

8. AMALGAMATION - II**PROBLEM NO:1****COMPUTATION OF PURCHASE CONSIDERATION AND ITS DISCHARGE**

i) Computation of purchase consideration and its discharge.

Particulars	Amount (Rs.)
Fixed Assets	12,80,000
Inventory	7,70,000
Trade Receivables	30,000
Total	20,80,000
10% Preference share capital (5100 x 100)	(5,10,000)
Equity share capital (196250x 8)	15,70,000

Realisation A/c

Dr.

Cr.

Particulars	Amount	Particulars	Amount
To fixed assets A/c	9,64,000	By Provision for bad and doubtful debts A/c	8,000
To Inventory A/c	7,75,000	By Bills payable A/c	40,000
To Sundry debtors A/c	1,60,000	By Sundry creditors A/c	2,26,000
To Bills Receivable A/c	30,000	By Provision for taxation A/c	2,20,000
To Bank account		By Wye Ltd. Account A/c	20,80,000
To Liquidation expenses	8,000		
To Bills payable A/c	38,000	By Bank account	1,50,000
To Tax liability	2,22,000	Sundry Debtors	
To Sundry Creditors A/c	2,11,000		
To Equity shareholders A/c	316000		
	27,24,000		27,24,000

Cash / Bank A/c

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To bal b/d	3,29,000	By Bills payable A/c	38,000
To Trade Receivable A/c	1,50,000	By Income tax payable A/c	2,22,000
		By Liquidation expenses A/c	8,000
		By sundry creditors A/c	2,11,000
	4,79,000		4,79,000

Equity shareholders A/c

Dr.

Cr.

Particulars	Amount Rs.	Particulars	Amount (Rs.)
To 10% Pref. share capital	5,10,000	By Equity share capital	12,00,000
To Equity share capital	15,70,000	By profit prior to incorporation	42000
		By Contingency Reserve	2,70,000
		By P & L A/c	2,52,000
		By Realisation	3,16,000
	20,80,000		20,80,000

Journal entries in the books of wye Ltd

Particulars	Dr.	Cr.
Business purchase A/c	Dr. 20,80,000	
To Liquidator of Exe Ltd (Being purchase consideration due)		20,80,000

Fixed Asset A/c	Dr.	12,80,000	
Inventory A/c	Dr.	7,70,000	
Bill Receivable A/c	Dr.	30,000	
To Business purchase			20,80,000
(Being incorporation of Assets & Liabilities)			
Liquidator of Exe Ltd A/c	Dr.	20,80,000	
To 10% Preference share capital			5,10,000
To Equity share capital A/c			15,70,000
(Being discharge of purchase consideration)			

PROBLEM NO: 2**Computation of Goodwill of Rohit Ltd**

Particulars	Amount (Rs.)
31-3-2011	150000
31-3-2010	135000
31-3-2009	<u>90000</u>
	375000

$$\text{Average profit for 3 years} = \frac{375000}{3} = 125000 \times 1$$

$$\begin{aligned} \text{Goodwill} &= \text{Average profit} \times \text{No of years of purchase} \\ &= \text{Rs. } 125000 \times 1 \\ &= 125000 \end{aligned}$$

Computation of Net Assets of the Business

Particulars	Rahul Ltd (Rs.)	Rohit Ltd (Rs.)
Fixed Assets	625000	275000
Inventory	125000	75000
Trade receivables	150000	100000
Goodwill	-	125000
Cash & Cash equivalents	50000	125000
(-) Liabilities		
7% Debentures		(100000)
Trade payables	(140000)	(125000)
Provision for tax	(60000)	(25000)
Net Assets	750000	450000
No of shares	37500	30000
Intrinsic value	20	15

$$\text{Ratio of exchange of shares} = \frac{30000 \times 15}{20}$$

$$\text{No of shares} = 22500$$

$$\text{Equity share capital} = 22500 \times \text{Rs. } 10 = \text{Rs. } 225000$$

$$\begin{aligned} \text{Securities premium} &= 22500 \times \text{Rs. } 10 = \text{Rs. } 225000 \\ &= \text{Rs. } \underline{450000} \end{aligned}$$

Copyrights Reserved
To **MASTER MINDS**, Guntur

Name of the company Rahul Ltd

Balance sheet as at 31-3-2011

Equity & Liabilities	S. no	Amount (Rs.)
Shareholder funds		
Share capital	1	6,00,000
Reserves & Surplus	2	6,00,000

Non-Current Liabilities		
Long term borrowings	3	1,00,000
Current Liabilities		
Trade payables	4	2,65,000
Short term provisions	5	85,000
Total		16,50,000
Assets		
Non-current Assets		
Fixed Assets		
Tangible Assets	6	9,00,000
Intangible Assets	7	1,30,000
Current Assets		
Inventory	8	2,00,000
Trade Receivables	9	2,50,000
Cash & Cash Equivalent	10	1,70,000
		16,50,000

Notes to accounts:-

1.

Particulars	Amount (Rs.)	Amount (Rs.)
Share Capital		
Equity share capital		
Rahul 37500 x 10	3,75,000	
Rohit 22500 x 10	2,25,000	6,00,000
		6,00,000

2.

Particulars	Amount (Rs.)
Reserves & Surplus	
General Reserve	2,25,000
Security premium	2,25,000
Revaluation Reserve	1,50,000
	6,00,000

3.

Particulars	Amount (Rs.)
Long term borrowings	
7% Debentures	1,00,000
	1,00,000

4.

Particulars	Amount (Rs.)
Trade payables	
Rahul Ltd 140000	
Rohit Ltd 125000	2,65,000
	2,65,000

5.

Particulars	Amount (Rs.)
Short term provisions	
Provision for tax	
Rahul Ltd 60000	
Rohit Ltd 25000	85,000
	85,000

6.

Particulars	Amount (Rs.)
Tangible Assets	

Rahul Ltd 625000	
Rohit Ltd 275000	9,00,000
	9,00,000

7.

Particulars	Amount (Rs.)
Intangible Assets	
Goodwill Better to close this here it self (1,25,000 + 5,000)	1,30,000
	1,30,000

8.

Particulars	Amount (Rs.)
Inventory	
Rahul Ltd 125000	
Rohit Ltd 75000	200000
	200000

9.

Particulars	Amount (Rs.)
Trade receivables	
Rahul Ltd 150000	
Rohit Ltd 100000	2,50,000
	2,50,000

10.

Particulars	Amount (Rs.)
Cash & Cash Equivalents	
Rahul 50000	
Rohit 125000	
(-) Exp (5000)	1,70,000
	1,70,000

PROBLEM NO: 3**Computation of Purchase consideration****(Rs.in Lakhs)**

Particulars	L ltd.	S ltd.
15% Preference Share Capital	800	437.5
Equity share Capital	2380	1522.5
Purchase Consideration	3180	1960
Issuing of Debentures		
13% Debentures $\left[\begin{array}{l} 13 - 15\% \\ ? - 100 \end{array} \right]$	86.67	
13% Debentures $\left[\begin{array}{l} 7.28 - 15\% \\ ? - 100 \end{array} \right]$		48.53

Computation of Goodwill Capitalization**(Rs. In lakhs)**

Particulars	L ltd (Rs.)	S ltd (Rs.)
Net Assets taken over	3713.33	2601.47
Purchase consideration	3180	1960
	533.33	641.47

The Total value of goodwill capitalization= 533.33+641.47
= 1174.8

Name of the Company 'M' Ltd
Balance sheet as at 1st April 2014

Particulars	Note No	Amount (Rs.in Lakhs)
Equity & Liabilities		
Share Capital	1	2105
Reserves & Surplus	2	383.8
Long term borrowings	3	185.2
Current Liabilities		
Trade payables	4	480
Total		6610
Assets		
Non-Current Assets		
Tangible Assets	5	2540
Non-Current Investments	6	250
Current Assets		
Inventory	7	1188
Trade Receivables	8	1200
Cash & Cash Equivalents	9	1272
Other Current Assets	10	160
Total		6610

NOTES TO ACCOUNTS:

1. Share capital

Particulars	Amount	Rs.in Lakhs
Equity share Capital		
L ltd (68 x 10)	680	
S ltd (43.5 x 10)	435	1115
15% Preference share capital		
L ltd (6.4 x 100)	640	
S ltd (3.5 x 100)	350	990
		2105

2. Reserves & Surplus

Particulars	Amount (Rs. In lakhs)	Amount (Rs. In lakhs)
Securities premium		
L ltd		
68 x 25	1700	
6.4 x 25	160	
S ltd		
43.5 x 25	1087.5	
3.5 x 25	87.5	3035
Investment fluctuation Reserve		
L ltd	100	
S ltd	60	160
Capital Reserve		644.8
		3839.8

3. Long term borrowings

Particulars	Amount (Rs. In lakhs)	Amount (Rs. In lakhs)
15% Debentures		
L ltd	86.67	

S Ltd	48.53	135.2
Public Deposit		50
		185.2

4. Current Liabilities

Particulars		
Trade payables		
L Ltd	330	
S Ltd	150	480
		480

5. Tangible Assets

Particulars	Amount (Rs. In lakhs)	Amount (Rs. In lakhs)	Amount (Rs. In lakhs)
Land & Buildings			
L Ltd	920		
S Ltd	550	1470	
Plant & Machinery			
L Ltd	650		
S Ltd	420	1070	2540
			2540

6. Non-current Investments

Particulars		Amount (Rs. In lakhs)
L Ltd	150	
S Ltd	100	250
		250

7. Inventory

Particulars		Amount (Rs. In lakhs)
L Ltd	650	
S Ltd	538	1188
		1188

8. Trade receivable

Particulars		Amount (Rs. In lakhs)
L Ltd	660	
S Ltd	540	1200
		1200

9. Cash & Cash Equivalents

Particulars		Amount (Rs. In lakhs)
L Ltd	770	
S Ltd	502	1272
		1272

10. Other Current Assets

Particulars		Amount (Rs. In lakhs)
Amalgamation Adjustments		
L Ltd	100	
S Ltd	60	160
		160

PROBLEM NO: 4**Computation of Purchase consideration****(Rs.in Lakhs)**

Particulars	Sun Ltd	Moon Ltd
Equity share capital	600	450
15% Preference share capital	225	150
Purchase consideration	825	600

Computation of value of Debentures to be issued**(Rs.in Lakhs)**

Particulars	Sun Ltd	Moon Ltd
10% Debentures	30	15
Interest @ 10%	3	1.5
15% Debentures	20	10

Computation of Goodwill/Capital Reserve**(Rs.in Lakhs)**

Particulars	Sun Ltd	Moon Ltd
Land & Building	275	200
Plant & Machinery	175	125
Investment	75	25
Stock	175	125
Sundry Debtors	125	150
Bill Receivable	25	25
Cash & Bank balance	150	100
(-) Debentures	(20)	(10)
(-) Sundry Debtors	(135)	(60)
(-) Acceptance	(75)	(35)
Net Assets	770	645

Particulars	Sun	Moon (Rs. in lakhs)
Net Assets of Business	770	645
Purchase Consideration	825	600
100% Profit	(55)	45

Net Amount of Goodwill/Capital Reserve

Particulars	Amount (Rs. in lakhs)
Loss on Takeover of Sun Ltd	(55)
Profit on Takeover of Moon Ltd.	45
Goodwill	10
(+) Expenses of Liquidation	
Sun Ltd	2
Moon Ltd	1
Total	13

Name of the Company Star Ltd

Balance sheet as at 31-3-2009

Particulars	Note No	Amount (Rs.in Lakhs)
Equity & Liabilities		
Shareholder funds		
Share capital	1	600
Reserves & Surplus	2	875
Long term borrowings	3	30
Current Liabilities		
Trade payables	4	195
Other Current Liabilities	5	110
Total		1810
Assets		
Non-current Assets		
Fixed Assets		
Tangible Assets	6	775
Intangible Assets	7	13
Non-current Investment	8	100
Current Assets		
Inventory	9	300
Trade receivable	10	325
Cash & Cash Equivalents	11	247
Other current Assets	12	50
		1810

1. Share capital

(Rs.in Lakhs)

Particulars		Amount
Equity share capital		
Sun Ltd	200	
Moon Ltd	150	350
15% preference share capital		
Sun Ltd	150	
Moon Ltd	100	250
		600

2. Reserves & Surplus

(Rs.in Lakhs)

Securities premium		
Sun Ltd (400+75)	475	
Moon Ltd (300+50)	350	825
Investment Allowance reserve		
Sun Ltd	25	
Moon Ltd	25	50
		875

3. Long term borrowings

(Rs.in Lakhs)

15% Debentures		
Sun Ltd	20	
Moon Ltd	10	30
		30

4. Trade payables

(Rs.in Lakhs)

Sun Ltd	135	
Moon Ltd	60	195
		195

5. Other current Liabilities

Acceptance		
Sun Ltd	75	
Moon Ltd	35	110
		110

6. Tangible Assets**(Rs.in Lakhs)**

Land & Building		
Sun Ltd	275	
Moon Ltd	200	475
Plant & Machinery		
Sun Ltd	175	
Moon Ltd	125	300
		775

7. Intangible Assets**(Rs.in Lakhs)**

Goodwill		13
		13

8. Non-current investment**(Rs.in Lakhs)**

Sun Ltd	75	
Moon Ltd	25	100
		100

9. Inventory**(Rs.in Lakhs)**

Sun Ltd	175	
Moon Ltd	125	300
		300

10. Trade receivables**(Rs.in Lakhs)**

Sundry Debtors		
Sun	125	
Moon	150	275
Bills Receivable		
Sun	25	
Moon	25	50
		325

11. Cash & Cash Equivalents**(Rs.in Lakhs)**

Cash at Bank		247
		247

12. Other Current Assets**(Rs.in Lakhs)**

Amalgamation Adjustment A/c		
Sun Ltd	25	
Moon Ltd	25	50
		50

PROBLEM NO: 5**Computation of Intrinsic value of shares**

Particulars	Micky Ltd (Rs)	Donald Ltd (Rs)
Sundry Assets	1685000	4357500
Cash in hand	3500	27500
Total	1688500	4385000

Less: Sundry Creditors	(55000)	(65000)
Net Assets	1633500	4320000
No of shares	9000	40000
Intrinsic value per share	181.5	108

Computation of cash to be paid to discharge the claim of shareholders of Micky Ltd

Particulars	Amount (Rs.)
Intrinsic value of 3 shares in Micky Ltd (181.5 x 3)	544.50
Less: Intrinsic value of 5 shares in Donald (108 x 5)	540.00
Difference to be paid in every 3 shares hold in Micky Ltd	4.5

Purchase Consideration

Particulars	Amount (Rs.)
Shares to be issued by Donald Ltd $\left(\frac{9000}{3}\right) \times 5 = 15000 \times 75$	1125000
Cash to be paid (9000/3 x 4.5)	13500
	1138500

Cash A/c

Particulars	Amount	Particulars	Amount
To balance b/d	27500	By Liquidation of Micky Ltd	13500
To Cash taken over by Micky	3500	By balance c/d	17500
	31000		31000

Journal entries in the books of Donald Ltd

S.no	Particulars	Dr.	Cr.
1.	Business purchase A/c	Dr.	1138500
	To Liquidator of Micky Ltd A/c		1138500
	(Being amount of purchase consideration due as per scheme of absorption)		
2.	Sundry Assets A/c	Dr.	16,85,000
	Cash A/c	Dr.	3500
	To Sundry creditors		55000
	To Business purchase		1138500
	To Capital Reserve		495000
	(Being incorporation of Assets & Liabilities)		
3.	Liquidator of Micky Ltd A/c	Dr.	1138500
	To Equity share capital		1125000
	To cash		13500
	(Being discharge of purchase consideration)		

Name of the company: Micky Ltd

Balance sheet as at

Amount (Rs.)

Equity and Liabilities		
Shareholder funds		
Share capital	1	Rs. 41,25,000
Reserves & Surplus	2	Rs. 18,15,000
Current Liabilities		
Trade payables	3	1,20,000
Total		60,60,000

Assets		
Non-current Assets		
Tangible Assets		60,42,500
Current Assets		
Cash & Cash equivalents		17,500
Total		60,60,000

Notes to accounts:-

1. Share Capital

Particulars	Amount (Rs.)
Authorised (60000 x 75)	45,00,000
Issued, Subscribed and Paid up (55000 x 75)	41,25,000
	41,25,000

2. Reserves & Surplus

Particulars	Amount (Rs.)
Capital Reserve	4,95,000
Other Reserves	12,85,000
Surplus	35,000
	18,15,000

PROBLEM NO: 6**Computation of purchase consideration**

Particulars	A Ltd (Rs.)	B Ltd (Rs.)
Land & Buildings	6,00,000	-
Plant & Machinery	15,50,000	-
Motor Vehicles		40,000
Furniture		25,000
Inventory	3,50,000	2,39,000
Trade Receivables	80,000	62,000
Patents	2,00,000	
Goodwill		70,000
Total	27,80,000	4,36,000
Purchase consideration	27,95,000	3,81,000

Journal Entries in the books of A Ltd

Particulars	Dr. (Rs.)	Cr. (Rs.)
Realization A/c	Dr. 27,80,000	
To Land & Building		6,00,000
To Plant & Machinery		15,50,000
To Patents & Rights		2,00,000
To Inventory		3,50,000
To Trade receivable		80,000
Trade payable A/c	Dr. 50,000	
To Bank		50,000
Shakti Ltd A/c	Dr. 27,95,000	
To Realization		27,95,000
Preference share capital A/c	Dr. 5,00,000	
To Bank		5,00,000
Equity share capital of Shakti Ltd A/c	Dr. 22,50,000	
Cash A/c	Dr. 54,50,000	
To Shakti Ltd A/c		27,95,000
Realization A/c	Dr. 5,000	
To Bank		5,000
Equity share capital A/c	Dr. 15,00,000	
General Reserve A/c	Dr. 8,00,000	

Profit & Loss A/c	Dr.	90,000	
To Equity shareholders A/c			23,90,000
Realization A/c	Dr.	10,000	
To Equity Shareholders			10,000
Equity shareholders A/c	Dr.	24,00,000	
To Equity share capital of Shakti			22,50,000
To Cash			1,50,000
Being equity share holders accounts settled)			

Name of the Company Shakti Ltd

Balance sheet as at 1st Jan 2012

Particulars	Note No	Amount
Equity & Liabilities		
Shareholder funds		
Share Capital	1	29,00,000
Reserves & Surplus	2	5,58,250
Long term borrowings		-
Total		34,58,250
Assets		
Tangible Assets	3	22,15,000
Intangible Assets	4	2,30,000
Inventory	5	5,89,000
Trade Receivable	6	1,41,000
Cash & Cash equivalents	7	2,82,250
		34,58,250

Notes to accounts:-**1. Share Capital**

Particulars	Amount (Rs.)
Equity share capital	
A Ltd (180000 x 10)	18,00,000
B Ltd (30000 x 10)	3,00,000
Issued (30000 x 10)	3,00,000
Of the above 180000 & 30000 shares are issued for consideration other than cash	
5% Cum preference share capital (50000 x 10)	5,00,000
Total	29,00,000

2. Reserves & Surplus

Particulars	Amount (Rs.)
Securities premium	
(180000 x 2.5)	4,50,000
(30000 x 2.5)	75,000
(30000 x 2.5)	75,000
(-) Expenses	(18,000)
(-) underwriting commission	(23,750)
	5,58,250
	5,58,250

3. Tangible Assets

Particulars	Amount (Rs.)
Land & Building	6,00,000
Plant & Machinery	15,50,000
Motor vehicle	40,000
Furniture	25,000
	22,15,000
	22,15,000

4. Intangible Assets

Particulars		Amount (Rs.)
Goodwill	30,000	
Patents	2,00,000	2,30,000
		2,30,000

5. Current Assets

Particulars		Amount (Rs.)
Inventory		
A Ltd	350000	
B Ltd	239000	589000
		589000

6. Trade Receivables

Particulars		Amount (Rs.)
A Ltd	80,000	
B Ltd	62,000	1,42,000
		1,42,000

7. Cash & Cash Equivalents

Particulars		Amount (Rs.)
Cash & Cash equivalents		2,82,250
		2,82,250

PROBLEM NO: 7

In the books of A Ltd. Ledger accounts

Realization A/c

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Fixed Assets A/c	1,50,000	By Creditors	30,000
To Stock A/c	70,000	By AB Ltd.	3,00,000
To Debtors A/c	80,000	By Equity Share holder A/c	50,000
To Cash and Bank A/c	80,000	(Loss)	
	3,80,000		3,80,000

Dr.		Cr.	
AB Ltd. A/c			
Particulars	Rs.	Particulars	Rs.
To Realization A/c	3,00,000	By Equity Shares of AB Ltd.	3,00,000
	3,00,000		3,00,000

Dr.		Cr.	
Equity Shares of AB Ltd. A/c			
Particulars	Rs.	Particulars	Rs.
To AB Ltd. A/c	3,00,000	By Equity Shares holders	3,00,000
	3,00,000		3,00,000

Dr.		Cr.	
Equity Share Capital A/c			
Particulars	Rs.	Particulars	Rs.
To Equity Share holders A/c	2,50,000	By Balance b/d	2,50,000
	2,50,000		2,50,000

Dr.		Equity Share holder A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Realization A/c (Loss)	50,000	By Equity Share Capital	2,50,000		
To Equity Shares of AB Ltd.	3,00,000	By Reserves	60,000		
		By Profit & Loss A/c	40,000		
	3,50,000		3,50,000		

Dr.		In the Books of B Ltd. Realization A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Fixed Assets A/c (1,20,000 + 10,000)	1,30,000	By Creditors A/c	20,000		
To Stock (80,000 – 5,000) A/c	75,000	By AB Ltd. A/c	2,00,000		
To Debtors A/c	40,000	By Equity Share holders A/c (Loss)	55,000		
To Cash & Bank A/c	30,000				
	2,75,000		2,75,000		

Dr.		AB Ltd. A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Realization A/c	2,00,000	By Equity Shares of AB Ltd.	2,00,000		
	2,00,000		2,00,000		

Dr.		Equity Shares of AB Ltd. A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To AB Ltd.	2,00,000	By Equity Share holders	2,00,000		
	2,00,000		2,00,000		

Dr.		Equity Share capital A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Equity share holders A/c	1,50,000	By Balance b/d	1,50,000		
	1,50,000		1,50,000		

Dr.		Equity Share holders A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Realization A/c (Loss)	55,000	By Equity Share Capital A/c	1,50,000		
To Equity Share of AB Ltd.	2,00,000	By Reserves	40,000		
		By Profit & Loss A/c (60,000+10,000-5,000)	65,000		
	2,55,000		2,55,000		

Journal Entries in the Books of AB Ltd.

Nature of Amalgamation : Amalgamation in nature of purchase

Method of Accounting : Pooling Interest Method

Method of Purchase Consideration : Payment Method

	Particulars	Debit (Rs.)	Credit (Rs.)
Part – I	For Take over of A Ltd.		
	Business Purchase A/c Dr.	3,00,000	
	To liquidator of A Ltd. A/c (Being purchase consideration due)		3,00,000
	Fixed Assets A/c Dr.	1,50,000	
	Stock A/c Dr.	70,000	
	Debtors A/c Dr.	80,000	
	Cash & Bank A/c Dr.	80,000	
	To Creditors A/c		30,000

	To Business purchase A/c		3,00,000
	To General Reserve A/c		10,000
	To P & L A/c		40,000
	(Being incorporation of asset and liabilities at book value)		
	Liquidator of A Ltd. A/c	Dr.	3,00,000
	To Equity Share Capital A/c (Being P.C discharged)		3,00,000
Part – II	For Take over of B Ltd.		
	Business Purchase A/c	Dr.	2,00,000
	To liquidator of 'B' Ltd. A/c		2,00,000
	(Being P.C due)		
	Fixed Assets A/c (1,20,000 + 10,000)	Dr.	1,30,000
	Stock A/c (80,000 – 5,000)	Dr.	75,000
	Debtors A/c	Dr.	40,000
	Cash & Bank A/c	Dr.	30,000
	To Creditors A/c		20,000
	To B.P A/c		2,00,000
	To P & L (W.N-1)		55,000
	To General Reserve (40,000 – 40,000)		Nil
		(Being incorporation of assets & liabilities at book value)	
	Liquidator of B Ltd. A/c	Dr.	2,00,000
	To Equity Share Capital A/c (Being P.C. discharged)		2,00,000

Name of the Company: AB Ltd.

Balance Sheet date:

Particulars	Note No.	Amount (Rs.)
Equity & Liabilities:		
Share holders funds		
a. Share Capital	1	5,00,000
b. Reserve & Surplus	2	1,05,000
Current Liabilities:		
Trade payables	3	50,000
Total		6,55,000
Assets:		
Fixed Assets (1,50,000 + 1,30,000)		2,80,000
Current Assets:		
Inventories	4	1,45,000
Trade Receivables	5	1,20,000
Cash & Cash Equivalent	6	1,10,000
Total		6,55,000

Note to Accounts:

Particulars	Amount (Rs.)
1. Share Capital 50,000 shares of Rs. 10 each (all the above shares were issued for consideration other than cash)	5,00,000
2. Reserves & Surplus a) General Reserve(60,000-50,000) loss on merger b) Profit & Loss A/c (40,000 + 55,000)	10,000 95,000
3. Trade Payables (30,000 + 20,000)	50,000
4. Inventories (70,000 + 75,000)	1,45,000
5. Trade receivables (80,000 + 40,000)	1,20,000
6. Cash & Cash Equivalent Cash & Bank (80,000 + 30,000)	1,10,000

Working Note 1: Calculation Of Profit & Loss On Merger

Particulars	A Ltd. (Rs.)	B Ltd. (Rs.)
Paid up share capital	2,50,000	1,50,000
Where as agreed PC	3,00,000	2,00,000
Loss on merger	50,000	50,000
Free reserves of Selling company		
General reserve	(50,000)	(40,000)
Profit & loss A/c	-	(10,000)
Balance of General Reserve A/c(60,000-50,000)	10,000	-
Balance of Profit & Loss A/c	40,000	55,000 (60,000 + 10,000 -5,000 - 10,000)

PROBLEM NO: 8

Particulars	(Rs. In crores) (CAMIH Ltd)	(Rs. In crores) (Small Ltd)
Goodwill	40	75
Fixed Assets	200	429
Working Capital	200	200
	440	704
Less: Secured Loans	(100)	(100)
Intrinsic worth available for both equity and preference shareholders	340	604
Less:		
Preference share capital	-	(60)
Intrinsic worth available to equity shareholders	340	544
No. of equity shares issued intrinsic value per share	5	4
Intrinsic value per share	68	136

$$\text{No. of equity shares to be issued} = \frac{340 \text{ crores}}{\text{Rs.136}}$$

$$= 2.5 \text{ Crores}$$

It is given that entries to be recorded at par value.

$$2.5 \text{ crores} \times 10 = \text{Rs. } 25,00,00,000$$

Journal entries in the books of small Ltd.

Nature of Amalgamation : Merger

Method of Accounting : pooling of interest

Business Purchase A/c 25 cr
 To Liquidator for of small Ltd. A/c 25cr

(Being business of CAMIH Ltd absorbed)

Fixed Assets a/c Dr. 150cr
 Current assets a/c Dr. 200cr
 To secured loans A/c 100cr
 To Reserves & Surplus a/c 200 cr
 To Business purchase A/c 25cr
 To capital reserves A/c (WN) 25 cr

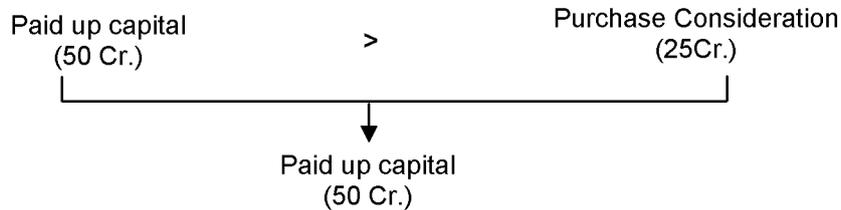
Copyrights Reserved
 To **MASTER MINDS**, Guntur

(Being Assets, Liabilities And Reserves Incorporated)

Liquidation of small Ltd A/c 25cr

To equity share capital A/c 25cr

(Being Purchase Consideration Paid)

WORKING NOTE:

Name of the company:- Small Ltd

Balance Sheet as at:- 01st April

Particulars	Note No.	Amount (Rs. In crores)
EQUITY AND LIABILITIES:		
Share capital		125
Reserves and surplus (200 + 150 + 25 (capital reserve))		375
Non-current Liabilities		200
Long term borrowings (100 + 100)		
Current Liabilities		
Trade payables		
Total		700
ASSETS:		
Non-current assets		
Fixed assets (150 + 150)		300
Tangible assets		
Intangible assets		
Current assets		
Inventories		
Trade receivables		400
Cash and cash equivalents		
Other currents assets		
Total		700

Notes to Accounts

Particulars	Rs. in Crores
(1) Share capital	
10% preference shares of 100 each	60
6.5 crores of equity shares of Rs.10 each fully paid up	65
(Of the above 2.5 crores of equity shares are issued other than cash)	
	125

Computation of profit or loss on Merger:

Particulars	Rs. in Crores
Paid up capital	50
Purchased consideration	25
Profit on merger	25

PROBLEM NO: 9**Computation of Ratio of Exchange of Shares**

Particulars	Sadashiva (Rs.)	Kailash (Rs.)
Fixed Assets	1,95,000	75,000
Goodwill	-	50,000
Stock	42,000	47,000
Trade Debtors	30,000	50,000
Bank balance	80,000	10,000
	3,47,000	2,32,000
Less: External Liabilities		
10% Debentures	-	20,000
Trade Creditors	47,000	32,000
Total	47,000	52,000
(a).Net Assets	3,00,000	1,80,000
(b). No of shares	15,000	12,000
Intrinsic value per share (a/b)	20	15

$$\text{No of shares to be issued} = \left(\frac{180000}{20} \right) = 9000 \text{ shares}$$

Exchange Ratio = 9000 for 12000 shares = 3 shares of Sadasiva for 4 shares of Kailash Ltd.

Journal entries in the books of sadasiva Ltd

Particulars	Dr. (Rs.)	Cr. (Rs.)
Business purchase A/c Dr.	1,80,000	
To Liquidator of Kailash Ltd		1,80,000
(Being purchase consideration due)		
Fixed Assets A/c Dr.	75,000	
Goodwill A/c Dr.	50,000	
Stock A/c Dr.	47,000	
Trade Debtors A/c Dr.	50,000	
Bank A/c Dr.	10,000	
To 10% Debentures A/c		20,000
To Trade Creditors		32,000
To Business purchase		1,80,000
(Being incorporation of Assets and Liabilities)		
Liquidator of Kailash Ltd A/c	1,80,000	
To Equity share capital		90,000
To Security premium		90,000
(Being purchase consideration discharge)		
Goodwill A/c Dr.	3,000	
To Bank		3,000
(Being expenses of absorption)		
10% Debenture A/c Dr.	20,000	
To Bank A/c		20,000
(Being settlement of 10% Debentures of Kailash Ltd)		

Bank A/c

Particulars	Amount	Particulars	Amount
To balance b/d	80,000	By Goodwill	3,000
To Sundry (Business purchase)	10,000	By 10% Debentures	20,000
		By balance c/d	67,000
	90,000		90,000

Name of the company – Sadashiva Ltd

Balance sheet as at 31st December

Particulars	Note No	Amount (Rs.)
Equity & Liabilities		
Shareholder funds		
Share capital	1	2,40,000
Reserves & Surplus	2	2,40,000
Current Liabilities		
Trade payables	3	79,000
Total		5,59,000
Assets		
Non-current Assets		
Fixed Assets		
Tangible Assets	4	2,70,000
Intangible Assets	5	53,000
Current Assets		
Inventory	6	89,000
Trade Receivable	7	80,000
Cash & Cash equivalents	8	67,000
Total		5,59,000

NOTES TO ACCOUNTS:**1. Share capital**

Particulars	Amount (Rs.)
Issued, subscribed and paid up (24000 x 10) of the above 9000 shares are issued for consideration other than cash	2,40,000
	2,40,000

2. Reserves & Surplus

Particulars	Amount (Rs.)
Securities premium	90,000
Revaluation reserve	55,000
Other reserves	95,000
	2,40,000

3. Trade payables

Particulars	Amount (Rs.)
47000	
32000	79,000
	79,000

4. Tangible Assets

Particulars		Amount (Rs.)
Cost	1,40,000	
Revaluation	55,000	
Takeover	75,000	2,70,000
		2,70,000

5. Intangible Assets

Particulars	Amount (Rs.)
Goodwill	50,000
	3,000
	53,000

6. Inventory

Sadashiva	42,000	
Kailash	47,000	89,000
		89,000

7. Trade Receivables

Sadashiva	30,000	
Kailash	50,000	80,000
		80,000

8. Cash & Cash equivalents

Cash at Bank		67,000
--------------	--	--------

PROBLEM NO: 10

Computation of Intrinsic value per share

Particulars	A co Ltd (Rs.)	B co Ltd (Rs.)
Share capital	10,00,000	8,00,000
Capital Reserve	2,00,000	-
General reserve	70,000	8,00,000
Total	12,70,000	16,00,000
Less: Goodwill being valueless	Rs. 80000	
Arrears of depreciation	Rs. 40000	(1,20,000)
Net Worth	11,50,000	1,60,000
No. of shares	10,000	80,000
Intrinsic value per share	115	20

Discharge of purchase consideration

Particulars	Amount (in Rs.)
Intrinsic value share of A Ltd (115 x 2)	230
Less: Intrinsic value of shares of B Ltd (20 x 10)	200
	30
Balance cash to be paid for even two share is Shivaj Ltd Purchase consideration will be as under equity share capital =10000 x 2 x 10 x 20	10,00,000
Cash paid to adjust 10000/2 x 30	1,50,000
Purchase consideration	11,50,000

Balance sheet of B Ltd

Particulars	Note No	Amount (Rs.)
Equity and Liabilities		
Shareholder funds		
Share capital	1	13,00,000
Reserves & Surplus	2	13,00,000
Non-current Liabilities		
Long term borrowings	3	7,00,000
Current liabilities		
Trade payables		
Creditors		310000
		360000
Total		39,70,000

Assets			
Non- current assets			
Fixed Assets			
Tangible Assets(800000-40000+1600000)			23,60,000
Current assets			
Other current assets	900000		
	660000		15,60,000
Cash & cash equivalents	200000		
	(-)150000		50,000
Total			39,70,000

Notes to accounts:

S. No	Particulars	Amount (Rs.)
1.	Share capital (1,30,000 shares of Rs. 10 each) (Of the above 50000 shares are issued for consideration other than cash)	13,00,000
2.	Reserves and surplus General reserves 8,00,000 Securities premium <u>5,00,000</u>	13,00,000
3.	Long term borrowings Secured loans 5,00,000 Un Secured loans 2,00,000	7,00,000

Copyrights Reserved
To **MASTER MINDS**, Guntur

THE END