श्री गणेश।
श्री सरस्वत्यै नमः
शुभ 卐 लाभ

Red^n in Cost

Monopoly.

growth.

NPA.

CA/CS/
11th/12th
ACCA/
Smart

Printing Press

Organic.

Inorganic.

itional.

trad

acquire

Biz

↳ Res

AS-14

complete acq

Biz

↳ A & L

N.A.

Control

obtain

50%

AS 21

'AS-14'

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AS-14
Amalgamation of comp.

#1 Introduction

(i) what is Amalgamation

↳ It is Business combination of 2 entities

↳ Here we will discuss amalgamations of 2 Co.

↳ Amalgamation is divided into 3 categories

Amalgamation	Absorption	External Reconstruction.
2 Co. merging to form a new Co.	when 1 Co. T/O or acquires or purchases another Co.	when 1 Co. is running in losses. then it liquidates itself. The same mgmt of Co. forms a new Co & t/o old Co.
Harshit + Dwi. ⇒ HD Ltd.	HD Ltd t/o Buddy ⇒ HD Ltd.	↓
TATA + Lipton ⇒ TATA Lipton		

FB t/o whatsapp
⇒ FB.

New A Ltd t/o old A Ltd ⇒ New A Ltd.

A ssets @ M.V. F.V.
L. @ P. Value.

A + B = AB Ltd.

P.

M.

Depends

Objective of

Big. P.C. Sm

NATO.

Small co — P.C. — Big.

ESC | 100. | 100.

1 Sh. f.I. — 2 Sh. — 200.

200 · 300

Biz.

P → ✓ f.v.

M. & B.V. + I.T. Benefit.

#2 Introduction of AS-14 (inorganic growth)

Q.1 Types of Amalgamation

a) in nature of purchase

b) in nature of merger

Q.2 Merger → 5 conditions

1. Purchasing co → Big co.
2. Selling co → small co.

Conditions → Merger

i) Big co. should continue biz of small co.
ii) Big co. should t/o all A/L of small co. at B.V.
iii) Big co. should t/o R&S of small co. at B.V.
iv) not less than 90% of sh. of small co. should continue to be share holders. of big co.
v) P.C. to E.sh. must be satisfied in terms of terms of equity shares only except in case of fractional shares. bcoz in case of fractional shares it is by cash.

0.67.

$\Rightarrow \frac{1}{3} \times 10000 \Rightarrow 3333.33$

cash.

#3 Why Amalgamations

a) maintain monopoly
b) Synergy effect.
c) cost Red^n
d) Tax savings
e) Diversification.

#4 How to do Amalgamation.

- Internationally → IFRS-3
- India
  - N.W. < 250 Cr. → AS-14.
  - N.W. ≥ 250 Cr or listed. → IND AS 103

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#5 Diff. b/w purchase | Merger

- purchase
  - purchase of all A/L. (Biz.)
- Merger.
  - purchase of All A/L/Rss.

N.A.T.O. ⇒ All Assets @ F.V. − All liab. @ Payable value.

ESC	10	PPE	15
		C&CE	3
Rss.	5		
C.L.	3		

P.C. ⇒ for taking over N.A.T.O.

P C – N.A.T.O. ⇒ g/w / C.R.

N.A.T.O. / S.C.

P.C. – N.A.T.O (S.C. of small co.) ⇒ Reserves → G.R. → ICAI use G.R.

#6 method of a/cing.

→ As-14 does not mention method of a/cing to be followed by small co. (transferor co.).
∴ By general practice & applying GAAP we follow Realisation method.

→ As-14 prescribes 2 methods of a/cing for Big co. (transferee co.)
- Purchase → Purchase method
- Merger → Pooling of int. method.

#7 Our objective

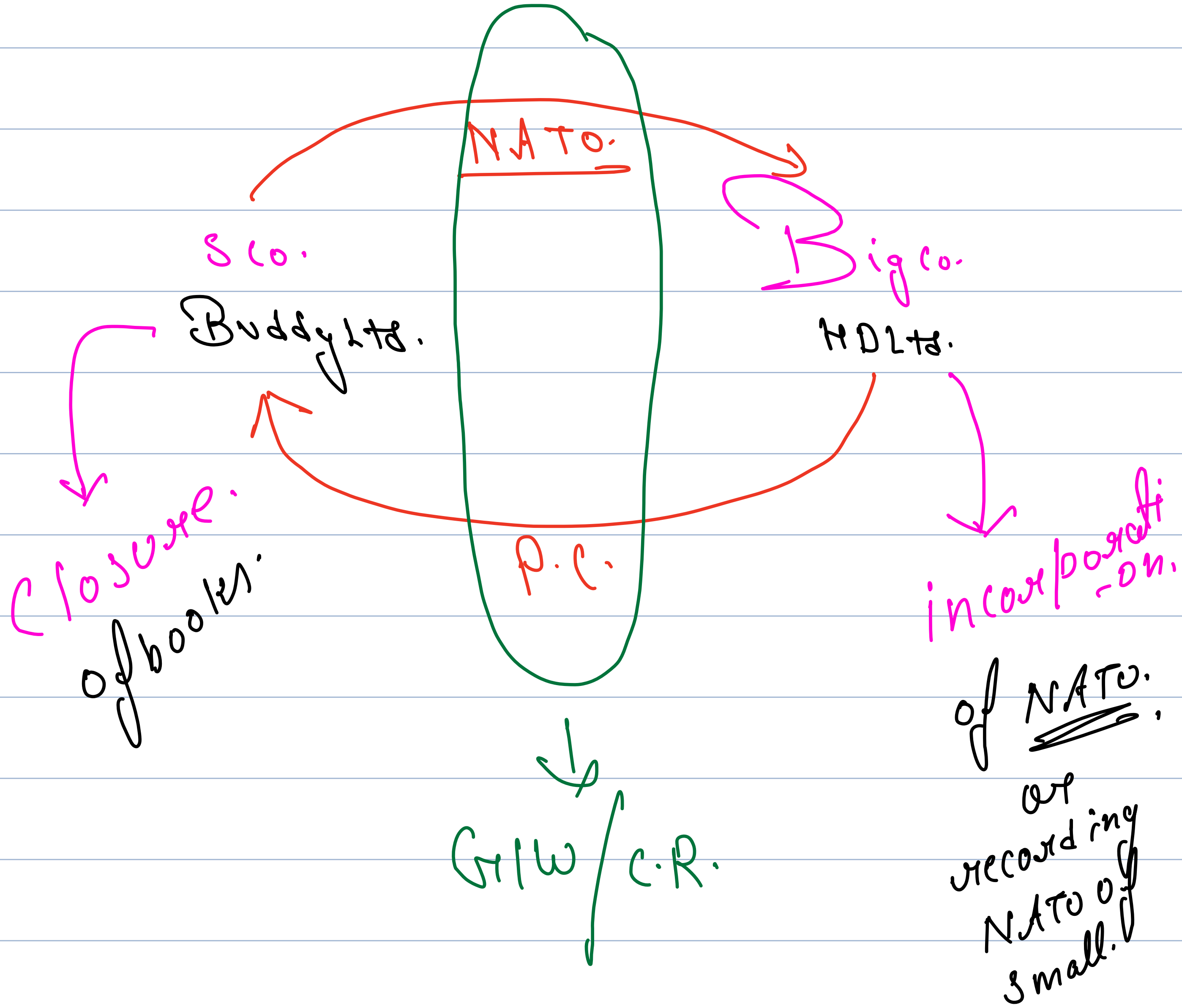
→ is to learn
a) calⁿ of P.C.
b) a/cing in the books of both small co. & Big co. under both merger & purchase.

→ ∴ This chapter is divided into 2 units.

Unit-1 → purchase.

Unit-2 → Merger.

8 Purchase method.



→ Steps to solve.

Step1 Notes & Assumptions.

Step2 Statement of NATO → Payment.

Step3 statement of P.C. → N.A.T. / → I.V.

Step4. calⁿ of g/w or C.R.

Step5 a/cing in the books of small co. (12 entries)

Step6 a/cing in the books of big Co. (9 entries) & {1 sweet B/S.}

Step1 Notes & Assumptions

↓

will discuss with Questions.

Step2 NATO

① statement of NATO

All assets t/o at FV.	-----
− liabilities at FV (Pay.V.)	----
NATO	

② NATO consists of only those A/L which are t/o by big Co.

③ if Q.R.S.A → all A/L t/o.

④ if f.v. of assets / liabilities t/o are not given then consider its b.v. in NATO.

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⑤ Fictitious assets should never be considered in NATO, since it is a loss which cannot be t/o & it has to be borne equity shareholders of small co.

Fictitious assets do not have Realisable value.

⑥ B.V. of g/w should not be considered in NATO if P.C. is calculated by Payment method. →

B/S (S)

S.C.	70	F.A	100
Cr.	40	g/w	10.

NATO with g/w

NATO w/o g/w.

i) ~~P.C = 120:~~

	NATO with g/w	NATO w/o g/w
F.A	100	F.A 100
g/w	10 ✓ Self.g.	

− Res	(40)
NATo	70
P.C.	120
g/w	50

→ g/w on acq.

− Res.	(40)
NATo	60
P C	120
g/w	60

Case (ii) PC = 40

if PC = 40.

PC = ~~120~~

NATo with g/w

F A	100
g/w	10
− Res	(40)
NATo	70
P.C.	(40)
C.R.	30

setoff.g.

20

C.R.

NATo w/o g/w.

F A	100
− Res.	(40)
NATo	60
P C	(40)
C.R.	20

C.

As-14 if g/w & CR is there on acquition then Netoff CR with g/w So CR = 20.

7) f.v. of liability is amount payable by big co. to liabilities of small co. and will be considered in NATO.

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Small co.

	ESC	PSC	Deb	Cr.
amt payabl → by big co.	200	150	150	50

ESC + PSC → P.C.

Deb + Cr. → FV of liabil. → NTO. (not P.C.)

in any form to small co. → {Cash + Esh + PSH + Deb}.

HD Cloud.

for paym to sh & liab. of small co.

8) RSS whether included in NATO or not.

It does not include RSS in calⁿ of NATO

RSS includes | RSS does not | Statutory

a) Gr.R.
b) SOPIL
c) Reserve fund
d) Div. equalization
e) Revenue Reserve
f) Capital Reserve
g) Retained earnings.
h) Profit prior to inc.
i) S.P.
J) Reval^n Reserve
K) Cap. Red^n Res.
L) Invt fluctuation
m) wcf (Res. part)

Not added in NATo

torf. it to share

Equity

includes

a) Pension fund.
b) Provident fund.
c) Retirement fund
d) Ins. policy. Res
e) P.F.Dep.
f) P.F.D.D.
g) wcf (liability)
h) staff welfare fund
i) workmen profit sharing fund.

Consider in NATO

torf to Real. a/c.

Reserve.

a) Invt all. Res.
b) Development Rebate Res.
c) Export profit Reserve
d) Foreign proj. Res.
e) Site Restoration fund.
f) shipping. Res.

Not cons. in Nato.

torf. to Realisation method

(bear by shareh.)

These Reserves are Created out of I. Tax requirements & has to be maintained for specific period by small co.

Hence due to Amalgamation big co. continues to maintain it for remaining part of specified period

wcf = 50000 → Res.
↳ 10000 → liability
↳ 40000 → Reserve.

wcf.

J.E. ⇒

Amal. Adj. Res. Dr
To S.R.

less from

S.R. in B/s. R/s.

eg →

S.C. 80	A 100
P/L 50	
S.R. 20	

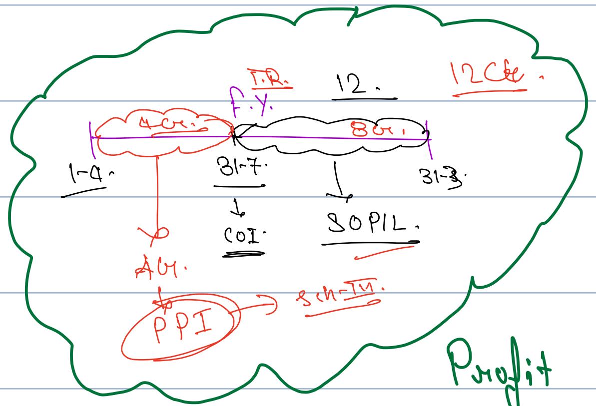
5 already 4

1

Big.

S.R 20	4.
− A.A.R 16	

amalgamation Adjustment Reserve.



Profit prior to inc.

9) if any A/L is realised / settled by small co., it means that such asset / Liability is not t/o by big co.

↓

statement of NATO

NA at FV → A. which are t/o by big co. & not realised by small co.

PC.

g/w | C.R.

10) F.V. of liability will never include i) S.C.

ii) R/s.

eg → WCF = 40000

liability against WCF ₹ 9000

Lia. 9000

Rev. 31000

Q.R.S.

Liab. 0

Rev. 40000

(1) Cash balance should be considered in NATO after subtracting Realisation exps (if paid by small Co.)

eg ⇒ C/B = 30000

Real. Exps. = 3000

Exp. paid by small Co.

Q.RS. NATO → 27000

C/B is not t/o → 3000

Exp. paid by Big Co.

Q.RS. NATO

C B is not t/o

30000 0

12) F.V. of Deb of small co.

it means amount payble by big co. to Deb. of small co.

eg:> B/S of Buddy Ltd.

15% Deb 50000	

HD Ltd t/o Buddy Ltd.

Case-1 :- big co. agrees to redeem 15% Deb. of small co. @ 20% premium by issue of 12% Deb. of big co. @ ₹ 96.

$\therefore$ FV = 50000 + 20% $\Rightarrow$ 60000

↓

issue of 12% Deb

@ ₹ 96

96 → 60000

4 → ??

$\frac{60000}{96} \times 4 \Rightarrow 2500$

$\therefore$ 100 → 62500 (60000 + 2500)

J.E. →

15% Deb. Dr 60000

Dis. on issue. Dr 2500 (B/f)

To 12% ~~Deb~~ Deb. 62500

Case 2 :- Big Co. agrees to redeem 15% Deb of small Co. @ 10% Discount, by issue of 12% Deb. by big Co. @ 25% premium.

$\therefore$ FV ⇒ 50000 − 10%

= 45000

↳ By issue of 12% Deb. @ 25% premium.

125 45000

25 $\frac{45000}{125} \times 25 \Rightarrow 9000$

100 36000

$\left\{ \frac{45000}{125} \times 100 \right\}$.

J/E ⇒ 15% Deb Dr 45000 → old.

To S.P 9000

To 12% Deb. 36000

Case-3 :- Big Co. agrees to discharge 15% Deb of Smallco. by issue of 10% Deb of Big Co. so as to yeild same amount of Interest.

∴ 15% old Deb. = 10% of New Deb.

15% of 50000 = 10% of New Deb.

7500 = 10% of New Deb.

New Deb = $\frac{7500}{10\%}$

= 75000

↓

15% Deb. Dr 75000

To 10% Deb. 75000

Step 3 :- Statement of P.C.

Payment to	MoP	Workings	amount
1) ESH	Security ES/PS/Deb. of big co.	no. of E.sh. issued by big co. × Issue Price	×××
	Cash	Cash per sh. × no. of E.sh of small co.	×××
2) PSH	"	"	×××
		P.C.	×××

Note-1 → if I.P. is not given consider M.P. of E.sh. of big co.

→ if M.P. of Esh of big co. is also not given then consider face value of Esh. of big co.

Note-2 → no. of Esh issued by × I.P.

big co.

if no. of E sh. issued by big Co. is not given then use Swap Ratio.

Swap Ratio. × no. of E.sh of small co.

− Dissenting Shareholders.

= ------- shares.

− fractional shares. (0. ---) shares. X.I.P.

XXX.

eg → 4 E sh. for every 5 E sh.

no. of Eq. sh. of small co. = 40000

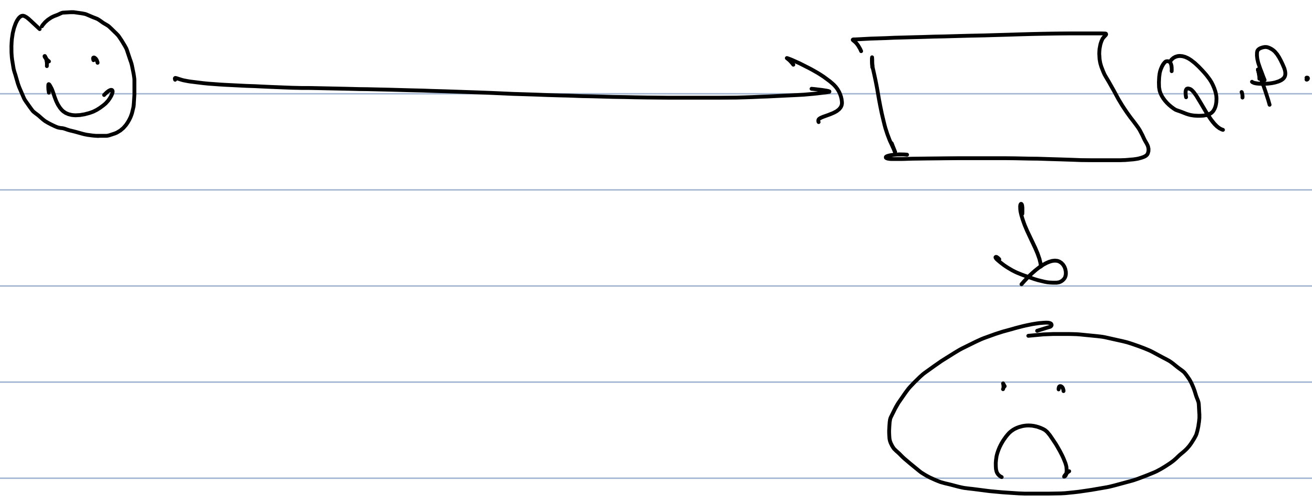
$\Rightarrow 40000 \times \frac{4}{5} = 32000$

what if swap Ratio is not given

then Swap Ratio = $\frac{\text{Share Value (S)}}{\text{Share value (B)}}$

eg ⇒ $\frac{6}{18} = 1:3$

here Issue price of big co = share value (Big co)



Share value of Small co.

?

we cannot use payment method

Q. is of I V

Q. is not of I.V.

In such case share value can be calculated using Net assets of the co. & such calculation of share value is known as I.V

$$\text{I.V. of small co.} = \frac{\text{NATO} - \text{PSH}}{\text{no. of E.sh.}}$$

$$\text{Swap Ratio} = \frac{\text{IV (S)}}{\text{IV (B)}}$$

& I P of B = IV (B)

PSH = amount payable by big co. to PSH of small co. as per P.C.

NATO = includes B.V. of g/w.

In this case we will use Net asset method.

& also here PC = NATO

here NATO includes Book value of goodwill.

& no. of equity issued = $\frac{\text{NATO}}{\text{I.P.}}$

Notes for Exams :-

1) if Q.R.S about P.C. completely, assume.

a) PC = NATO (Net asset method)

b) entire P.C. is satisfied by issue of

Equity shares at par.

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2) if Q. states "entries are to be made at par" then I.P. = face value of equity shares of big co.

3) Suppose Q. is of I.V. & big co. is newly started co., then assume the Issue price = face value of equity shares of big co.

4) if Q. is of I.V. & Swap Ratio is given??
↓
we will calculate P.C. using I.V. method and also calculate cash element.

eg-1

	HD Ltd. (S)	Buddy Ltd. (B)
a) NATO	900000	800000
b) no. of eq. sh.	30000	20000

Case-1 P.C. on I.V. basis.

⇒ for calⁿ of P.C. on I.V. basis we need to calculate I.V.p.sh.

	HDLtd. (S)	Buddy Ltd. (B)
a) NATO	900000	800000
b) no. of eq. sh.	30000	20000
c) I.V. = $\left(\frac{a}{b}\right)$	₹30	₹40

$$\text{Swap Ratio} = \frac{IV(S)}{IV(B)} = \frac{30}{40} = \frac{3}{4}$$

P.C. = E.sh issued by big co. = $\frac{3}{4} \times 30000$

= 22500 shares

× I.P. × 40

900000

ESC: 22500 sh × 10 ⇒ 225000

S.P.: 22500 sh × 30 ⇒ 675000

Case-2 Entries at Par.

→ we will calc I.V. using N.A.

	HDLtd. (S)	BuddyLtd. (B)
a) NATO	900000	800000
b) no. of eq. sh.	30000	20000
c) I.V. = $\left(\frac{a}{b}\right)$	₹30	₹40

$$\text{Swap Ratio} = \frac{IV(S)}{IV(B)} = \frac{30}{40} = \frac{3}{4}$$

P.C. → E. sh issued by big co. $= \frac{3}{4} \times 30000$

$= 22500$ Shares.

$\times$ ₹10

₹ 225000 sh.

∴ NATO = 900000

PC = 225000

C.R. 675000

Case-3 Big Co. would issue 1 E.sh. for every 2 equity shares held by small co. and additional cash to adjust Intrinsic Value.

P.C. ⇒ Equity shares issued by big Co. $= \frac{1}{2} \times 30000$

$= 15000$ Shares

× issue price. × ₹40

₹600000

+ Cash (B/f) (30000 × ₹10) ₹300000 (B/f)

₹900000

if I.V. = I.P. then NATo = PC.

HD Cloud.

Step 4 :- g/w or C.R.

NATo (step2) ------

PC (step3) ------

xxx

PC > NATo → G/W

PC < NATo → C.R.

Steps :- Alc ing in books of small co.

Ist effect:

1) Transfer of Assets

Realisation Dr
    To Assets.

→ all assets whether t/o or not t/o by big co. must be transferred individually at B.V. except fictitious assets.

2) Transfer of liabilities.

Liability Dr
    To Realisation

→ All liabilities whether t/o or not must be trf. individually at B.V. except S.C. & R&S.

2nd effect

3) PC Due.

Big.co. Dr
    To Realisation

4) PC Recd.

MOP Dr
    To Big co.

3rd effect. Realisation exps. (5)

if paid by small co.

if paid by

Reali. Dr xxx
To CIB xxx

Reduce from CIB before t/f to NATO & Realisation

Big Co.

No entry.

if CIB is t/o assume Real. exps is paid by Big Co.

4th effect: if assets / liabilities not t/o

(6) Asset

CIB Dr
To Realisation

(7) Liabilities.

Reali Dr
To CIB.

5th effect: PSH

Payable

PSC Dr
To PSH

Paid.

PSH Dr
To M/OP.

(Diff ⇒ Realisat.)

6th effect. ESH

Payable

Esc Dr xxx
RSS Dr xxx
To ESH xxx → A

Bearable.

ESH Dr xxx
To fictitious assets. xx

ESH	
To fictitious assets.	By Esc
	By RS.

7th effect Realisation P/L.

Profit.

Reali Dr
To ESH → B.

loss

ESH Dr
To Real.

C.

8th effect. Paid to ESH

ESH Dr xxx
To MoP. xxx

Steps In the books of acquirer. (Big Co.)

1) Business purchase

B.P. Dr

To Liq. of small

2) Assets & Liabilities t/o.

Assets @ FV Dr

Goodwill Dr (B/f)

To Liabilities @ FV.

To Business purch.

To C.R. (if any)

3) Payment of P.C.

Liquidator Dr

To MoP.

4) Liabilities t/o paid off or settled.

Liability Dr

To MoP.

5) Real. Exps if paid by big Co.

Goodwill Dr

To Bank.

6) URP on stock.

Big. Co. sold goods to small co.
∴ Big co. profit is incl. in small co. stock. that profit should be eliminated. to bring stock at cost to big co.

B → S.

100 → 120

20

120
−20
100

G/w. Dr
To Cl. stock

7) Contra items.
(amount due b/w big & small co.)

Crs / BP / loan from Dr
To Drs / B.R. / loan to.

8) Statutory Res.
Amalgamation Adj. Res. Dr
To Statutory Res.

9) Misc. entries :-

a) payment of contingent liabilities of small co.

G/W Dr
To MOP.

G/W Dr
To liability.

×

Liability Dr
To MOP

b) set off g/w & C.R.

C.R. Dr
To g/w.

QUESTION: 1

Ajanta Limited agreed to acquire the business of Elora Limited as on 31st March, 2017. The Balance Sheet of Elora Limited as on that date was as under:

Liabilities	₹	Assets	₹
Paid - up Capital :		Fixed Assets :	
10,000, 12% Preference		Land & Building	2,00,000
Shares of ₹ 10 each	1,00,000	Machineries	1,00,000
20,000 Equity Shares of		Current Assets :	
₹ 10 each	2,00,000	Stock	2,00,000
Reserve	20,000	Debtors	50,000
Profit & Loss A/c	30,000	Cash & Bank Balance	35,000
7% Debentures	1,00,000	Miscellaneous	
Sundry Creditors	1,50,000	Expenditure :	
		Preliminary	
		Expenses	10,000
		Debenture Discount	5,000
	6,00,000		**6,00,000**

The consideration payable by Ajanta Limited was agreed as under :

(i) The Preference Shareholders of Elora Limited were to be allotted 14% Preference Shares of ₹ 1,10,000.

(ii) Equity Shareholders to be allotted six Equity Shares of ₹ 10 each issued at a premium of 10% and ₹ 3 cash against every five shares held.

(iii) 7% Debenture holders of Elora Limited to be paid at 8% premium by issue of 9% Debenture at 10% discount.

While arriving at the agreed consideration, the Directors of Ajanta Limited valued Land & Building at ₹ 2,50,000, Stock ₹ 2,20,000 and Debtors at their book value subject to an allowance of 5% Doubtful Debts. Liquidation expenses are ₹ 5,000.

Close the books of Elora Limited and show Journal of Ajanta Ltd.

Soln :- Step1 Notes & Assumptions.

1) F.V. of Deb.

FV = ₹ 100000 + 8% = ₹ 108000

it is discharged by issue of 9%

Deb. of ₹ 90 each (at 10% Discount)

∴ 90% ⟶ ₹ 108000

100% $\frac{₹\ 108000}{90} \times 100$

= 120000

∴ Discount on issue of Deb = 120000 − 108000 = 12000

2) It is assumed that liquidation exps are paid by acquirer Co. i.e. Ajanta Ltd.

3) P.C. is calculated by payment basis.

Step2. N.A.To.

Land & Building	250000
Machinery	100000
Stock	220000

Debtors.	50000	
Cash.	35000	655000
Creditors.	150000	
P.F.D.D. (50000 x 5%)	2500	
7% Deb. (step1)	108000	(260500)
	Total	394500

Step 3 Statement of P.C.

To whom	MoP.	Workings.	amount.
1) PSH	14% PSC	—	110000
2) ESH	Equity shares	$\frac{6}{5} \times 20000 \times 11$	264000
	Cash	$\frac{20000}{5} \times ₹3$	12000
		Total P.C.	386000

Step 4 G/W | C.R.

NA To	(Step2)	394500
PC	(Step3)	386000
	C.R.	8500

Step 5 In the books of Elora Ltd.

Realisation a/c

To Sundry Assets.	By Deb. 100000
LSB. 200000	By Sund. Cr. 150000
PIM 100000	By Aranta 386000

PSH

To A A 14% PSh. in Aj. 110000	By PSC 100000
	By Reali 10000 (B/f)

Stock 200000
Debto 50000
C/B 35000

To PSH 10000	
To ESH 41000	

ESH

To Esh in Ajanta 264000	By Esc 200000
To P/E 10000	By R SS. 20000
To Dis on Deb 5000	By P/L 30000
To cash 12000	By Reali 41000 Bl.f.

Ajanta Ltd.

To Real. 386000	By 14% PS in Aj. 110000
	By Es in Aj. 264000
	By cash. 12000

Cash a/c

To Ajanta 12000	By ESH 12000

Esh. in Ajanta Ltd

To Ajanta 264000	By ESH 264000

14% P.sh. in Ajanta Ltd.

To Ajanta 110000	By PSH 110000

Step 6 A/cing in books of Ajanta Ltd.

1) B. P. Dr 386000
To Liq. of Elora Ltd. 386000

2) L & Building Dr 25000

Machinery	Dr	100000	
Stock	Dr	220000	
Debtors	Dr	50000	
C/B	Dr	35000	
To 7% Deb.			108000
To Crs.			150000
To PFDD.			2500
To B.P.			386000
To C.R.			8500

3) Liq. of Elora Dr 386000

To 14% PSC		110000
To ESC	$\left(\frac{6}{5} \times 20000 = 24000 \times 10\right)$	240000
To S.P.	$\left(\frac{6}{5} \times 20000 = 24000 \times 1\right)$	24000
To C/B		12000

4)

7% Deb.	Dr	108000	
Dis. on iss.	Dr	12000	
To 9% Deb.			120000

5)

g/w	Dr	5000	
To C/B			5000

c) C.R. Dr 5000
To G/W 5000

QUESTION: 2

B. Co. Ltd. had the following Balance Sheet as on 31st March, 2011:

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	83,00,000
50,000 shares of ₹ 100 each	50,00,000	Current Assets	69,00,000
Capital Reserve	10,00,000	Investments	17,00,000
General Reserve	36,00,000	Goodwill	2,00,000
Unsecured Loans	22,00,000		
Sundry Creditors	42,00,000		
Provision for Taxation	11,00,000		
	1,71,00,000		**1,71,00,000**

B. Co. Ltd. is to be absorbed by Bessons Limited as on 31st March, 2011 on which date the Balance Sheet of Bessons Limited is as follows.

Bessons Ltd. Balance Sheet

Liabilities	₹	Assets	₹
Share capital :		Fixed Assets :	1,60,00,000
8,00,000 Equity shares of		Current Assets	1,68,00,000
10 each fully paid	80,00,000		
General Reserve	1,00,00,000		
Secured Loans	40,00,000		
Sundry Creditors	46,00,000		
Provision for Tax	52,00,000		
Proposed Dividend	10,00,000		
	3,28,00,000		**3,28,00,000**

For the purpose of absorption the Goodwill of B Ltd. is considered valueless. There are arrears of depreciation in B Ltd. amounting to ₹ 4,00,000. The shareholders in B Ltd. are to be allotted in full satisfaction of the claims, shares in Bessons Ltd. in the same proportion as the respective intrinsic values of the shares of the two companies bear to one another.

Determine Exchange Ratio and Calculate PC.

Sol^n :- Step1 Notes & Assumptions → Nothing.

Step2 :- NATO o the basis of I.V.

Particulars	B Ltd.	Bessons	Total
Fixed Asset	7900000	16000000	23900000

Current Asset.	6900000	16800000	23700000
Investment.	1700000	—	1700000
loan	(2200000)	(4000000)	(6200000)
S. Cr.	(4200000)	(460000)	(880000)
P F Tax	(1100000)	(5200000)	(6300000)
Prop. Div.	—	(1000000)	(1000000)
a) N A T O	9000000	18000000	27000000
b) PSH	—	—	
c) no of Eq. sh.	50000	800000	
d) I.V. $\left(\frac{a-b}{c}\right)$	₹ 180	₹ 22.5	

$\therefore$ Swap Ratio $= \dfrac{IV(B)}{IV\ (\text{Benowm Ltd})} = \dfrac{180}{22.5}$

$= 8:1$

Step 3 Statement of P.C.

Payment to	MoP.	workings	amount
Equity sh.	E. sh. in Benows Ltd.	$\frac{8}{1} \times 50000$ $\Rightarrow 400000 \times ₹ 22.5$	9000000

N.V. = 400000 × ₹ 10 = 4000000

S.P. = 400000 × ₹ 12.5 = 5000000

H.D. Gift.

Step4 G/W | C.R. ⇒ N.A.

Step5 N.A.

Step6 In the books of Bensons Ltd.

Particulars	Notes	Amount
Equity & Liabilities		
1) Shareholders fund.		
a) Share Capital	1	12000000
b) Reser. & Surplus.	2	15000000
2) N.C.L.		
a) L.T.B.	3	6200000
3) C.L.		
a) T/P.		8800000
b) STP. (PFT)		6300000
c) O.C.L. (P.Div.)		1000000
Total		49300000
Assets.		
1) Non C.A.		
a) PPE		23900000
b) Invest.		1700000
2) C.A.		23700000
Total.		49300000

Notes to a/c.

Note 1 Share Capital

Bensons Ltd.	8000000
+ P.C.	4000000
(Sh. issued via P.C. are other than for cash consideration)	
	12000000

Note 2 R & S.

G.R.	10000000
+ S.P. (P.C.)	5000000
	15000000

Note-3. L T B.

S. Loan (Ben.)	4000000
Uns. loan (via B)	2200000
	6200000

QUESTION: 3 RTP Nov 14 **MAY 2017** *(16 Marks)* **MAY, 2019** ***(10Marks)***

The following are the summarized Balance Sheets of P Ltd. & Q Ltd. as on 31st March, 2011:

Liabilities	P Ltd ₹	Q Ltd. ₹	Assets	P Ltd ₹	Q Ltd. ₹
Share Capital			Fixed Assets	7,00,000	2,50,000
Equity Shares of ₹ 10	6,00,000	3,00,000	Investment	80,000	80,000
each 10% Pref. Shares of			Current Assets:		
each 10% Pref. Shares of			Current Assets:		
₹ 100 each	2,00,000	1,00,000	Inventory	2,40,000	3,20,000
Reserves and Surplus	3,00,000	2,00,000	Trade receivable	4,20,000	2,10,000
Secured Loans:			Cash at Bank	1,10,000	40,000
12% Debentures	2,00,000	1,50,000			
Current Liabilities					
Trade payables	2,50,000	1,50,000			
	15,50,000	**9,00,000**		**15,50,000**	**9,00,000**

Details of Trade receivables and trade payables are as under:

	P Ltd. (₹)	Q Ltd. (₹)
Trade receivables		
Debtors	3,60,000	1,90,000
Bills Receivable	60,000	20,000
Trade payables		
Sundry Creditors	2,20,000	1,25,000
Bills Payable	30,000	25,000

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:

(i) 8 Equity Shares of ₹ 10 each will be issued by P Ltd. at par against 6 shares of Q Ltd.

(ii) 10% Preference Shareholders of Q Ltd. will be paid at 10% discount by issue of 10% Preference Shares of ₹ 100 each at par in P Ltd.

(iii) 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%.

(iv) ₹ 30,000 is to be paid by P Ltd. to Q Ltd. for Liquidation expenses. Sundry Creditors of Q Ltd. include ₹ 10,000 due to P Ltd.

Prepare:

(a) Journal entries in the books of P Ltd.

(b) Statement of consideration payable by P Ltd.

Step1 Notes.

i) Since swap ratio is given. ∴ PC is on payment basis.

ii) F.V. of Debentures.

FV of Deb. of Q. ⇒ ₹ 150000 + 8%
= ₹ 162000

it is discharged by issue of 12% Deb of P Ltd @ ₹ 90

So 90% = ₹162000

∴ 100% = $\frac{162000}{90} \times 100$

= 180000

∴ Discount = 18000

iii) ∵ Cash paid by P Ltd to Q Ltd for Liq. exps.

∴ we will assume that acquirer co. (P. Ltd) t/o entire cash.

Step2 N.A To

Fixed assets.	287500
Investment	80000
TIR (190000 − 5% + 20000)	200500
Inventory (320000 − 5%)	304000
CAIE. (400000 − 30000)	10000
12% Deb.	(162000)

T I P.

(150000)

57000

Step 3 P.C.

Payment to	MOP	Workings	amt.
ESH	ES of P.	$\frac{8}{6} \times 30000$	
		⇒ 40000 sh × ₹10	400000
PSH	PS of P.	100000 − 10%	90000
			490000

(Seva)

Step 4 G/w / C.R.

NATo	(Step 2)	570000
PC	(Step 3)	490000
	C.R.	80000

Step 5: In the books of Q Ltd ⇒ N. Asked.

Step 6 In the books of P Ltd

① R&S Dr 60000
To Div. 60000

② Div. P Dr 60000
To C/B 60000

1) Business purchase Dr 490000
To Liq. of Q Ltd. 490000

2) PPE Dr 287500
Inv Dr 80000
Invent. Dr 304000

T/R Dr 200500
Bank Dr 10000
To TIP 150000
To 12% Deb. 162000
To B.P. 490000
To C.R. 8000

3) Liq. of Q. Ltd Dr 490000
To ESC 400000
To 10% PSC 90000

4) 12% Deb Dr 162000
Dis. on Issue Dr 18000 (Blf)
To 12% Deb 180000

5) goodwill Dr 30000
To Bank 30000

6) PPE Dr 105000 (7L×15%)
To R.R. 105000

7) C.R. Dr 30000
To g/w. 30000

8) Cur Dr 100000

To Drs. 100000

QUESTION: 4 (16 Marks, May, 2007)(PCC)

Neel Ltd. and Gagan Ltd. amalgamated to form a new company on 1.04.20X1. Following is the Balance Sheet of Neel Ltd. and Gagan Ltd. as at 31.3.20X1:

		Particulars	Notes	Neel	Gagan
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital		7,75,000	8,55,000
2		**Current liabilities**		6,23,500	5,57,600
		Total		13,98,500	14,12,600
		Assets			
1		**Non-current assets**			
	A	Property, Plant and Equipment	1	12,35,000	12,54,000
2		**Current assets**		1,63,500	1,58,600
		Total		13,98,500	14,12,600

Notes to accounts:

1	**Property, plant and Equipment**			
	Land and Building		7,50,000	6,40,000
	Plant and machinery		4,85,000	6,14,000
			12,35,000	12,54,000

Following is the additional information:

(i) The assets of Neel Ltd. and Gagan Ltd. are to be revalued as under:

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

(ii) The purchase consideration is to be discharged as under:

(a) Issue 24,000 equity shares of ₹ 25 each fully paid up in the proportion of their profitability in the preceding 2 years.

(b) Profits for the preceding 2 years are given below:

	Neel	Gagan
	₹	₹
1st year	2,62,800	2,75,125
IInd year	2,12,200	2,49,875
Total	4,75,000	5,25,000

(c) Issue 12% preference shares of ₹ 10 each fully paid up at par to provide income equivalent to 8% return on net assets in the business as on 31.3.20X1 after revaluation of assets of Neel Ltd. and Gagan Ltd. respectively.

You are required to compute the

(i) Equity and preference shares issued to Neel Ltd. and Gagan Ltd.,

(ii) Purchase consideration.

Solⁿ :- Step1 N.A.T.O

	Neel	Gagan
Plant & machinery	525000	675000
Building	775000	648000
Current Assets	163500	158600
- Current liabilities	(623500)	(557600)
N.A.T.O	840000	924000

Step2 P.C.

Payment to MOP

		Workings	Neel	Workings	Gagan
ESH	ES.	$\left(24000 \times \frac{475}{1000}\right)$ ⇒ 11400 sh × ₹25	285000	$\left(24000 \times \frac{525}{1000}\right)$ ⇒ 12600 × 25.	315000
PSH	12% P.Sh.	$\left(840000 \times 8\%\right)$ ⇒ $\frac{67200}{12\%}$	560000	$\left(924000 \times 8\%\right)$ ⇒ $\frac{73920}{12\%}$	616000
		P.C.	845000		931000

QUESTION: 5 Illustration 6 (20 Marks, November 2006) (PE-II)

The following Balance Sheets are given as at 31st March, 20X1:

		Particulars	₹ Best Ltd. (in lakhs)	₹ Better Ltd. (in lakhs)
		Equity and Liabilities		
1		***Shareholders' funds***		
	A	*Share capital*	*20*	*10*
		(shares of ₹ 100 each, fully pad)		
	B	*Reserves and Surplus*	*10*	*8*
2		***Current liabilities***	*20*	*2*
		Total	*50*	*20*
		Assets		
1		***Non-current assets***		
	A	*Property, Plant and Equipment*	*25*	*15*
	B	*Non-current investments*	*5*	*-*
2		***Current assets***	*20*	*5*
		Total	*50*	*20*

$\frac{1000000}{100}$ ⇒ 10000 + 5000 = 15000 × 100 ⇒ 1500000

The following further information is given:

(a) Better Limited issued bonus shares on 1st April, 20X1, in the ratio of one share for every two held, out of Reserves and Surplus.

(b) 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.

acq. sm.

(c) The value of shares in Best Ltd. was considered to be ₹ 150 and the shares in Better Ltd. were valued at ₹ 100 after the issue of the bonus shares. The allotment of shares is to be made on the basis of these values.

(d) Liabilities of Better Ltd., included ₹ 1 lakh due to Best Ltd., for purchases from it, on which Best Ltd., made profit of 25% of the cost. The goods of ₹ 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, 20X1 after the takeover.

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Solⁿ :- Step 1 Notes & Assumptions.

1) no. of Bonus shares issued by Better Ltd.

$$= \frac{₹\,1000000}{₹\,100} \times \frac{1}{2} = 5000 \text{ shares} \times ₹100$$

$$= 500000$$

Step 2 NATo

PPE	1500000
C.A.	500000
− Liability	(200000)
	1800000

Step 3. P.C.

Payment to	MOP.	Workings.	amount.

Esh. of Better → Esh. in Best Ltd. {no. of E.sh issued by Best Ltd × Issue} 1500000
10000 (WN-1) × 150

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Step 4 g/w | C.R.

NA To (step 2)		1800000
− PC	(step 3)	1500000
	C.R.	300000

WN-1 :- no. of eq. sh. issued to better × sh.
15000 × 100
⇒ ₹1500000

& share value of 1 E.sh in best = ₹150

no. of eq. iss = 1500000 / 150
⇒ 10000 sh.

Step 5 In the books of Better Ltd.

Realisation

To PPE	1500000	By Liabilities	200000
To C.A.	500000	By Best Ltd (P.C.)	1500000
		By ESH	300000

ESH

To E.sh in Best	1500000	By ESC	1000000
To Real.	3L	By R&S. (8L − 5L)	300000
		By E.S.C. (Bonus)	500000

Best Ltd

To Real.	1500000	By E.sh in Best	1500000

Esh in Best Ltd.

To Best	1500000	By ESH	1500000

Step 6 (a) In the books of Best Ltd.

1) Business purch. Dr 1500000
To Liq. of Better 1500000

2) PPE Dr 1500000
C.A. Dr 500000
To Liability 200000
To B.P. 1500000
To C.R. 300000

3) Liq. of Better Dr 1500000
To ESC (10000 × 100) 1000000
To S.P. (10000 × 50) 500000

4) TIP Dr 100000
To TIR. 100000

5) G/W Dr 10000
To C. Asset 10000
(50000 × 20%)

6) C.R. Dr 10000
To G/W 10000

B) Balance sheet

Particulars	Notes	Amount
Eq. & Liabilities		
a) Sh.F.		
a) S.C.	1	3000000
b) R&S.	2	1790000
b) NCL		—
c) C.L. (22-1)		2100000
		6890000
Assets		
1) NCA.		
a) PPE	3	4000000
b) Non C.I.		500000
2) C.A. (25-1-0.10)		2390000
		6890000

Notes to a/c.

1) E.S.C. of best 2000000
+ issued to better 1000000
3000000

2) R&S.

S.P.	500000
R&S. (best)	1000000
C.R. (step 4)	290000
	1790000

3) PPE

best	25 L.
better	15 L
	40 L.

QUESTION: 6 RTP Nov 18

K Ltd. and L Ltd. amalgamate to form a new company LK Ltd. The financial position of these two companies as at the date of amalgamation was as under:

		Particulars	Notes	₹K Ltd.	₹L Ltd.
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital	1	12,00,000	6,00,000
	B	Reserves and Surplus	2	3,71,375	1,97,175

2		**Non-current liabilities**			
	A	Long-term borrowings	3	2,00,000	2,00,000
3		**Current liabilities**			
	A	Trade Payables		1,00,000	2,10,000
		Total		18,71,375	12,07,175
		Assets			
1		**Non-current assets**			
	A	Property, Plant and Equipment	4	11,30,000	8,20,000
	B	Intangible assets	5	80,000	-
2		**Current assets**			
	A	Inventories		2,25,000	1,40,000
	B	Trade receivables		2,75,000	1,75,000
	C	Cash and Cash equivalents	6	1,61,375	72,175
		Total		18,71,375	12,07,175

Notes to accounts

1	**Share Capital**		**K Ltd.**	**L Ltd.**
	Equity shares of ₹ 100 each		8,00,000	3,00,000
	7% Preference Shares of ₹ 100 each		4,00,000	3,00,000
			12,00,000	6,00,000
2	**Reserves and Surplus**			
	General reserve		-	1,00,000
	Profit and loss account		3,71,375	97,175
			3,71,375	1,97,175
3	**Long-term borrowings**			
	5% Debentures		2,00,000	-
	Secured loan		-	2,00,000
			2,00,000	2,00,000

4	***Property, plant and Equipment***			
	Land and Building		4,50,000	3,00,000
	Plant and machinery		6,20,000	5,00,000
	Furniture and fittings		60,000	20,000
			11,30,000	8,20,000
5	***Intangible assets***			
	Goodwill		80,000	-
			80,000	-
6	***Cash and Cash Equivalents***			
	Cash at Bank		1,20,000	55,000
	Cash in hand		41,375	17,175
			1,61,375	72,175

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4000 × 5
⇒ 20000
× 22
5 : 1

The terms of amalgamation are as under:

(A) (1) The assumption of liabilities of both the Companies.

(2) Issue of 5 Preference shares of ₹ 20 each in LK Ltd. @ ₹ 18 paid up at premium of ₹ 4 per share for each preference share held in both the Companies.

(3) Issue of 6 Equity shares of ₹ 20 each in LK Ltd. @ ₹ 18 paid up at a premium of ₹ 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.

no. of f.s. issued by Big. ↓ sm.

(4) 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) (1) 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.

(2) The trade receivables of K Ltd. include ₹ 20,000 due from L Ltd.

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

Soln :-

Step1 Notes & Assumptions.

1) FV of Deb = 200000 by issue of 6% Deb @ ₹95.

95% = 200000

100% → ??

5% Deb Dr 200000

Dis. Dr

To 6% Deb.

Step2 NATO

Particulars	K Ltd	L Ltd
goodwill	80000	—
L & B.	450000	300000
F & F.	60000	20000
P&M.	620000	500000
TR. (less 2.5%)	268125.	170625
Inventory. (less 2%)	220500	137200
Cash in hand	41375	17175
Cash at bank	120000	55000

– Debentures.	(200000)	—
T.P.	(100000)	(21000)
S. loan.	—	(200000)
N.A.	1560000	790000

Step 3 P.C.

K Ltd.

Payment to	MOP	Workings.	Total
PSH	P. Shares.	4000 sh. x 5	
		⇒ 20000 sh.	
		x ₹ 22	440000
ESH	E. Sh.	8000 sh x 6	
		⇒ 48000	
		x ₹ 22	1056000
			1496000
	Cash (B.f)		64000
		P.C.	1560000

L Ltd.

Payment to	MOP	Workings.	Total
PSH	PS.	3000 sh x 5	
		= 15000 sh.	330000
		x ₹ 22	

ESH E.sh. 3000 sh × 6

⇒ 18000 sh. × ₹22 396000

726000

Cash (B/f) 64000

P.C. 790000

QUESTION: 11

RTP Nov 11

White Ltd. and Blue Ltd. propose to sell their business to a new company being formed for that purpose.

The summarised balance sheet as on 31st March, 2017 and profits of the companies for the past three years are as follows:

Liabilities	White Ltd. ₹	Blue Ltd. ₹	Assets	White Ltd. ₹	Blue Ltd.₹
Equity shares of ₹ 10 each	6,00,000	2,50,000	Freehold properly (at cost)	3,60,000	1,20,000
Capital reserve	—	1,50,000	Plant & machinery (at cost)	3,20,000	1,80,000
General reserve	3,90,000	1,20,000	Investment (at cost)	—	1,00,000
Profit and loss	1,10,000	1,60,00	Stock - in - trade	1,10,000	89,500
Creditors	2,15,800	1,26,800	Debtors	89,000	64,000
			Balance at bank	4,36,800	2,53,300
	13,15,800	**8,06,800**		**13,15,800**	**8,06,800**

	White Ltd. ₹	Blue Ltd. ₹
Net profits for the year ended :		
31st March, 2015	1,74,500	1,07,600
31st March, 2016	1,93,400	1,22,900
31st March, 2017	2,14,700	1,44,500

You are given the following relevant information.

It is agreed:

(1) That the properties and plant and machinery be re-valued as follows:

	White Ltd. ₹	Blue Ltd. ₹
Freehold property	4,48,000	1,44,000
Plant and machinery	3,05,700	1,72,950

(2) That the value of stocks be reduced by 10% and a provision of 121/2% be made on debtors for bad and doubtful debts.

(3) That goodwill be valued at two years purchase of the average annual trading profits of the past three years after deducting a standard profit of 10% on the net trading assets before revaluation or adjustment on 31st March, 2017. Blue Ltd. had earned ₹ 17,000 on an average on its investments.

You are required to prepare the opening balance sheet of the new company.

Sol^n :- Step 1 Notes & assumptions

1) ∵ Q.R.S. it is assumed

a) PC = NATO

b) entire P.C. is discharged by issue of eq. shares of ₹ 10.

2) Net trading assets can be calculated in 2 ways.

i) w/o Rev. impact → S.C. + R&S. − Non trade investments

ii) with Rev. impact → NATO

3) Valuation of goodwill

Particulars White Blue

profits for 2015	174500	107600
" " 2016	193400	122500
" " 2017	214700	144500
Total	582600	375000
avg. profit (Total/3)	194200	125000
− int income.	—	(17000)
a) Avg profit.	194200	108000

Capital employed

S.C.	600000	250000
C.R	—	150000
G.R.	390000	120000
P/L	110000	160000
− Investment.	—	(100000)
Net trading assets.	1100000	580000
b) std. profit (10% of N.T.A)	110000	58000

c) Super profit = Avg. profit − Std p.
a) − b)

	194200	108000
	110000	58000
	84200	50000

d) g/w = c × no. of years of p.

	× 2	× 2
	168400	100000

Step2 NATO

	White	Blue	Total.
Goodwill (step1)	168400	100000	268400
Freehold property	448000	144000	592000
PIM.	305700	172950	478650
Investments.	–	100000	100000
Debtors.	89000	64000	153000
Inventory	99000	80550	179550
Bank	436800	253300	690100
– Creditors.	(215800)	(126800)	(342600)
– PFDD @ 12.5%	(11125)	(8000)	(19125)
		Nato	2099975

Step 3 a) P.C. = 2099975
b) I.P. ₹ 10
c) no. of E.sh = $\frac{a}{b}$ = 209997.5

Paym.to	MoP.	Workings.	Total.
ESH	ES.h	209997 × ₹10	2099970
	Cash.	0.5 × ₹10	5
			2099975

Step 4 N.A. Step 5 – N.A.

Step 6 In the books of New Co.

Balance Sheet of New Co.

Equity & Liabilities.	Notes	Amount
1) SHF.		
a) S.C.		2099970
2) Non C.L.		—
3) C.L.		
a) T/P.		342600
		2442570
Assets.		
N.C.A.		
a) PPE.	1	1070650
b) I.T.A.	(step2)	268400
c) N.C. invt		100000
C.A.		
a) invent.		179550
b) T/R	2	133875
c) C&CE	3	690095
		2442570

Notes to a/c.

Note1 PPE.	
FHP	592000
P/M.	478650
	1070650
Note 2 T/R.	
Total	153000
− Prov.	(19125)
	133875
Note3. C&CE	
Cash.	690100
− PC	(5)
	690095

#9 Merger

1) In case of Merger.

a) Big Co. t/o all assets/ liabilities of small Co. at B.V.

b) NATO = all assets − all Liab. − all R&S

at B.V.　　@ B.V　　@ B.V.

⇒ Share capital

c) P.C. to E.sh. must be satisfied in terms of E.sh. only.

d) Diff b/w P.C. & NATO (S.C.) = G.R.

2) Steps to solve question

Step 1　S.C. of small co.

E.S.C.	xxx
P.S.C.	xxx

Step 2　P.C.

↳ same in purchase method.

Step 3.　Calⁿ of P/L on merger

S.C. of small co.	xxx
P.C.	xxx
G.R.	xxx

Step 4　statement of G.R.

G.R. of Big co.	xxx
G.R. of small co.	xxx
G.R. of step 3	xxx
	xxx

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if +ve → trf to R&S.

if -ve → trf. to S.o.P/L

Step 5 :- Statement of P/L.

P/L of sm. co.	xxx
" " Big co.	xxx
− G.R. as per step 4.	(xxx)
− Fictitious assets of both co.	(xxx)
− Real. exp. paid by big co. of small co.	(xxx)
− U.R.P. on stock	(xxx)
− any inc. exp. inc. by small co.	(xxx)
trf. to R&S.	xxx

Step 6 Notes to A/c

↳ as req. in Q.

Step 7 In the books of big co.

i) Business Merger Dr
  To Liq. of small co.

ii) all Assets Dr @ B.V.
Gr. R. Dr (if any)
  To Liabilities @ B.V.
  To RSS @ B.V.
  To B. Merger
  To Gr. R. (if any)

(Diff = Gr. R.)

iii) Liq. of small co. Dr
  To MOP

iv) Realisation exp. of smallco. paid by big co.
P/L Dr
  To bank

v) URP on stock. ⇒ P/L Dr
  To stock.

vi) contra item ⇒ Crs/TIP Dr
  To TIR./Drs.

vii) mis. entries ⇒ as required.

Step 8 B/S after Merger.

QUESTION: 9 | Illustration 9 | (16 Marks, November, 2009) (IPCC) | (16 Marks, November 2012) (IPCC)

The following were the Balance Sheets of P Ltd. and V Ltd. as at 31st March, 20X1:

		Particulars	Notes	₹ P Ltd (₹ in Lakhs)	₹ V Ltd (₹ in Lakhs)
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital	1	15,000	6,000
	B	Reserves and Surplus	2	15,370	4,335
2		**Non-current liabilities**			
		Long term borrowings	3	--	1,000
3		**Current liabilities**			
	A	Trade Payables		1,200	463
	B	Short term provisions		1,830	702
		Total		33,400	12,500
		Assets			
1		**Non-current assets**			
	A	Property, Plant and Equipment	4	22,304	6,750
2		**Current assets**			
	A	Inventories		7,862	4,041
	B	Trade receivables		2,120	1,100
	C	Cash and Cash equivalents		1,114	609
		Total		33,400	12,500

Notes to accounts

			₹ P Ltd (₹ in Lakhs)	₹ V Ltd (₹ in Lakhs)
1	**Share Capital**		15,000	6,000
2	**Reserves and Surplus**			
	Securities premium		3,000	--
	Foreign project reserve		--	310
	General reserve		9,500	3,200
	Profit and loss account		2,870	825
			15,370	4,335
3	**Long term borrowings**			
	12% debentures		--	1,000
			--	1,000
4	**Property, Plant and Equipment**			
	Land and Building		6,000	--
	Plant and machinery		14,000	5,000
	Furniture and fixtures		2,304	1,750
			22,304	6,750

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 ₹ 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:

	P Ltd. (₹ in lakhs)	V Ltd. (₹ in lakhs)
Trade payables		
Bills Payable	120	-
Trade Creditors	1,080	463
	1,200	463
Trade receivables		
Trade debtors	2,120	1,020
Bills Receivable	—	80
	2,120	1,100

Expenses of amalgamation amounting to ₹ 1 lakh were borne by P Ltd.

You are required to: (i) pass journal entries in the books of P Ltd. and (ii) prepare P Ltd.'s Balance Sheet immediately after the merger.

Soln :- Step 1 S.C. of V Ltd.

ESC	6000
PSC	–
	6000

Step 2 P.C.

Payment to	M.O.P.	Workings	amount
Esh to V Ltd.	Esh in P Ltd.	$\frac{3}{2} \times 600$ sh.	
		$\Rightarrow$ 900 sh.	
		× ₹ 10	9000

Step 3: P/L on merger.

S.C. (step 1)	6000
P.C. (step 2)	9000
G.R.	(3000)

Step 4 Statement of G.R.

G.R. of P Ltd.	9500
G.R. of V Ltd.	3200
– G.R. (step 3)	(3000)
	9700

Step 5 Statement of P/L.

P/L of P Ltd.	2870
P/L of V Ltd.	825
– Real. exps.	(1)
	3694

Step 6 Notes to acc.

Note-1 S.C.

ESC (P Ltd)	15000
Esh. (V Ltd)	9000
	24000

Note-2 R & S.

G.R. (step 4)	9700
P/L (step 5)	3694.
S.P.	3000

Note-3. T/P.

Crs. of P Ltd.	1080
Crs of V Ltd	463
B.P. of P.	120

F.P.R.	310	-- Contra items	(80) 1583
	16704		

Note 4 S.T.P.

STP of P	1830
STP of V	702
	2532

Note 5 PPE

Land	6000
PIM of P Ltd	14000
PIM of V Ltd.	5000
Furni of P Ltd.	2304
" " V Ltd	1750
	29054

Note-6 Inventories.

Stock of P	7862
Stock of V	4041
	11903

Note-7 TIR.

Drs of P Ltd	2120
Drs of V Ltd	1020
BIR of V Ltd	80
— Contra items	(80)
	3140

Note-8 C&CE.

CB of P	1114.
" " V	609
— Recd. exp.	(1)
	1722

Step 7 In the books of P Ltd after Merger.

① BIM Dr 9000
To Liq. of V Ltd. 9000

② Plant & mach. Dr 5000
Furn. & Fix Dr 1790
inventory Dr 4041

Drs of V.	Dr	1020	
B/R.	Dr	80	
Cash	Dr	609	
Reserve	Dr	3000	
	To STP.		702
	To Business Mer.		9000
	To Creditors.		463
	To 12% Deb.		1000
	To P/L		825
	To G.R.		3200
	To FPR		310

Note :- Reserves will be adjusted from G.R.

(3) Liq. of V. Ltd	Dr	9000	
	To ESC		9000
(4) P/L	Dr	1	
	To cash		1
(5) B/Payable	Dr	80	
	To B/Rec.		80
(6) 12% Deb.	Dr	1000	
	To 13% Deb.		1000

Step 8

B/S of P Ltd (after Merger)

Particulars	Notes	Amount
Equity & Liabilities		
1) SHF		
a) S.C.	1	24000
b) RSS.	2	16704
2) N.C.L.		
a) L.T.B.		
13% Deb.		1000
3) C.L.		
a) T/P	3	1583
b) STP	4	2532
	Total	45819
Assets		
1) NCA		
a) PPE	5	29054
2) C.A		
a) Inventories	6	11903
b) T/R	7	3140
c) C&CE	8	1722
	Total	45819

Other than above

1. Refer all Q. of HD textbook.
2. Solve Q. 22, 31 of HD textbook.
3. Revision video from youtube of HD.
4. While Revising atleast follow sequence.

a) all concepts.

b) all Q. discussed & solved in class.

c) Audit abovementioned Q. in 1

HD Strategy.