

Amalgamation

Nature of Purchase

Balance sheet : Y Ltd.

Equity & Liabilities		Assets	
Share capital	500	PPE	700
Reserves & surplus	100	Current Assets	300
creditors	400		
	1000		1000

X Ltd. absorbs Y Ltd. & PPE valued at 680.

Purchase consideration
(Computed by Net Payment Method)

Case 1 : P.C. = 750

PPE A/c Dr.	680
Curr. Ass. Dr.	300
Goodwill (B.P.)	(170)
To Creditors	400
To Bus. Purch.	750

Case 2 : P.C. = 550

PPE A/c Dr.	680
Curr. Ass. A/c Dr.	300
To Capital Res. (B.P.)	(30)
To Creditors	400
To Bus. Purch.	550

Balance sheet : Y Ltd.

Equity & Liabilities		Assets	
Share capital	500	PPE	700
Reserves & surplus	100	Current Assets	300
creditors	400		
	1000		1000

X Ltd. absorbs Y Ltd.

Purchase consideration (Net Assets Method)

PPE	800
Current Assets	400
creditors	(350)
P.C.	850

Entry No. 2

PPE A/c Dr	800	
Current Assets A/c Dr	400	
		To Creditors 350
		To Business Purch. 850

Nature of Merger

Balance sheet : Y Ltd.

Equity & Liabilities		Assets	
Share capital	500	PPE	700
General Reserve/P&L	100	Current Assets	300
Creditors	400		
	<u>1000</u>		<u>1000</u>

X Ltd. absorbs Y Ltd.

Case 1 : P.C. = 540

PPE A/c Dr	700		
Curr. Ass. A/c Dr	300		
		To creditors	400
		To GR/P&L A/c	60
		To Bus. Purch.	540

Dr: 1000 Cr: 1040

Diff: 40

Share cap. of old co vs P.C.
500 vs 540 : Diff: 40

Purchase consideration

Case 2 : P.C. = 620

PPE A/c Dr	700		
Curr. Ass. A/c Dr	300		
P&L A/c (Dr) (B.P.)	20		
		To creditors	400
		To GR/P&L A/c	-
		To Bus. Purch.	620

Diff: Sh. cap. vs P.C.
500 vs 620
120

Case 3 : P.C. = 470

PPE A/c Dr	700		
Curr. Ass. A/c Dr	300		
		To creditors	400
		To GR/P&L A/c	130
		To Bus. Purch.	470

Diff: Sh. cap. vs P.C.
500 vs 470
30

Balance sheet : Y Ltd.

Equity & Liabilities		Assets	
Share capital	500	PPE	700
General Reserve/P&L	70	Current Assets	300
Statutory Reserve	30		
Creditors	400		
	1000		1000

X Ltd. absorbs Y Ltd.

Purchase consideration
Case 1 : P.C. = 580

Diff:
~~Sh. cap.~~ vs. P.C.
 500 vs 580
 = 80

PPE A/c Dr	700	
Curr. Ass. A/c Dr	300	
P&L A/c Dr (B/f)	10	
	400	To Creditors
(70 - 70)	-	To GR/P&L A/c
(30 - 30)	30	To Statutory Res.
	580	To Bus. Purch.

Debentures Takeover & New Issue

Old Co: 9% Debentures ₹ 1,00,000 (Face value 100 each)

Case 1: Redeem / Discharge 9% Deb. of old Co. at par by issue of 12% Deb. of New Co.

Entry 2: Takeover

To 9% Deb. of old Co. 1,00,000

Entry 4: 9% Deb. of old Co. A/c - Dr 1,00,000
To 12% Debentures A/c 1,00,000

$$\text{No.} = \frac{1,00,000}{100} = 1,000 \text{ Deb.}$$

Case 2: Redeem at 5% discount by issue of 12% Deb. of New Co. at Par

Entry 2: Takeover

To 9% Deb. of old Co. 95,000 (1,00,000 - 5%)

Entry 4:

9% Deb. of old Co. A/c - Dr 95,000
To 12% Debentures A/c 95,000 (950 x 100)

$$\text{No.} = \frac{95,000}{100} = 950 \text{ deb.}$$

Case 3: Redeem at 10% premium by issue of 12% Deb. of New Co. at Par

Entry 2: Takeover

To 9% Deb. of old Co. 110000 (100000 + 10%)

Entry 4:

9% Deb. of old Co. A/c - Dr

110000

To 12% Debentures A/c

110000

$$\text{No.} = \frac{110000}{100} = 1100 \text{ deb.}$$

Case 4: Redeem at 10% premium by issue of 12% Deb. of New Co. at 10% Premium

Entry 2: Takeover

To 9% Deb. of old Co. 110000 (100000 + 10%)

Entry 4:

9% Deb. of old Co. A/c - Dr

110000

(1000 X 100)
(1000 X 10)

To 12% Debentures

To Securities Premium

100000
10000

$$\text{No.} = \frac{110000}{110} = 1000 \text{ deb.}$$

Case 5: Redeem at 20% premium by issue of 12% Deb. of New Co. at ₹96 (4 Discount)

Entry 2: Takeover

To 9% Deb. of old Co. A/c 120000 (100000 + 20%)

Entry 4:

9% Deb. of old Co. A/c - Dr

120000

(1250 X 4)

Discount on Issue A/c - Dr

5000

(1250 X 100)

To 12% Debentures A/c

125000

$$\text{No.} = \frac{120000}{96} = 1250 \text{ deb.}$$