		
2.	Land and Building a/c Dr.	10,00,000	
	Plant & Machinery a/c Dr.	7,00,000	
	Furniture & Fittings a/c Dr.	2,00,000	
	Inventory in trade a/c Dr.	3,00,000	
	Trade receivables a/c Dr.	2,00,000	
	Cash & Bank a/c Dr.	1,00,000	
	To Trade payables a/c		2,00,000
	To Capital Reserve a/c (Balancing figure)		6,00,000
	To Business Purchase a/c		17,00,000
	(Being the value of assets and liabilities taken over from X Co Ltd.)		
3.	Liquidators of X Co. Ltd. a/c Dr.	17,00,000	
	To Equity Share Capital a/c		10,00,000
	To Securities Premium a/c		2,00,000
	To 11% Debentures a/c		5,00,000
	(Being purchase consideration discharged)		

PROBLEM NO: 3

The purchase consideration will be

	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.4

Value of 3,000 shares of X Ltd. @ Rs. 70 = Rs. 2,10,000 (3000 X Rs.70)

Calculation of purchase consideration will be:

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

= Rs. 2,70,000

Purchase consideration discharged as:

Rs. 60,000 will be payable 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: 5**Journal Entries in the Books of P Ltd.**

Particulars		Debit (Rs.)	Credit (Rs.)
Fixed Assets a/c	Dr.	1,05,000	
To Revaluation Reserve a/c			1,05,000
(being Revaluation of fixed assets at 15% above book value)			
Reserves and surplus a/c	Dr.	60,000	
To Equity Dividend a/c			60,000
(Being declaration of equity dividend @ 10%)			
Equity Dividend a/c	Dr.	60,000	60,000
To Bank a/c			
(Being Payment of equity dividend)			
Business Purchases a/c	Dr.	4,90,000	
To Liquidator of Q Ltd.			4,90,000
(Being Consideration payable for the business taken over from Q Ltd.)			
Fixed Assets a/c (115% of Rs.2,50,000)	Dr	2,87,500	
Inventory (95% of Rs. 3,20,000)	Dr	3,04,000	
Debtors a/c	Dr	1,90,000	
Bills Receivables a/c	Dr	20,000	
Investment a/c	Dr	80,000	
Cash at Bank a/c	Dr.	10,000	
(Rs.40,000 – Rs.30,000 dividend paid)			
To Provision for Bad Debts a/c (5% of Rs. 1,90,000)			9,500
To Sundry Creditors a/c			1,25,000
To 12% Debentures in Q Ltd. a/c			1,62,000
To Bills Payable a/c			25,000
To Business Purchases a/c			4,90,000
To Capital Reserve a/c (Balancing figure)			80,000
(Being Incorporation of various assets and liabilities taken over from Q Ltd. At agreed values and difference of net assets and purchase consideration being credited to capital reserve)			
Liquidator of Q Ltd. a/c	Dr.	4,90,000	
To Equity Share Capital a/c			4,00,000
To 10% Preference Share Capital a/c			90,000
(Being Discharge of consideration for Q Ltd. 's business)			
12% Debenture in Q Ltd. a/c (Rs. 1,50,000 x 108%)	Dr.	1,62,000	
Discount on issue of debenture a/c	Dr.	18,000	
To 12% Debentures a/c			1,80,000
(being Allotment of 12% Debentures to Debentures holders of Q Ltd. At a discount of 10%)			
Sundry Creditors a/c	Dr.	10,000	
To Sundry Debtors a/c			10,000
(Being Cancellation of mutual owing)			

Goodwill a/c	Dr.	30,000	
To Bank a/c			30,000
(Being liquidation expenses reimbursed to Q Ltd.)			
Capital Reserve a/c	Dr.	30,000	
To Goodwill a/c (Being Goodwill set off)			30,000

PROBLEM NO: 6**(i) Calculation of number of shares to be allotted**

Particulars	Amount (Rs)
Land and building	10,80,000
Inventory	7,70,000
Bills receivables	30,000
Total	18,80,000
Amount discharged by issue of preference shares	4,10,000
Number of preference shares to be issued (4,10,000/100)	4,100 shares
Amount discharged by issue of equity shares (Rs.18,80,000 – Rs.4,10,000)	14,70,000
Number of equity shares to be issued (Rs.14,70,000/8)	1,83,750 shares

(ii) Ledger Accounts in the books of Mars Limited**Realization Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Land and building a/c	7,64,000	By Provision for doubtful debts a/c	8,000
To Inventory a/c	7,75,000	By Bills payable a/c	40,000
To Debtors a/c	1,60,000	By creditors a/c	2,26,000
To Bills receivables a/c	30,000	By Provision for taxation a/c	2,20,000
To Bank a/c – liquidation expenses	3,000	By Jupiter Ltd. a/c (purchase consideration)	18,80,000
To Bank a/c – bills payable	38,000		
To Bank a/c – income tax	2,22,000		
To Bank a/c – creditors	2,16,000	By Bank a/c – debtors	1,50,000
To Profit (transferred to equity shareholders a/c)	3,16,000		
	25,24,000		25,24,000

Bank Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	3,29,000	By Realisation a/c (liquidation expenses)	3,000
To Realisation a/c (payment received from debtors)	1,50,000	By Jupiter Ltd. a/c	5,000
To Jupiter Ltd. (liquidation expenses)	5,000	By Bills payable a/c	38,000
		By Income tax a/c	2,22,000
		By creditors a/c (Balancing figure)	2,16,000
	4,84,000		4,84,000

Equity Shareholders Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To 10% Preference shares in Jupiter Limited a/c	4,10,000	By Equity shares capital a/c	10,00,000
To Equity shares in Jupiter Limited a/c	14,70,000	By Capital reserve a/c	42,000
		By Contingency reserve a/c	2,70,000
		By Profit and Loss a/c	2,52,000
		By Realisation a/c	3,16,000
	18,80,000		18,80,000

Jupiter Limited Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Realisation a/c	18,80,000	By 10% Preference shares in Jupiter Limited a/c	4,10,000
To Bank a/c (Reimbursement exp.)	5,000	By Bank A/c (Liquidation Exp.)	5,000
		By Equity shares in Jupiter Ltd. a/c	14,70,000
	18,85,000		18,85,000

PROBLEM NO. 7

In the books of V Ltd.
Realisation Accounts

(Rupees in Lakhs)

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

In the books of P Ltd.

Journal Entries

(Rupees in Lakhs)

	Particulars	Debit	Credit
1.	Business Purchases a/c Dr.	1,150	
	To Liquidator of V Ltd. a/c (Being purchase consideration due)		1,150
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	640
Securities Premium (64 Lakhs equity shares @ Rs.2.5)	160
Total Purchase consideration	1,150

PROBLEM NO: 8Balance Sheet of C Ltd. As at 1st April, 2012

(Rupees in Lakhs)

Particulars	Note No.	Amount
I. Equity and Liabilities:		
(1) Shareholder's Funds		

(a) Share Capital	1	1,200
(b) Reserves and Surplus	2	1,750
(2) Non-Current Liabilities Long-term borrowings	3	60
(3) Current Liabilities Trade Payables	4	610
Total		3,620
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
(c) Other non-current assets	8	100
(2) Current assets		
(a) Inventory		600
(b) Trade receivables	9	650
(c) Cash and cash equivalents		500
Total		3,620

NOTE 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	1650	
	Investment Allowance Reserve	100	1,750
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. Other non – current assets			
	Amalgamation Adjustment Account		100
9. Trade receivables			
	Sundry Debtors	550	
	Bills receivables	100	650

WORKING NOTES:

		(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.9

Calculation of Purchase Consideration

(Amount in rupees)

	Ram Ltd.	Shyam Ltd.
	(Rs.)	(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	--
Less: Liabilities:	8,50,000	3,66,000
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

NOTE 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	Credit
1.	Realisation a/c Dr.	3,48,000	
	To Freehold Property a/c		1,20,000
	To Plant and Machinery a/c		30,000
	To Inventory a/c		1,56,000
	To Trade Receivables a/c		42,000
	(Being all assets except cash transferred to Realisation Account)		
2.	6% Debentures a/c Dr.	1,20,000	
	Trade payables a/c Dr.	64,000	
	To realisation a/c		1,84,000
	(Being all liabilities transferred to Realisation Account)		
3	Equity Share Capital a/c Dr.	1,60,000	
	Profit and loss a/c Dr.	40,000	
	To Equity share holders a/c		2,00,000
	(Being equity transferred to equity shareholders accounts)		

4.	Ram and Shyam Ltd. a/c	Dr.	2,40,000	
	To Realisation a/c (Being Purchase consideration)			2,40,000
5.	Bank a/c	Dr.	42,000	
	To Realisation a/c (Being cash realised from trade receivables in full)			42,000
6.	Realisation a/c	Dr.	64,000	
	To Bank a/c (Being payment made to trade payables)			64,000
7.	Shares in Ram and Shyam Ltd.	Dr.	2,40,000	
	To Ram and Shyam Ltd. (Being purchase consideration received in the form of shares of Ram and Shyam Ltd.)			2,40,000
8.	Realisation a/c	Dr.	54,000	
	To Equity shareholders a/c (Being profit on realisation account transferred to shareholders account)			54,000
9.	Equity shareholders a/c	Dr.	2,54,000	
	To Shares in Ram and Shyam a/c To Bank a/c (Being final payment made to shareholders)			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.10**Balance 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		
4 Non – current assets		
b) Fixed assets		
i) Tangible assets	4	25,00,000
ii) Intangible assets	5	1,00,000
5 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.11**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 Proposed dividend a/c		200
	To Loans From bank a/c		250
	To 10% Debentures a/c		500
	To Business purchase a/c		2,000
	To Reserves a/c		800
	(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)		
9.	Proposed dividend a/c	Dr.	200
	To Bank a/c		200
	(Being dividend paid off)		

Balance Sheet of B Ltd. after merger as on 31.03.2014

Particulars	Note No.	Rs. In '000
Equity and Liabilities		
1 Shareholder's funds		
a) Share capital	1	2,100
b) Reserve and Surplus	2	960
2 Non-Current Liabilities		
a) Long-term borrowings	3	1,140
3 Current Liabilities		
a) Trade payables		500
b) short term borrowings	4	50
Total		4,750
Assets		
1 Non – current assets		
a) Fixed assets		
Tangible assets		3,550
b) Non-current investments		700
2 Current assets		
a) Trade receivables		450
b) Cash and cash equivalents		50
Total		4,750

NOTES TO ACCOUNTS:

	Rs. In '000
1. Share Capital	
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
2.Reserves and Surplus	
Capital reserve	160

General reserve	800	960
3. Long Term Provisions		
10% Debentures	500	
Loan from Bank (250 + 450 – 60)	640	1140
4. Short term borrowings		
Bank overdraft		50

PROBLEM NO. 12

In the books of R Ltd.

Sl. 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		5,00,00,000
	(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