Amalgamation of Companies

AS 14

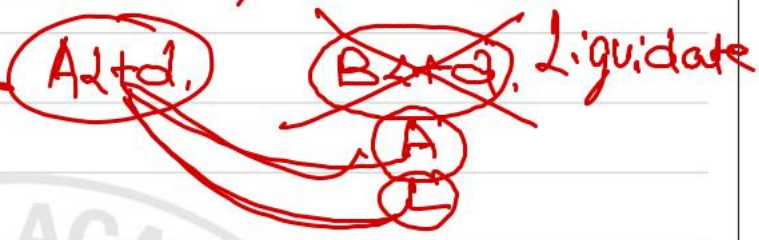
14 marks

A Ltd (Holding) B Ltd (Subs)

Take over

Absorption

Merger



Take over or Absorption ⇒ A Ltd + B Ltd = A Ltd.

Merger ⇒ 6 A Ltd + 6 B Ltd = AB Ltd (New) 6+4

Transferor ⇒ Selling Co. (Liquidating Co.)

Transferee ⇒ Acquirer

Business → Net Assets

PC — A Ltd. (Tree) — B Ltd. (Tror) — eq shares 900000 no.

Tree will provide 15/- in Cash for each equity share of Tror.

Also, Tree will issue 5 equity shares to the SH of Tror for every 3 equity shares Held by SH of Tror.

MP per shares	Tror	Tree
	60/-	35/-

Calculate PC :-

1) Cash ⇒ 900000 no. x 15/- = 1,35,00,000

2) Equity shares by Tree ⇒ $\frac{900000}{3} \times 5$ = 1500000 no. x 35/- = 5,25,00,000

∴ Total PC = 6,60,00,000

Ex:2

	Tree	Tror
No. of Shares	1,00,000	75,000
MP	80/-	50/-

Ex. Ratio 9 : 7

Calculate Pc

Sol):-

Calculation of Pc

Payment to	Payment in	Working	Amt.
Eq. Shareholder of Tror	Eq. Shares of Tree	$\frac{75000}{7} \times 9$ = 96428 × 80/-	77,14,240
ESH of Tror	Cash	0.571 × 80	46
		Total Pc =	77,14,286

Amalgamation

- Transferor
  - To close the Books.
- Transferee
  - (AS 14 will be applicable)
  - Accounting For purchase of Business

B Ltd

For

Aniket 200 no. ~~✓~~

Vansh 300 no ✓

Tushar 50 no. ✓

Kanishka 150 no ✓

Hardik 40 no. ✓

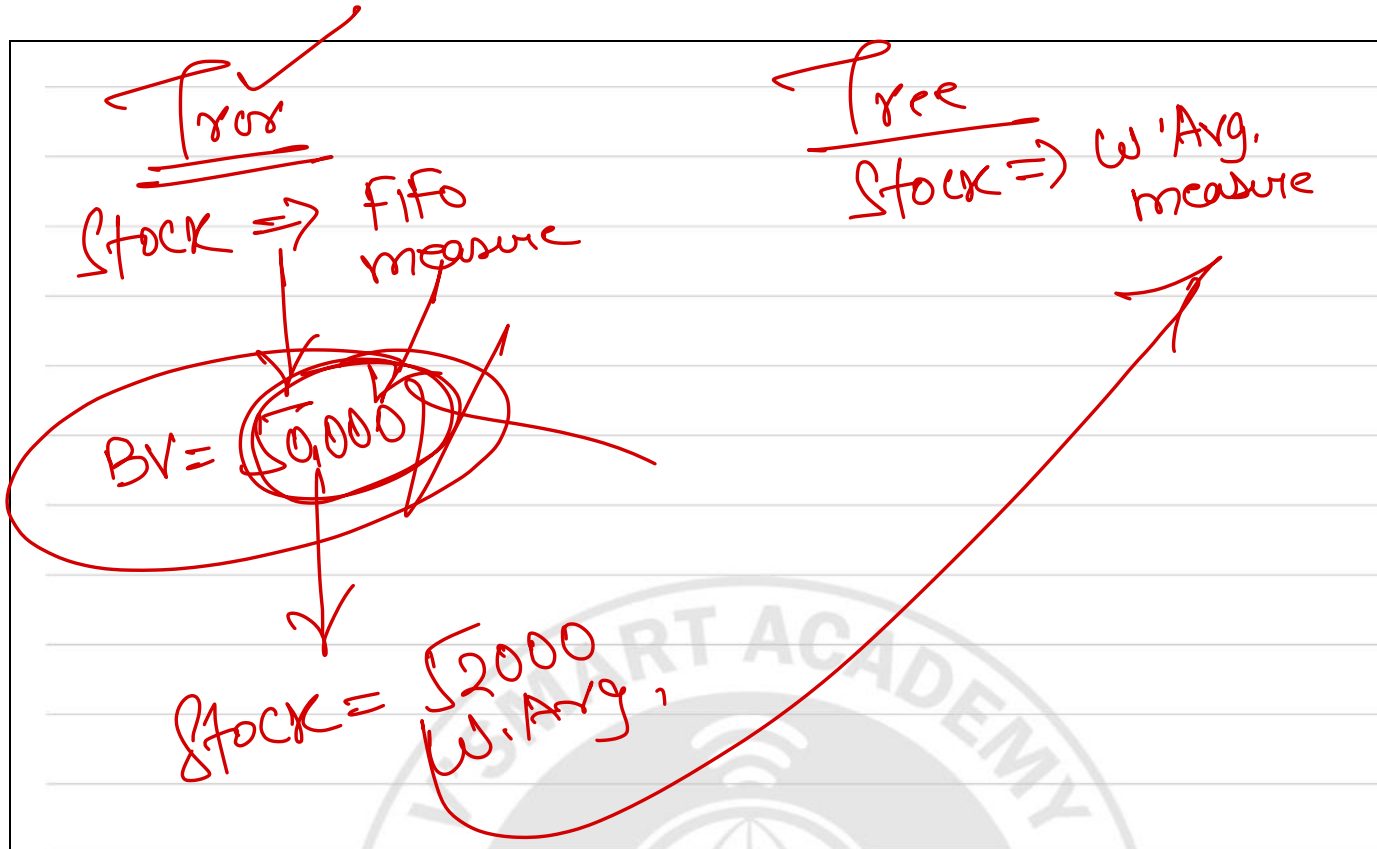
Aryan 210

Jatin Ltd. 100

Viraj 50 ✓

900

Jatin Ltd (Tree)



A Ltd is taking over B Ltd.
all asset & Liab.
except Cash/Bank

⇓

Amalgamation in the nature of purchase

A Ltd took over all Asset & Liab.
Continued the business also
A/L recorded at BV
also
90% Consent is also

there

But PC is given in form of Den

↓

In the nature of Purchase

A Ltd took over All Asset/Liab
Continued Same Business
got 90% Consent
PC in equity shares issued
But A/L recorded at FV

↓

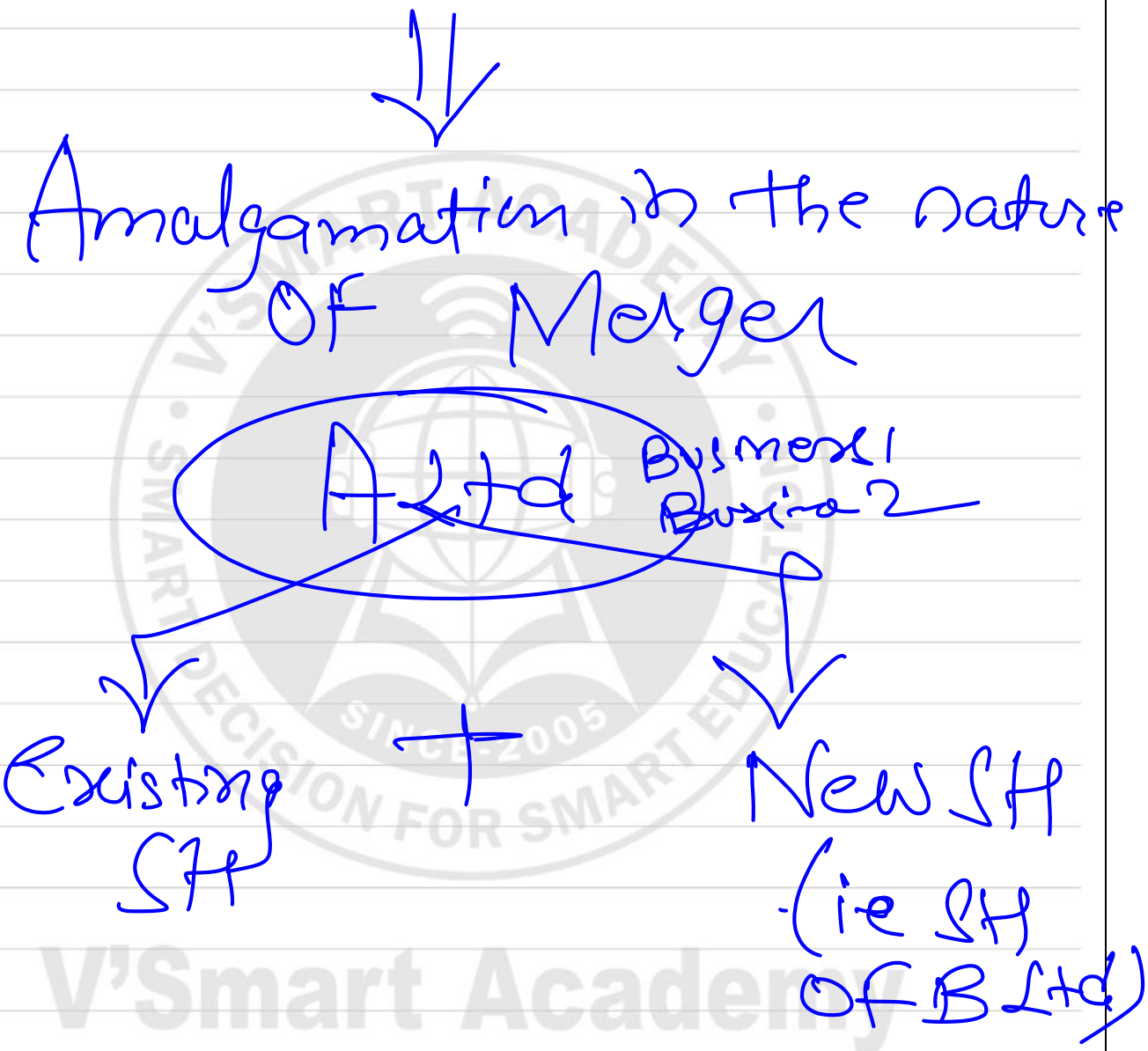
In the nature of purchase

A Ltd took over B Ltd (B Ltd gets Liquidated)

1) All Assets & Liab. took over
2) got 90% Consent also
3) PC in equity shares.

4) Same Business Continued also

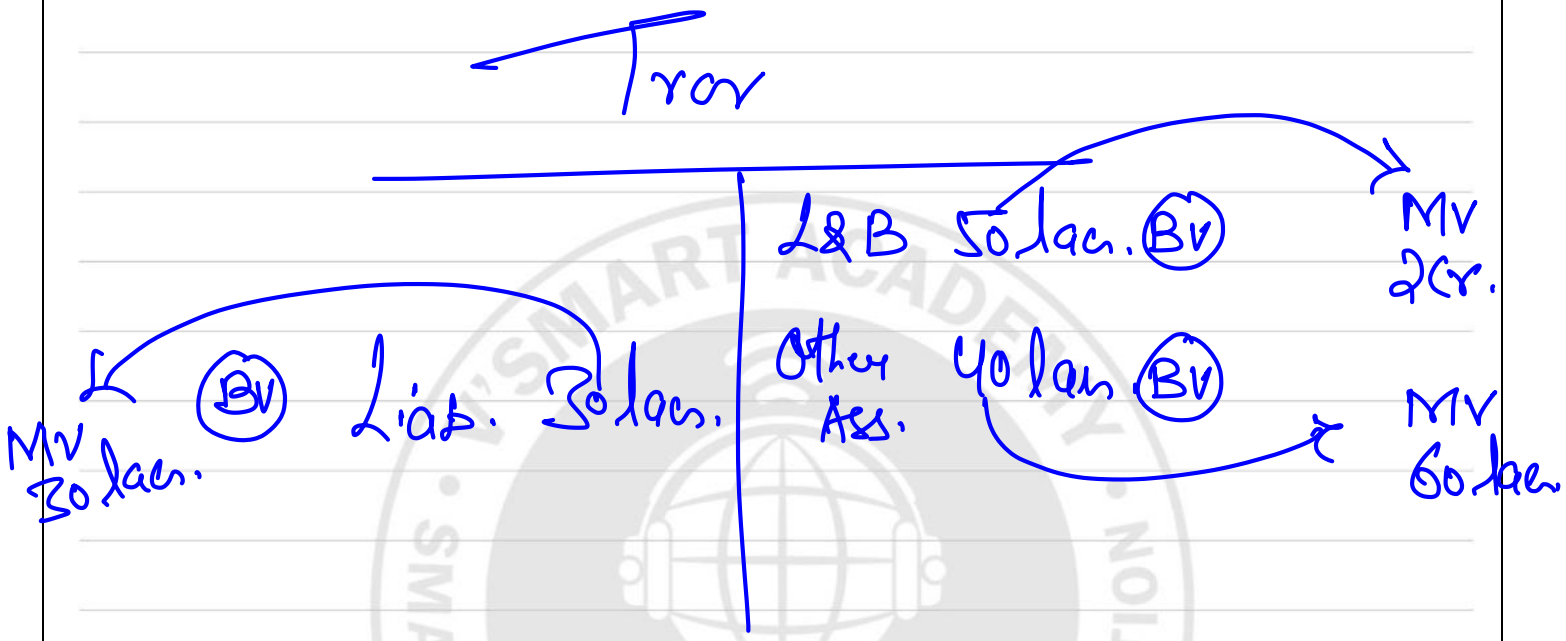
5) A/c recorded at BV also



*

1) A/c For Amalgamation in the nature of purchase is different from Amalgamation in the nature of merger → (Fair value) → (Book value)

But Calculation of Pc is always based on Market values.



PC

Bltd. (Trov)

ESC (10/-)	10,00,000
R&S	12,00,000
Liabilities	28,00,000
	50,00,000
PPE	35,00,000
CA	15,00,000
	50,00,000

Hidden Reserve
25
5

MV OF PPE = 60,00,000

MV of CA = 20,00,000

A Ltd (Tree) took over Business of Trur (B Ltd)

Case 1 Calculate Pc

(Pc to be discharged in the form of Equity Share of A Ltd whose MP = 20/-)

Solution:- Since Ex. Ratios are not given we shall follow Net Asset method :-

PPE =	60 lac.
CA =	20 lac
(-) Liab =	(28 lac)
Pc	₹2,00,000

→ पूंजीगत

Paymt to	Paymt in	Working	Amt.
ESH OF B	Eq. Shares of A	₹200000 / 20 = 10000 no. @ 20/-	₹2000,00

Case 2 Calculate Pc when A Ltd shall issue 26 no. of Shares for every 10 Shares Held by B Ltd.

MP = 20/- of A

This is Exchange Ratio Basis :- 26:10

Payment to ESH of B	Payment in eq Shares of A	Working	Amt.
		100000 no. × 26/10	
		260000 × 20/-	₹ 52,00,000

Case-3 Pc will be discharged by A Ltd. to SH of B Ltd. on the basis of their Market Values of Share.

MP of A = 20/-

MP of B = 52/-

B Ltd की अर्जित राशि ⇒ 100000 × 52 = ₹ 52,00,000

A will issue ⇒ $\frac{₹200000}{20}$ = 260000 no. as PC

Value (Net worth of Company

(Or)

Asset = MV
(-) Liab = MV
₹200000

No. of Shares of Company × MP per Share
60/- × 100000
60/-

Case-4 PC will be discharged by A Ltd. to SH of B Ltd. on the basis of their Market Values of Share.

MP of A = 20/-
MP of B = 60/-

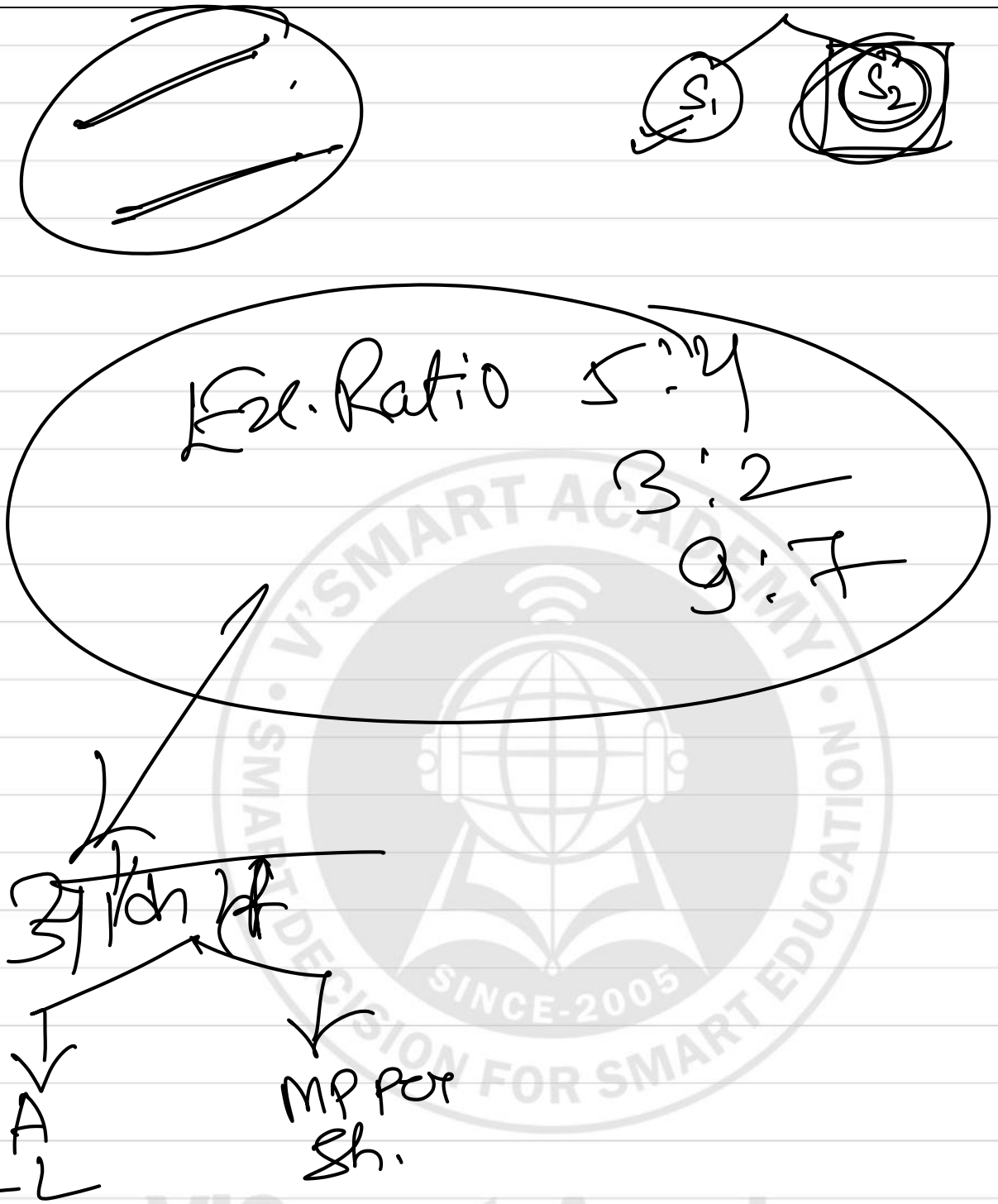
Net worth of B (~~मूल्य~~) = 100000 × 60/-

60,00,000

PC in eq sh. by A = $\frac{60,00,000}{20}$ = 300000 no.

B Ltd ⇒ no. 100000

Ex. Ratio = 3:1



Case 5 :- PC is discharged on the basis of Intrinsic Value of Both Companies :-

MP = 60 (B)

MP = 20 (A)

PC => 100000 X 60 = 60 lacs / 20

3,00,000 no. of Altd.

Case 6:- PC is discharged on the basis of Intrinsic Values (Iv) of Both the Companies.

(But now MP are not given Separately)

But MV of Assets & Liab are given as per Case 1.

Iv formulae

Assets MV =

(-) Liab. MV

(-) PSC if any

₹200000 Net Ass. ÷ 100000 no. of Shares → IV = ₹2/- B Ltd

Revision

1) Tree & Trov

2) Tree → take over Business → Net Asset (Section IN)

3) Tree discharge PC to SH of Trov

- Cash
- Share
- Debt
- Kuch Bhi

4) Amalgamation → Tree (AS 14)

- In the nature of Purchase → Dominating power with Tree's SH
- In the nature of merger → Pooling of Interest of Both SH

5) Merger

- All A/L must be Taken over
- 90% of External Shareholder Consent
- Same Bus. must be Continued
- PC must be in Eqsh
- Retain A/L at BV

6) PC

1) Net Asset Method
2) Ex. Ratio
3) MP of Both Co.
4) IV of Both Co.

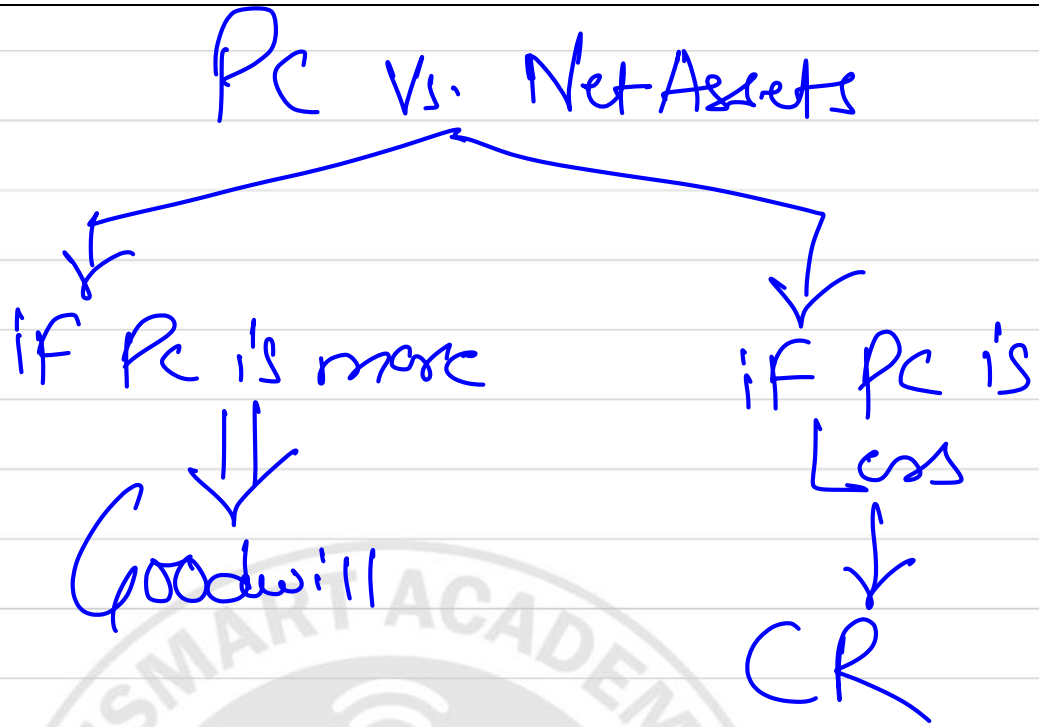
Books of Tree Co. (AS14)

Tree Co. shall make Acquisition Accounting

Case 1 In the nature of purchase :-

1) Business purchase a/c Dr. PC Amt.
To Liquidator of Tree Co. PC Amt.
1.1 Cr.

2) Sundry Assets a/c Dr. 1.5 Cr. Fair Value / BV
Goodwill (B/F)
To Sundry Liab. 0.5 Cr. Settlement Value / BV
To BP a/c 0.8 Cr.
To CR (B/F)



* Goodwill shall be amortised in 5 yrs. (AS 14)

P&L To Goodwill

3) Liquidator a/c Dr. PC

To Bank
To ESC (Face Value)
To SPR (Premium)
To PSC
To Debn
To Kuch Bhi a/c

4) Legal Exp./Closure Exp. of Trov Borne by Trce.

CR a/c Dr. (1st priority)
Goodwill a/c Dr. (2nd priority)
To Bank

5) Settlement of Liabilities of Trov Co.:-

(Trov) OD Liab a/c Dr.
To Bank
To New Debn
To ESC & SP

Ex:-8

Payment to	Payment in	Working	Amt.
Esh of Trw	Eq Shares of Tree	2850000 / 30	2850000
		95000 no.	

1) Business purch. 2850000
To Liq. of Trw a/c 2850000

2) N.CA. a/c Dr. 2850000
CA a/c Dr. 1500000
Goodwill a/c Dr. 600000
To Liability 2100000
To B/P 2850000

3) Liquidator of Trw a/c Dr 2850000

95000 X 10	To Esc a/c	950000
95000 x 20	To SP a/c	1900000

Ex 6 & 7 This is Amalgamation in the nature of purchase

WN-1 Calculation of PC :- (Net Asset method)

Building	=	3750000
P&M	=	1120000
Inventory	=	400000
(Gross) Debtors	=	650000
(-) provision for D.D	=	(32500)
(-) Loans	=	(1750000)
(-) CL	=	(2050000)
(-) Tax Liab.	=	(85000)
PC		20,02,500

Payment to	Payment in	Working	Amt
ESH OF & Ltd.	Eq shares OF P Ltd	2002500 / 25/-	20,25,00
		80,100 no.	

Books of P Ltd.

1) Business purchase A/c Dr. 20,02,500
To Liq. of Q Ltd. 20,02,500

2)

Building	a/c Dr.	3750000	
P&M	a/c Dr.	1120000	
Inventory	a/c Dr.	400000	
Debtor	a/c Dr.	650000	
	To prov. for DD		32500
	To Loan a/c		1750000
	To CL a/c		205000
	To Tax liab a/c		85000
	To B/P		20,02,500

3)

Liq. of Q Ltd.	a/c Dr.	20,02,500	
	To ESC a/c		801000
	To S.P.R a/c		1201500

Ex:- 9

Payment to	Payment in	Working	Amt.
PSH of Trer	Pref. shares of Trec	$\frac{10000 \times 3}{2}$ = 15000 no. × 100/-	15,00,000
ESH of Trer	Eq. shares	$\frac{120000 \times 18.75}{50}$ = 45000 no. ×	$\frac{2250000}{50}$ = 450000
			19,50,000

Calculation of IV of Trer :-

All Assets	= 5850000
(-) all Liab	= 2100000
(-) Pc to PSH	= (1500000)
Pc to ESH	= 2250000

24 → 120 no. → 9

Direct

IV: $\frac{2250000}{120000}$ = 18.75/-

Liq. Dr. 1950000
To PSC 1500000
To ESC 450000

2) NCA 30
CA 20
~~G~~ 8·5

To Liab 21
To BP 19·5
To CR ~~18~~ 9·5

Ex:-10 1) BP 2025000 121500000
To Liq. 2025000

2) Asset (Goodwill) — MV 25 — 25000
To Liab — MV 5
To BP — 2025000

3) Liq. OF Trf 2025000
To ESC 2025000

BP a/c 20

To Liq 15

To CC payable 5

(or)

CC Pay To Bank

If Condition satisfied

CC Pay To P&L

if Condition not satisfied

Trf

50/-

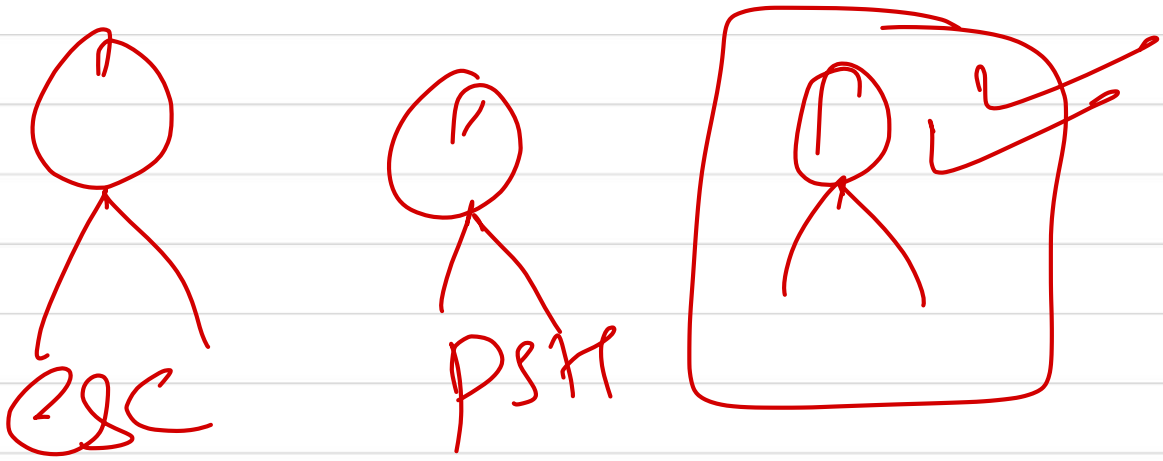
20,100000

Rec

25/-

P

100000 × 50 / 25



Ex:-12A Same Example no. 12 But Debn to be issued based on same amt. of Interest But to be issued at 25% prem.

1) Int. Amt ⇒ 1200000 × 7% = 84000

2) $\frac{84000}{8\%\ \text{new Debn rate}}$ = FV 1050000

3) Final issue Value (Settlement Value) = 1050000 + 25% = 1312500

4) New no. of Debn = 1050000 ÷ 100 = 10500 no.

Q101

WN-1 Settlement of Debn

O/S Value of Debn = 40,00,000

To be settled at 10% = 400000

Premium

Total Settlement Value = 4400000

Issued at par = 100

No. of 15% Debn = 44000

WN-2 Calculation of PC

	Payment to	Payment in	Working	Amt.
a)	PSH of X Ltd	15% PSC of Y Ltd	$\frac{2500000 + 20\%}{100}$	30,00,000
			$\frac{30000 \times 100}{\text{no.}}$	
b)	ESH of X Ltd	Eq. Sh. of Y Ltd	$\frac{750000 \times 20}{30}$	50,00,000

New no. = 500000

× 10/-

Total PC = 80,00,000

Q105

Step 1:- Calculate Net Asset Value

PPE = 3257[illegible]000

Invst = 600000

CA = 450000

(-) CL = (500000)

(-) Debn Holders = (770000)

Net worth available for PSH & ESH = 33,55,000

Step 2:- Pc to PSH = 750000 + 10%

= 825000

Step3:- Net worth for ESH of Trust

Step1 = 3355000

(-) PC to PSH (Step2) = 825000

PC to ESH = 2530000

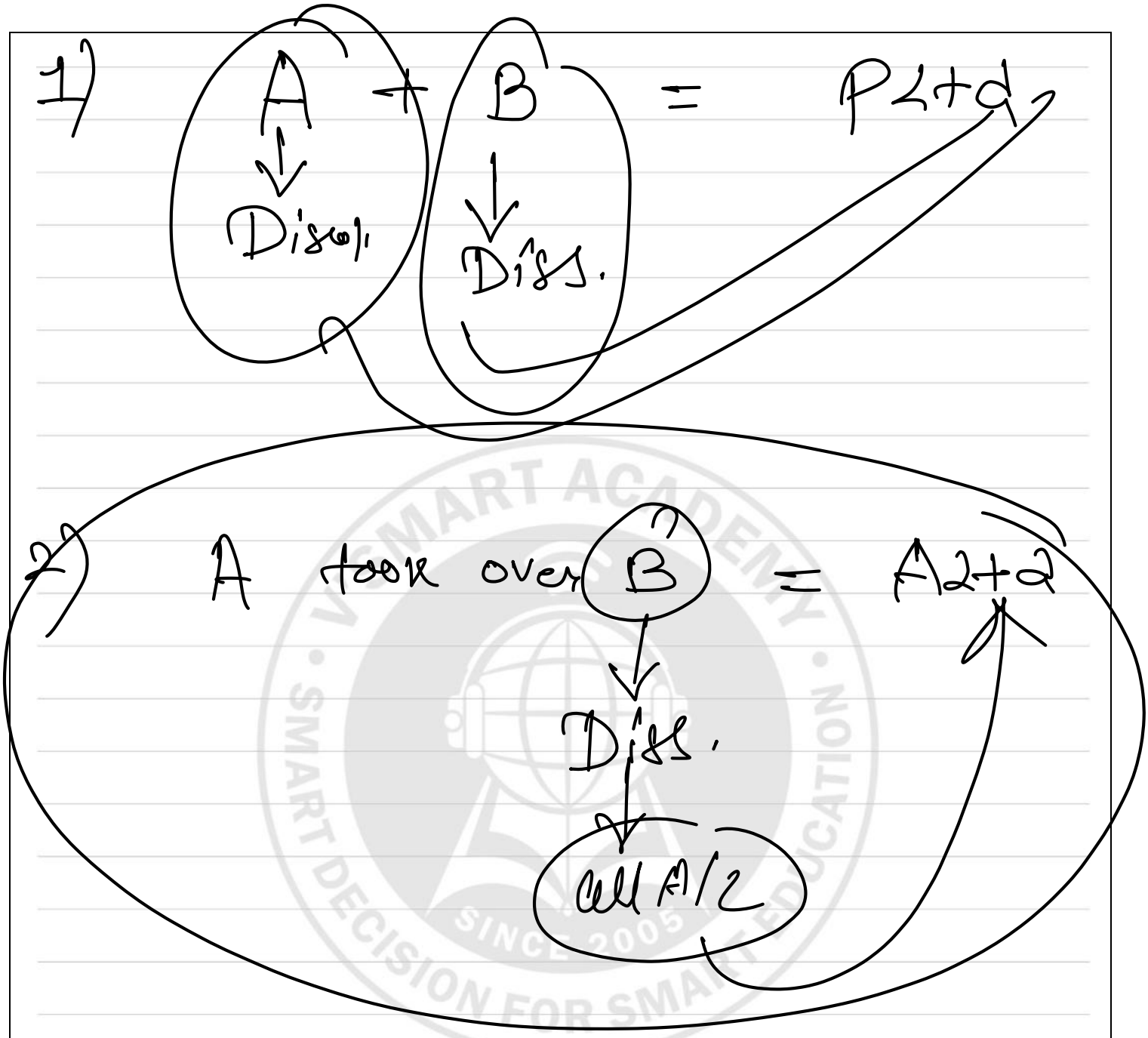
In Form of Share

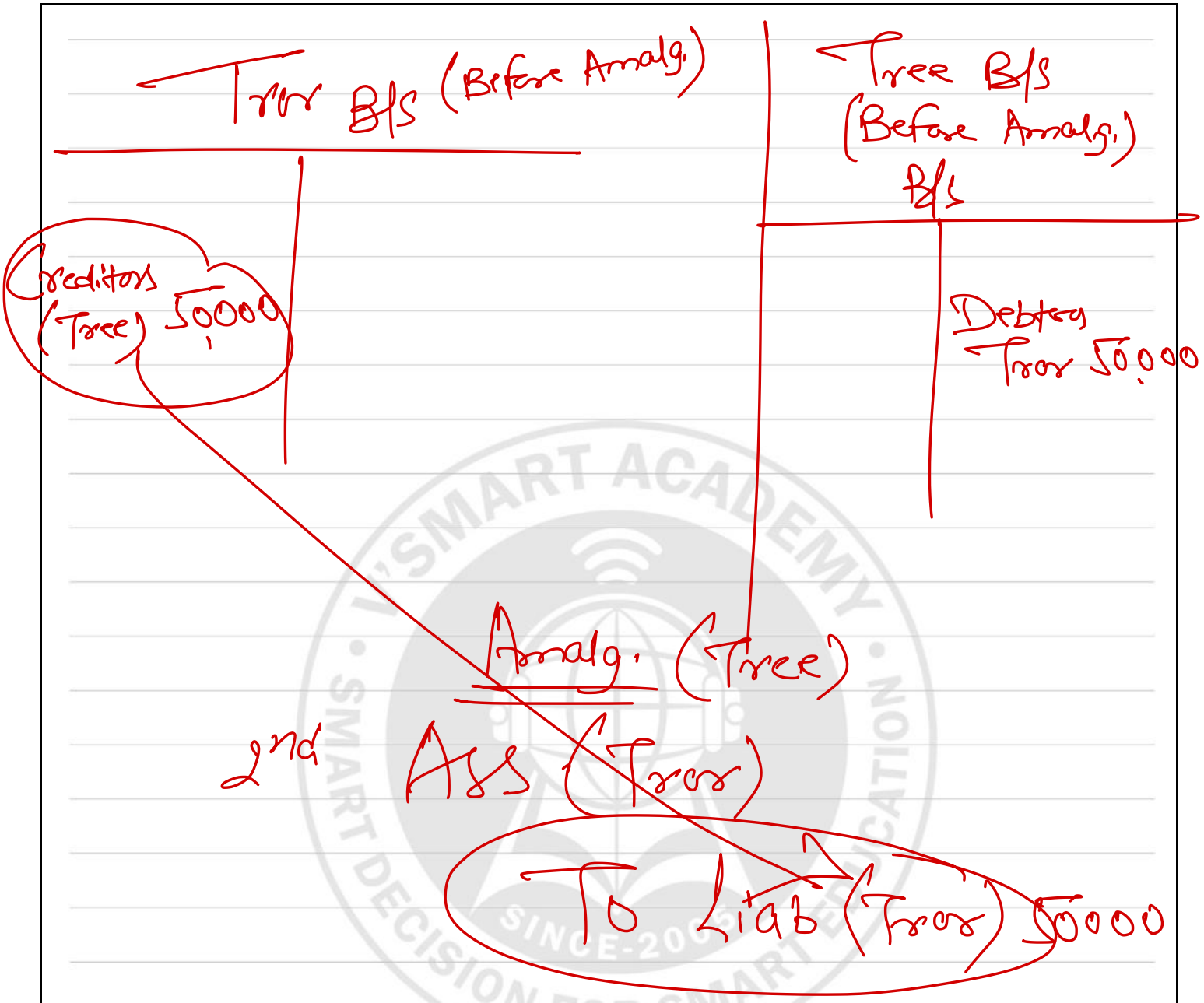
150000 / 2 × 3

225000 × 10/-

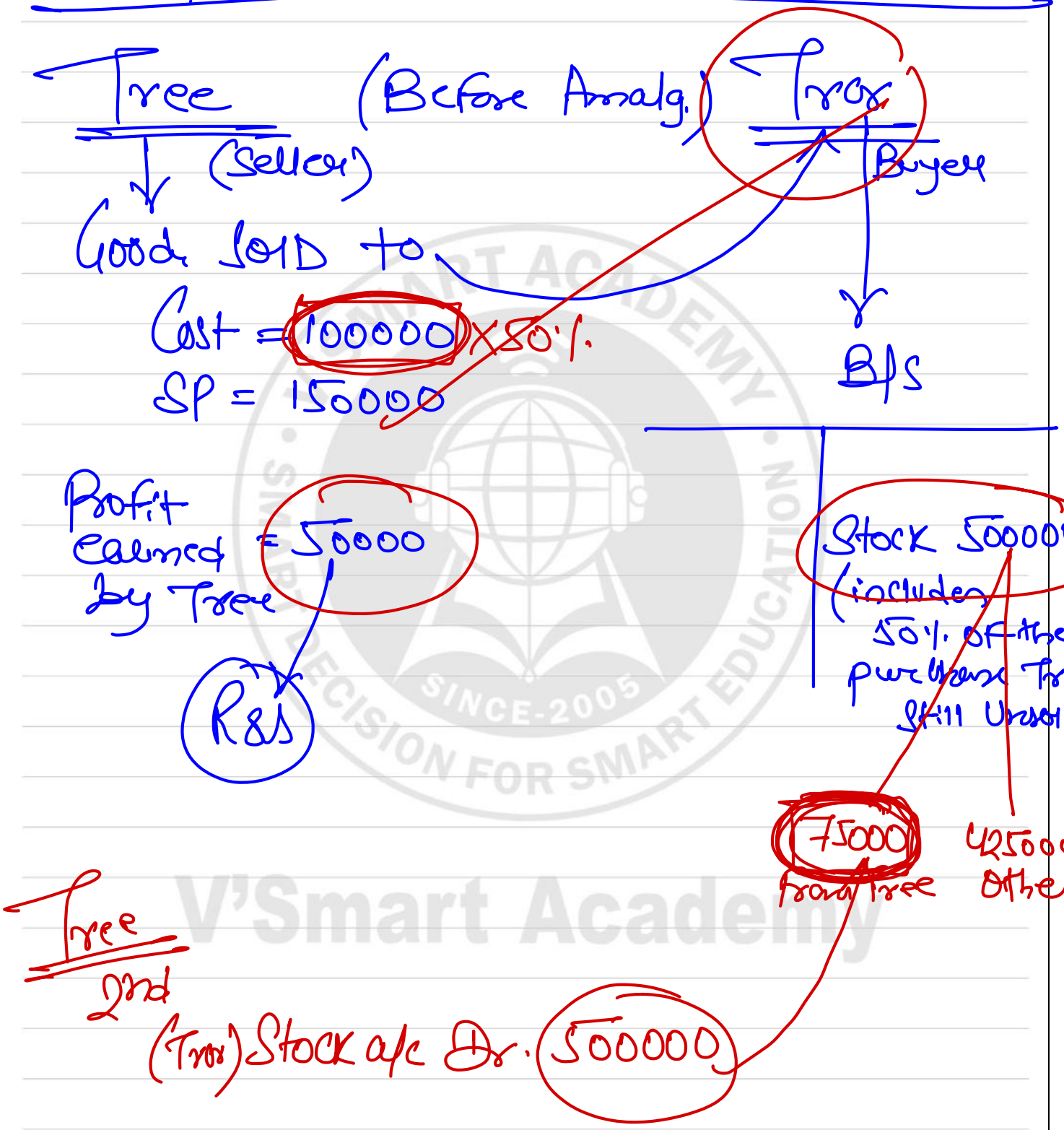
2250000

Balance in Cash 280





Treatment of Unrealised Profits on Unsold Stock



Tree

R&S (P&L/GR)
To Stock 25000

Class Example :-

Balance Sheets (Before Amalg.)

	Tree	Tror
ESC	500000	400000
R&S	300000	200000
Liabilities	700000	500000
Net (8) + ? = (13)	1500000	1100000
Non Current Assets	900000	600000
Current Assets	600000	500000
	1500000	1100000

1) PC shall be discharged on the Basis of Net Assets Value

2) MV of NCA of Tror = 750000

3) All other Assets & Liab have MV = BV

4) Pc will issued in Equity Shares of Tree at 10/- each.

5) Unrecorded Tax Liability will also taken over at 100000

Case 1:- This is Amalgamation in the nature of Purchase

Case 2:- This is Amalgamation in the nature of Mergers.

Solution:- Case 1 Purchase method

1) Pc Calculation

NCA	= 750000
CA	= 500000
(-) Liab	= (500000)
(-) Tax Liab	= (100000)
	650000

Payment to	Payment in	Working	Amt
ESH of Tror	Eq Shares of Tree	650000 / 10 = 65000 no. x10	650000

2) Journal Entries in the Books of Tree (As 14)

a) Business purchase Dr. 650000
To Liq. of Tror a/c 650000

b) Non Curr. Assets Dr. 750000
Current Assets Dr. 500000
To Liabilities 500000
To Tax Liab. 100000
To Buss. pur. 650000

c) Liquidator a/c Dr. 650000
To ESC a/c 650000

Calculation of Goodwill/CR (OFU)

PC discharged = 650000
(-) NA acquired = 650000
Goodwill/CR = Nil

3) Balance sheet (after Amalgamation)

Tree Ltd.

ESC a/c Dr. (500000 + 650000)	1150000
R&S (only Tree)	300000
Liabilities (700000 + 600000)	1300000
	27,50,000
Non Current Assets (900000 + 750000)	16,50,000
Current Assets (600000 + 500000)	11,00,000
	27,50,000

Case 2 :- In the Nature OF Merger "pooling OF Interest method"

1) Calculation OF PC = Same

65000 no. of 10/- each
i.e 650000

2) Journal Entries :-

a) Business merger a/c Dr. 650000
To Liquidator of Trn Co. 650000

b) NCA a/c Dr. 600000
CA a/c Dr. 500000
RRS a/c (Bf) Dr. 350000
To Liabilities 600000
To RRS 200000
To Business Merg. 650000

OFU :- Net Asset position in OLD Co. = 500,000

(-) PC = 650000

Excess = 150000
PC given

CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)

ye extra diya

(+) R&S mant = 200000 (ye bhi create karke diya)

Total extra ⇒ 350000 → itna extra jo diya vo reverse karo

c) Liq 650 | 650
Res

3) Balance Sheet (Tree)

ESC (500000 + 650000)	1150000
R&S (300000 + 200000 − 350000)	150000
Liabilities	1300000
	2600000
NCA	15,00,000
CA	11,00,000
	26,00,000

Class Ex:- 2

	Tror	Tree
ESC	1000000	1500000
R&S	600000	900000
Liabilities	1400000	1700000
	30 lacs	41 lacs.
PPE	2000000	2500000
CA	1000000	1600000
	30 lacs.	41 lacs

1) Pc -> Exchange Ratio = 3:4
issued at 10/-

Amalg. in the nature of merger

Sol):- 1) Pc = 750000 Shares

2) NA = 1600000

(-) Pc = 750000

850000

Reserves required to be Created

R&S = 600000

GR = 250000

more to be created

3) a) Buss. merger A/c Dr. 75000
To Liq. 75000

b) PPE Dr. 2000000
CA Dr. 1000000
To Liab. 1400000
To BP 750000
To R&S 600000
To GR 250000

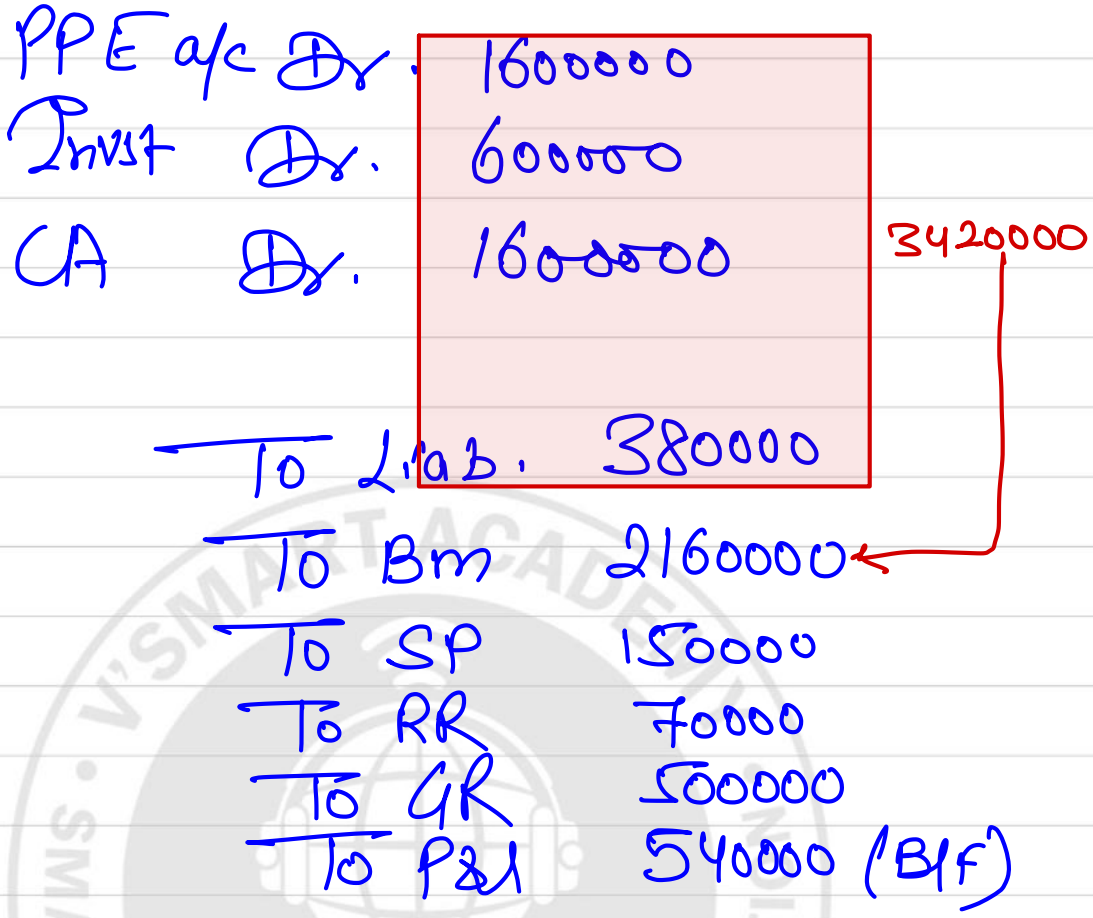
c) Liq. 75000
To Exp 75000

Ex:-16

	X	Y
Pc to	1200000	960000

Calculation

	X	Y
Net Assets	1950000	1470000
(-) Pc in Form of Shares	1200000	960000
Reserves required to be Created =	750000	510000
SP	(100000)	(50000)
	650000	460000
RR	(50000)	(20000)
	600000	440000
GR	300000	200000
P&L to be Created additionally,	300000	240000



Ex:- 15 (Pg. no. 6.14)

1) Calculation of Purchase Consideration

	Payment to	Payment in	Working	Amt.
a)	PSH of Tror	9% Pref. Shares of Tree	600000 + 20% = 720000 ÷ 10/- = 72000 no.	720000
b)	ESH of Tror	Cash	Given	300000
c)	ESH of Tror	Eq. Shares of Tree	80000 no. × 5/4 = 100000 no. × 28/-	28,00,000
				3820000

2) Settlement of Debn Holders of Tror :-

Interest amt. = 600000 × 6% = 36000

New 7% Debn ⇒ 36000 ÷ 7% = 514286/-

↓

2nd entry me ye wali value likhenge

3) Journal Entry :-

a) Business purchase a/c Dr. 3820000
To Liquidator of Tror a/c 3820000
(Being Business of Tror acquired)

b)

PPE a/c	Dr.	1150000	
Invst a/c	Dr.	620000	
Inventory a/c	Dr.	700000	
Trade Receiv.	Dr.	600000	
Cash/Bank	Dr.	200000	
Goodwill	Dr.	1506286	
To provision			12000
To Debt Holders of Tror			514286
To Creditors			430000
To B/P			3820000

including Unrecorded Liab.

(Being Assets & Liab. acquired & recorded & Bal. transferred to Goodwill)

c) Liquidator a/c Dr. 3820000

To 9% PSC a/c		720000
To Bank a/c		300000
To ESC a/c		1000000
To SP a/c		1800000

(Being PC discharged)

This entry is based on PC working always

d) Debn Holders of Tror a/c Dr. 514286

To 7% Debn a/c 514286

(Being Debn Holder of Tror are issued New 7% Debn of Tror)

e) Amalg. Adjust. Reserve Dr. 50000

To Exp. Profit Reserve 50000

(Being EPR of Tror maintained)

Net = A − L

Balance Sheet
(after Amalgamation)

Particulars	Amt.
1) ESC (1200000 + 1000000)	22,00,00
2) 9% PSC (800000 + 720000)	15,20,000
3) Res. & Surplus :-	26,50,000
GR 500000	
Pal 350000	
EPR 50000	
SP 1800000	
AAR (50000)	
4) Long Term Borrowing	1264286
7% Debn (750000 + 514286)	
5) Creditors (400000 + 430000)	830000
Total	84,64,286

1) PPE (1300000 + 1150000)		2450000
2) Goodwill		1506286
3) Investments (900000 + 620000)		1520000
4) Inventory		1700000
5) Trad. Receivables	1100000	1088000
(-) provision 2.1.	(12000)	
6) Cash & Bank		200000
300000		
200000		
- 300000 pc		
Total		84,64,286

Q4 (Sep'24 Exam) 14 marks

Note:- Assuming this is Amalgamation in the nature of purchase

WN-1 Calculation of PC :- (in 000)

Payment to	Payment in	Working	Amt.
ESH of Well Ltd.	Eq. shares of Nice Ltd.	$\frac{125000}{5} \times 3$ 75000 x 120	9000
PSH of Well Ltd.	9% Pref. Sh. of Nice Ltd.	1800 – 10% 1620 no. of shares.	1620

Total PC = 10620

WN-2 Settlement of Debt Holders

Amt of Debt (in 000) = ₹ 90

Interest $\frac{900 \times 10\%}{90}$

New 9% Debt value = $\frac{90}{9\%}$ = ₹ 1000

Journal entry (Books of Nice)

1) Business pur. a/c Dr. 10620
To Liq. of Well Ltd. 10620

2) PPE a/c Dr. 19656
Inventory a/c Dr. 957
Debtors a/c Dr. 1800
BIR a/c Dr. 150
Goodwill a/c Dr. 137
To ST Borrowing 1975
To Loan Bank 4255
To Deb^n Holders of Well 1000
To Creditor 4400
To Bills Payable 450
To Busin. pur. 10620

3) Liquidator of Well Ltd. 10620
To 9% PSC ~~1620~~
To ESC ~~7500~~
To SP ~~1500~~

4) Debs Holders of Well Dr. 1000
To G.I. Debs 1000

5) Goodwill Dr. 55
To Bank 55

6) Creditors a/c Dr. 215
To Debtors 215

Balance Sheet

ESC (31500 + 7500)	39000
G.I. PSC (9500 + 1620)	11120
R&S :- P&L Bal. 19500	21000
(+) SP 1500	
Long Term Borrowing	
G.I. Debs (11200 + 1000)	12200
Bank Loan (9300 + 4255)	13555

Trade Payables

a) Creditors	N	14750	18935
	W	4400	
Common Debts	(-)	(215)	
b) B/P	N	990	1440
	W	450	
Short Term Borrowing			1975
		Total (A)	11925
PPE (62550 + 19656)			82206
Goodwill (137 + 55)			192
N.C. Invst			22500
Inventory (300 + 957)			1257

Trade Receivables

a) Debtors	(6200 + 1800 − 215)	7785
b) B/R	(390 + 150)	540

c) Cash & Cash Eq.

(4800 - 55)

	4745
Total (B)	119225

Q106

PC For Raman

Payout to	Payout in	Working	Amt.
PSH of Raman	Pref. Shares of Rana	$\frac{3360 \times 4}{3}$ = 4480 no. × 115/-	515200
ESH of Raman	Eq. Shares of Rana	$\frac{67200 \times 5}{3}$ = 112000 no. × 12/-	1344000
ESH of Raman	Cash	as per WN	41260
			1900460

PC For Naman

Payout to	Payout in	Working	Amt.
PSH of Naman	Pref. Shares of Rana	$1680 \times \frac{4}{3}$ = 2240 no. × 115/-	257600
ESH of Naman	Eq. Shares of Rana	$25200 \times \frac{5}{3}$ = 42000 no. × 12/-	504000
ESH of Naman	Cash	as per WN	94980
			856580

WN- Calculation of Intrinsic Value (Net Assets)

	Raman	Naman
PPE	1058100	520100
Goodwill	162000	-
Inventory	178620	206780
T. Receiv.	247140	138180
Cash & Cash Eq	235240	160480
(-) T. Payable	(80640)	(168960)
Net Assets Available for PSH & ESH =>	1900460	856580
(-) PC to PSH	(515200)	(257600)
PC for ESH	1385260	598980
(-) PC in form of Shares	(1344000)	(504000)
Cash	41260	94980

Q103

Calculation of 4 yr. Return on C/E

Particulars	X Ltd	Y Ltd.
PPE (MV)	7100000	3900000
Curr. Assets (MV)	2995000	1577500
(-) T. payables	(5970000)	(1802500)
Capital Employed =	4125000	3675000
4 yr. Return =	165000	147000

Computation of PC

1) PC to SH of X Ltd. :-

Payment to	Payment in	Working	Amt.
ESH	Eq Shares.	620000 x 1/2 = 310000 x 5	1550000
ESH	Debn	165000 / 7.5 yr.	2200000
			3750000

Pc to y

Eq = 1550000

Debn = 1960000

Summary :- Total Equity = 3100000

Total Debn = 4160000

Calculation of Goodwill/CR

	X	Y
Total Pc discharged	3750000	3510000
(-) Net Assets acquired	4125000	3675000
Capital Reserves	375000	165000

Balance Sheet

ESC		3100000
Rss (Capital Reserves)		540000
7.5% Debn		4160000
Trade payables	7772500 -137250	7635250
		15435250
PPE		1,10,00,000
CA	4572500 - 137250	4435250

15435250

Q201 WN-1 Calculation of PC (Based on MP per Share)

a) PC to SH of A Ltd.

Payout to	Payout in	Working	Amt.
ESH of A Ltd	Eq. of I	300000 x 18 / 20 = 270000 no. x 20/-	54,00,000

b) PC to SH of B

ESH of B	Eq of I	240000 x 12 / 20 = 144000 x 20/-	28,80,000

Journal Entries in the Books of Z

1) Business purchase a/c Dr. 828000

To Liquidator of A Ltd a/c 540000

To Liquidator of B Ltd. a/c 288000

2)

Land & Building a/c Dr.	4900000	
Plant & Mach. a/c Dr.	2760000	
Loan to B a/c Dr.	220000	
Inventory a/c Dr.	1740000	
Tr. Receivable a/c Dr.	1340000	
Cash & Bank a/c Dr.	360000	
Goodwill a/c Dr.	1120000	
To Trade Payables		440000
To Loan		1420000
To Debt Holders of A Ltd.		2000000
To R.G.F a/c		100000
To New Liab. a/c		200000
To Business purchase a/c		828000

3) Liquidator of A Ltd. a/c Dr. 54,00,000
Liquidator of B Ltd. a/c Dr. 28,80,000
4,14,000 × 10/- To Equity Share Capital 41,40,000
4,14,000 × 10/- To Security Prem. 41,40,000

4) Debn Holder of A Ltd. a/c Dr. 20,00,000
To 12% Debn a/c Dr. 20,00,000

5) Loan From A a/c Dr. 220000
To Loan to B a/c 220000

6) Goodwill a/c Dr. 80000
To Bank a/c 80000

Balance Sheet
Z Ltd.

Particulars	Note no.	Amt.
(I) Equity & Liabilities		
1) Shareholders Funds		
(i) Share Capital	1	41,40,000
(ii) Reserves & Surplus	2	41,40,000
2) Non Current Liab.		

(i) Long Term Borrowings	3	32,00,00
(ii) Long Term provision	4	1,00,000

3) Current Liab. :-

Trade payables		440,000
Other Current Liability	5	200000
		1,22,20,000

II ASSETS

a) Non Current Assets

1) PPE		76,60,000
2) Intangible Assets	6	12,00,000

b) Current Assets

1) Inventory		17,40,000
2) Trade Receivables		13,40,000
3) Cash & Cash Eq.	7	2.80,000
		1,22,20.000

Notes to Accounts :-

1) Share Capital

(i) Authorised Share Capital :-

600000 of 10/-	60,00,000

(ii) Issued & Subscribed :-

414000 no. of 10/-	41,40,000

2) Reserves & Surplus

Security Premium	41,40,000

3) Long Term Borrowings

12% Debn		20,00,000
Unsecured Loan	600000	1200000
	820000	
	(-) 220000	
		32,00,000

4) Long Term Provisions

Retirement Gratuity fund	100000

5) Other Curr. Liab

New Liability (earlier Contingent)	200000

6) Intangible Assets

Goodwill	1120000	1200000
(+) Exp.	80000	

7) Cash & Cash Equiv.:-

		280000
A	300000	
B	60000	
(-) Exp.	(80000)	

150000
+8%.
162000
Settlement Value
÷
9
90

1800 nos.

Discount = 1800 × 10
amt = 18000

2)

To Debr 162000

4) Debr Hold 162000
Dis. 18000

To 12% Debr 180000

Cg. 400000
Ps. 90000
490000

PC = 490000

(-) N. Ass. Acq. = 570000

PPE 287500
Invst 80000
Invent. 304000
Tiker: 200500
Cash 10000

80000 CR
-30000 Liq Exp
50000 Net CR

(-) Cred. (150000)
(-) Debn (162000)

Class Example on Unrealised profit :-

Transaction of Sale/purchase between Tree (Big.) & Tror (Before amalgamation)

- Downstream (Sale by Tree to Tror) ⇓ Profit already earned by Tree But Inventory stock with Tror
- Upstream. (Sale by Tror to Tree) ⇓ Profit earned by Tror But Inventory stock With Tree

Target :- To eliminate the margin from Unsold Stock

Golden Rule :- 1) Reversal of Reserves of Such Company who booked margin earlier, because stock should be shown at Cost only.

⇓

RR/S
To Stock

2) If Amalg. in nature of purchase + Upstream Transaction

⇓

CR/Goodwill
To Stock

Case 1 :- Stock of Tror includes goods purchased from Tree at 60,000

Tree earned margin of Cost +20%.
100 20

Solution :- a) Downstream (120)

b) Unrealised profit = $\frac{60000}{120} \times 20$

= 10,000

c) Since Tree has earned this profit Tree shall pass the entry :-

Drawing amt.

RR/S (Tree) Dr. 10000
To Stock a/c 10000

Case 2:- Stock of Tree includes goods purchased from Tror Rs. 90000

Tror earned profit of 15% on its Sale.

This is Amalgamation in the nature of merger

Sol):- a) Upstream Transaction

b) Unrealised Profit ⇒ 90000 × 15% = 13500

Earned by Tror, and appearing in R&S of Tror

c) Since it is Case of merger, Tree Co. Can reverse the Reserves of Tror. Tree shall pass J.E as Under :-

During Amalgm.

R&S (Tror)	Dr.	13500
To Stock		13500

Case 3 :- Amalg. in the nature of purchase :-

Rest entire Case 2

Sol) :- 1) Upstream Transaction

2) Unrealised profit = 13500
earned by Trov & appearing in R&S of Trov.

3) Since R&S of Trov are not taken over by Tree Hence Tree can not debit R&S (Trov) a/c.
Hence it shall be adjusted as under :-

Entry by Tree at the time of amalgamation

CR/Goodwill	Dr.	13500
To Stock		13500

R&S
To Stock

Purch. + Upst. → CR/Gd
To stock

(a) :- Unsold Stock = 300000

Unrealised profit 10% = 30000

Stock will be took over at 96% Value

Took over at 288000

Up (-) 18000

27000

Total UP : 30000

(-) Difference Between 300000 BV of stock 288000 & Take Value of stock (12000)

Up = 18000 to be Eliminated

Tree margin 25% on Cost

Stock (Tree) = 600000
(including stock came from Tree of 120000)

120000
-24000
96000

Tree Co. took over the entire stock at 60% Value only.

Total UP = 24000 ($\frac{120000}{125} \times 25$)

took over UP

72000
-24000

12000 UP eliminate

Ex:- Loss

Unsold Stock with Tree came from Tree = 125000

Tree Sold above stock at 20% Loss on Sale

Cost = 150000

2nd entry — Under Asset Dr. 125000
Invest

Separate entry ⇒ Inventory Dr. 25000
To R&D 25000

Goodwill Calculation

1) **Avg. profit Method :-** Goodwill is 4 years purchase of Avg. profit of past 3 years.

	Profit (Loss)
20X1	180000
20X2	(25000)
20X3	135000

In the year 20X1, there was abnormal loss of 15000
& In the year 20X3, there was Non Trade Income of 12000

96667

Sol):-

	20X1	20X2	20X3
Actual Profits	180000	(25000)	135000
(+) A.b. loss	15000	–	–
(-) Non Trade Income	–	–	(12000)
	195000	(25000)	123000

Simple Avg = 97,667

Goodwill = 97667
× 4
390667

2) Super profit method

Goodwill = No. of yr. of purchase × (Avg Profit − Normal profit)

Ex:- Net Assets are 1900,00

Normal profit = 7%

Avg profit = 195000

Goodwill is 3 yrs. purchase of SP

SP = 195000 − 133000 (Normal) = 62000

Goodwill = 62000 × 3 = 186000

3) Capitalisation method :-

Alternate 1:- $\frac{SP}{NRR}$ = Goodwill

Alternate 2 :- $\frac{\text{Avg profit}}{NRR}$ − Actual C/E

Ex:- NRR = 10%

Avg profit = 420000

Capital Employed = 2500000

SP = Avg − NP

SP = 420000 − 250000 = 170000 / 10%

Goodwill ⇒ 2500000 − 170000 / 10% (1700000)

⇒ 800000

Capitalisation of SP method

Avg. 420000
Normal 250000
SP = 170000

Expected = 10%

Goodwill = 170000 / 10%

= 1700000

Capitalisation method

420000 / 10% Avg. Profit

4200000 Lagana chahie

2500000 Currently lagaya Hai Business

1700000 Goodwill

Q203

WN-1 Settlement of Debn Holders of Myth

Current Interest = 150000 × 14% = 21000

New 12% Debn Value = 21000 / 12% = 175000

WN-2 Non Trade Income

	T	M
Total Investment	187500	100000
Non Trade @ 80%	150000	80000
Non Trade Income (%)	20%	15%
Non Trade Income	30000	12000

WN-3 :- Calculation of Goodwill

Truth Imp Avg. = 723000 − 30000 = 693000

Myth Simp Avg = 228000 − 12000 = 216000

Capital Employed

	T	M
PPE	1575000	680000
Trade Investment	37500	20000
CA	512500	365000
(-) Debn	-	(150000) **
(-) T. payable	(90000)	(142000)
(-) OCL	(50000)	(40000)
Actual Capital Emp.	1985000	733000
Avg Profit	693000	216000
Capital Employed required	3850000	1200000
Goodwill	1865000	467000

**

We took Debn of 150000 (i.e Book value) & not Settlement since we are calculating Capital Employed for Goodwill.

Settlement value shall be taken for PC Calculation only under Net Assets.

WN-4 Calculation of PC (as per Iv method)

	T	M
Capital Employed	1985000	733000
(+) Non Trade Invst	150000	80000
(-) Debn adj	-	(25000)
(+) Goodwill	1865000	467000
N. Assets	40,00,000	1255000
÷ No. of eq sh.	100000	40000
Iv	40/-	31.375/-

Payout to	Payout in	Working	Amt.
ESH of Myth	Equity sh.	$\frac{40000 \times 31.375}{40}$	125500

31375 no.
× 40/- ← 10/- fv, 30/- prem

B/S (Truth)

ESC (10,00,000 + 313750)	13,13,750
R&S :- SP (31375 × 30/-)	941250
GR	505000
P&L	445000
EPR T 185000	210000
M 25000	
AAR	(25000)
12% Debn	175000
Trade payable	232000
OCL	90000
	38,87,000

PPE	22,55,000
Goodwill (only myth wali)	467000
Investments	287500
CA	877500
	38,87,000

1) BP Pc / Pc
To Liq

2) PPE
Goodwill
To Liab

Q302 (Amalg. in the nature of merger)

WN-1 Calculation of PC (₹ in Lakhs)

Payment to	Payment in	working	Amt.
ESH of D	Eq Share of S	$\frac{900}{2} \times 3$	13,500
		1350 × 10/-	

WN-2 Adjustment of R&S

Net Assets acquired = 15,427.5

Sundry Assets 18675

(-) Sundry Liab 3247.5

(-) PC discharged = 13,500

Reserves to be maintained = 1927.5

Foreign proj Reserve = 465

Bal. to be maint = 1462.5

GR to be maint. = 1462.5

68653.5

Balance Sheet

Sulphey

Esl (12500 + 13500)		36000
Ras	SP 4500	24981
	FPR 465	
	GR 15711	
(14250 + 1462.5 − 1.5)		
	Psl 4305	
13% Debn		1500
T. Payable (less Comm. Debt)		2374.5
provision		3798
		68653.5
Land & Build.		9000
P&m		28500
Fur fur.		6006
Inventory		17854.5
T. Receivables		4710.
C&B (Less 1.5)		2583
		68653.5

Revision ⟹ 2 Hr.

80%

RR Lecture (+) Abhyaas 20-25%

Prep Quest List

Take only 1-2 Question writing

(1) Chart Book (+) Summary Book

30 min.

330000

Debn of Glory are to be discharged by issue of New Debn at 10% prem.

330000 + 10% = 363000

110

3300 no.

330000 / 110 = 3000 no.

Glory

Cash = 104000

Collection = 110000 → 5% (5500)

Paym. = (180000) → 2.5% (4500)

Comm. = (10000)

Cash 24000

Q204

WN-1 Settlement of Debn of Glory :-

Existing Debn = 330000

Settled by issue of New Debn @ 10% Prem.
i.e at 110

No. of new Debn = $\frac{330000}{110}$ = 3000 no.

Value of New Debn = 3000 × 110
= 330000

WN-2 Calculation of PC by Net Assets method

	Galaxy	Glory
Freehold prop	588000	336000
P&M	252000	84000
M. Vehicle	56000	-
Inventory	336000	438000
Tr. Receivable	462000	-
Cash/Bank	238000	24000*
Goodwill	448000	168000
(-) Deb (Settlem. Value)	-	(330000)
(-) T. payable	(420000)	-
PC	1960000	720000

No. of Shares to be issued by Glorious @10/-	196000 no.	72000 no.

WN-3 Calculation of final Cash Bal. of Glory :-

Collection from TR	110000
Cash Bal.	104000
(-) Payment to Creditors	(180000)
(-) Commission deducted	(10000)
110000 × 5:1.	
180000 × 2.5%.	
Cash to be taken =	24000

OR

B/S Glorious

ESC 268000 no. of 10/-	2680000
R&S Prem. on Debn	30000
8% Debn (3000×100)	300000
T. Payable	420000
	3430000
Freehold property	924000
P&M	336000
M. Vehicle	56000

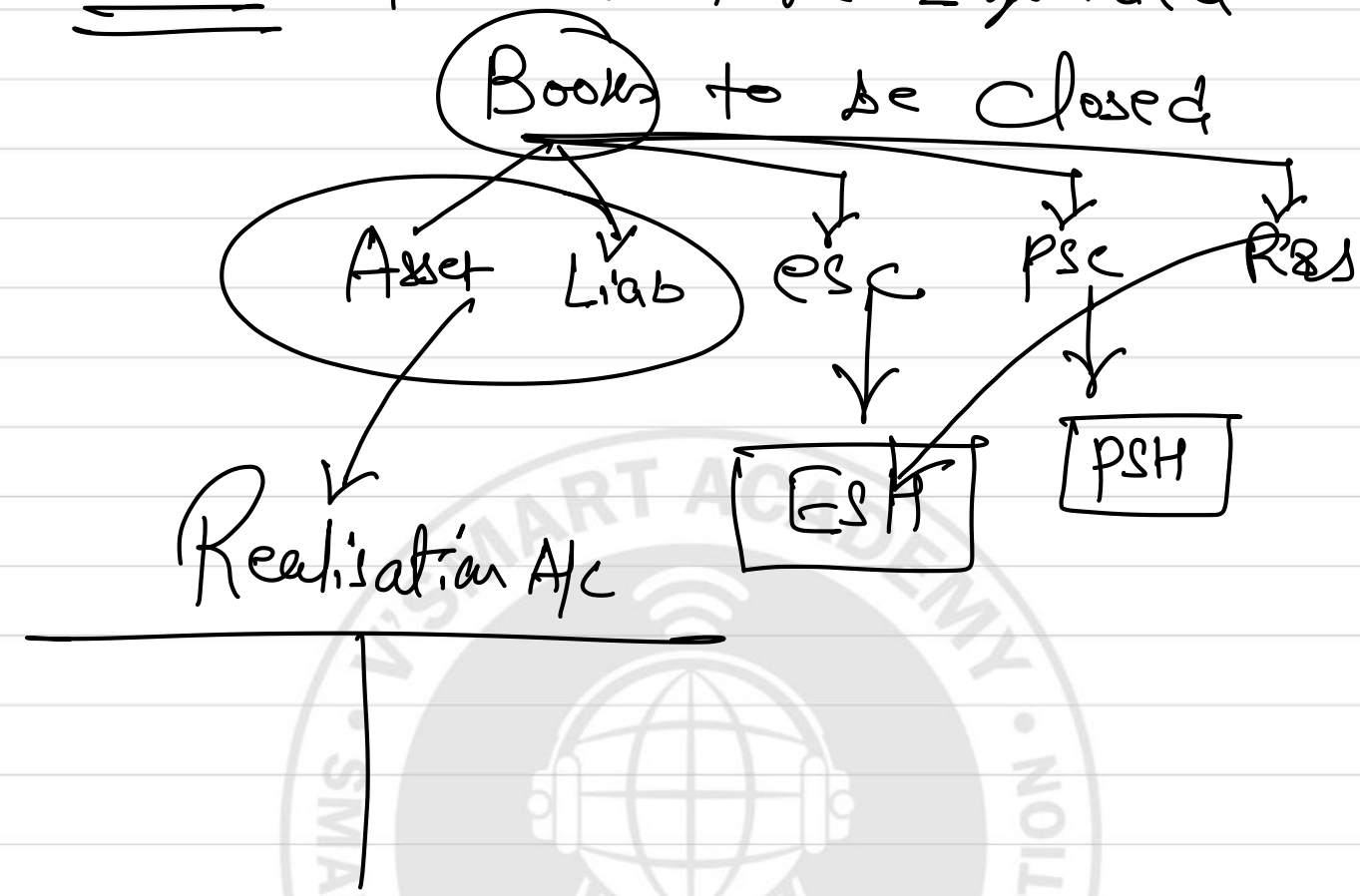
Inventory	774000
Goodwill	616000
T. Receiv.	462000
Cash	262000
	3430000

B/I	500000
PSC	

10% Pref. Shares of Trm are to be discharged by issue of New 12% Pref Share at 20% Prem.

$$\frac{500000}{120}$$

Firm ⟹ It must be Liquidated



1) To close all the Assets of Firm

Realisation
To Assets

2) Cash Bal. of Firm is not to be transfer. to Trce

Cash not to be transfer to Realisation

3) Liab. to be closed

Liab. a/c Dr.
To Realisation

4) ESC, PSC, RSS to be closed

ESC a/c Dr.
RSS a/c Dr.
To ESH

PSC Dr. 100000
To PSH 100000

5) PC Receivable from Tree :-

Tree a/c Dr.
To Realisation

nominal

PC / PC

6) PC Received

Cash a/c Dr.
Eq. Shares of Tree a/c Dr.
Pref. Shares of Tree a/c Dr. 110000
Debr of Tree a/c Dr.
To Tree a/c

7) Some Exp. are Incur. in Cash (Closures)

Realisation
To Cash

8) Pc discharged to PSH :-

PSH a/c Dr. 110000
To Pref. Shares of Trce a/c 110000

PSH A/c

To Pref Shac	110000	By Psc	100000
		By Realis.	10000

9) Close the Realisation A/c (Gain/Loss)

Gain ⇒ Realisation
To ESH

Loss ⇒ ESH
To Realis.

10) Pc discharged to ESH :-

ESH a/c Dr.
To Cash
To Eq Sh.
To Debs

Realisation

To Asset	BV (B/S)	By L.Liab.	BV
To Cash	Exp	By Trade Co.	PC
To PSH	(Diff.)	By PSH	(Diff)
To ESH	(B/F) Gain	By ESH	(B/F) Loss

Ex:-19

WN-1 Calculation of PC :-

L & B = 900000
P&M = 400000
Debtors = 500000
(-) B.Loan = (800000)
PC = 10,00,000

Payment to	Payment in	Working	Amt.
ESH of Trr	Eq Share of Tree	1000000 / 30	9,99,990
		33,333 no. x 30/-	
ESH	Cash	0.333 x 30	10
			10,00,000

Books of B Ltd.

Cash A/c

To Bal.	100000	By Real.	280000
To Real.	550000	By Real.	100000
To Tree	10	By ESH	270010

Realisation A/c

To L&B	600000	By Bank Loan	800000
To P&M	400000	By Creditors	300000
To Invst	500000	By Tree a/c (PC)	10,00,000
To Debtors	500000	By Cash a/c	550000
To Goodwill	100000		
To Cash	280000		
To Cash	100000		
To ESH (Gain)	170000		

ESH A/c

To Cash	270010	By ESC a/c	700000
To Eq Sh. of Tree	999990	By GR	400000
		By Real.	170000

Tree A/c

To Realisation	1000000	By Cash	10
		By Eq Shares of Tree	999990

Step 1 ⇒ Close all a/c (BS वाले करो)

Step 2 ⇒ Raise & Receive PC

Step 3 ⇒ Sale/settle any Asset/Liab which is not (Realisation) Given

Step 4 ⇒ Pay Liq Exp if any.

Step 5 ⇒ discharge PC to PSH

Step 6 ⇒ Calculate G/L on Real.

Step 7 ⇒ Settle ESH a/c

ESH Bal = PC + Cash if any

Q402 (Books of Tror Co.)

WN-1 Calculation of PC — K Ltd

Payment to	Payment in	Working	Amt.
PSH	Pref Sh.	$\frac{4000 \times 5}{1} = 20000 \times 22$	440000
ESH	Eq Shares	$\frac{8000 \times 6}{1} = 48000 \times 22$	1056000
ESH	Cash	WN-2	64000
			1560000

WN-2 Net Asset Calculation

	K
PPE	1130000
I.T. Asset	80000
Inventory	220500
T. Receiv.	275000

Cash	161375
(-) prov. for DD	(6875)
(-) T. payable	(100000)
(-) Debn	(200000)
Settlement value	

Net Assets =	1560000
(-) PC to PSH =	440000
PC for ESH =	1120000
(-) PC in form of Shares =	(1056000)
Cash =	64000

Closing the Books of K Ltd.

Realisation

To PPE	1130000	By T. payable	100000
To I. Ass.	80000	By Debn	200000
To CA	661375	By LK Ltd. (PC)	1560000
To PSH	40000	By ESH (Bf)	51375

PSH

To Pref. Shares of 2K	440000	By 7% PSC	400000
		By Realisat.	40000

ESH

To Realisation	371375	By ESC	800000
To Eq Share of 2K Ltd.	1056000	By P&L	371375
To Cash	64000		

2K Ltd.

To Realis.	1560000	By Pref Share	440000
		By Eq Sh.	1056000
		By Cash	64000

Cash

To LK 64000	By ESH 64000

Note:- Debn are settled at 5% discount after Take over.

Alternate 1:- Entire 200000 Debn shall be taken over & New issue will be made at 95% per Debn

Alternate 2 :- Debn to be taken over at 5% Lesser Value i.e 190000 & New Debn shall be issued equal to 190000 at par

We have taken Alternate 1. Alternate 2 can also be taken.

12,10,000

(-) 6,00,000 Cash

6,10,000

÷ 125

4,880 nos.

Q503

WN- Calculation of Unrealised profit

Unsold Stock Value = 100000

∴ Unrealised profit = $\frac{40000}{160000} \times 100000$

= 25000

Stock took over at 10% Lesser Value

Hence 100000 of Unsold Stock

is taken over at 90000

Net Up to be eliminated :—

Gross	25000
(–) took over at 90%	(10000)
	15000 to be eliminated

B Ltd B/S (Extract)

ESC		488000
SP	4880 x 25	107000
	(–) 15000 Unreal. Pr.	
TP	320000 – 40000	280000
Bank OD		600000
Build.		306000
Mach.		576000
Inv	198000	183000
	(–) 15000	
T. Receiv.	234	194000
	(–) 40	

Goodwill | 216000

HW Q402 → 2 Ltd Books Close

Q304

Q503

PC

Trcx

2500020 · X3 / 2

Tree

37500 no → PC 1.50 Cr

X40

B/S

ESC 10/- 37500

SP

B/F

1) Goodwill = ₹40,000

2) Net Asset

	P.	Q
Net Ass	2160000	1440000

No. of Shares issued by PQ

$$\frac{144000 \times 2160}{2160+1440}$$

86400 no.

$$\frac{144000 \times 1440}{2160+1440}$$

57600 no.

Issue Price Per Share	= 2160000 PC / 86400 no.	1440000 PC / 57600 no.
	= 25/-	25/-
Face Value	10/-	10/-
Premium	= 15/-	15/-

Q501

WN-1 Calculation OF Goodwill

	14-15	15-16	16-17
Profits	300000	525000	630000
Weights	1	2	3
Multiple	300000	1050000	1890000

$$W.Avg\ Profit = \frac{3240000}{6}$$

$$= 540000$$

∴ Goodwill = 540000

WN-2 It is given in Question that Consideration is based on Net Assets
Hence PC = Net Asset Value

It is also given in the question that Total Share Capital (Under PC) OF PQ Should be Equal to Combined Sh. Capital OF P & Q. (i.e 600000 + 840000)

Conclusion :- Hence Total PC Value is Equal to Net Assets. But Face Value portion of such PC is Equal to Combined Capital i.e 1440000

i.e $\frac{1440000}{10}$ = 144000 no.

Net Asset Calculation	P	Q
Goodwill	540000	-
All Assets of Bfs	1860000	2520000
(-) all Liab of Bfs	(240000)	(1080000)
PC ⇒	2160000	1440000

It is given in the question to distribution PC Shares (i.e 144000) in the ratio of the respective Net Assets.

PC (no. of shares)	$\frac{144000 \times 2160}{2160+1440}$	$\frac{144000 \times 1440}{3600}$
	86400 no.	57600 no.

∴ Issue price per share	2160000 / 86400	1440000 / 57600
	25/-	25/-
Face value per share	10/-	10/-
∴ Premium per share	15/-	15/-

Note :—

New shares 72000 no. shall be issued at 15/- premium

Journal Entries

Note :- This is Amalgamation in the nature of purchase since Goodwill is Calculated

1) Business purchase A/c Dr. 3600000
   To Liq. of P Ltd 2160000
   To Liq. of Q Ltd 1440000

2)

Fixed Assets	Dr.	1800000
Inventory	Dr.	1020000
T. Receivable	Dr.	1260000
Cash	Dr.	300000
Goodwill	Dr.	540000
To B. of D		540000
To T. payables		780000
To Bus. pur.		360000

3)

Liquidator of P a/c	Dr.	2160000
Liq. of Q a/c	Dr.	1440000
To ESC a/c		1440000
To SP a/c		2160000

4)

Bank a/c	Dr.	1800000
To ESC		720000
To SP		1080000

Q205 — Rough work

1) Inventory not taken over

2) Realisable Value

	A	G
Inventory	2,94,40,000	—
Other CA	5760000	1,34,40,000

3) Ganga ⇒ Secured Loan 1,60,00,000

Principal 1,28,00,000

Inter. 3200000 − 50% = 16 lacs.

4) 400000 no. issued against Cash i.e 40,00,000

5) PC to PSH = 4,00,000/-

6) S. Loan took over in Tree (AG Ltd.)

A	G
3,20,00,000	128 P
(-) 2,94,40,000	16 I
25,60,000	1,44,00,000

7) Unsecured loan took over by AG Ltd
172 X 25% = 43,00,000

8) Employee Liab. taken over (60+36) & then settle by issue of Eq Sh. of AG
i.e. 96 lacs.

9) Stat. Liab fully Take over => (144+20) = 164

10) Trade payable took over @ 80%.

A	G
4480000	28,80,000

A	G
4	0

PC → NA → G/CR

WN.1

Summary of Net Assets Taken over

	A	G
PPE	68,00,000	1,36,00,000
Other CA (excluding Invest)	57,60,000	1,34,40,000
(-) Secured Loan	(2560000)	(14400000)
(-) Unsecu. Loan	(4300000)	-
(-) Trade payable	(4480000)	(2880000)
(-) Stat. Liab	(14400000)	(2000000)
(-) Liab to Emp	(6000000)	(3600000)
	(19180000)	41,60,000

WN.2 PC Summary :-

	A	G
PC to PSH	4000000	-

* Shares issued against Cash is not PC

WN-3 Calculation of Goodwill / CR

	A	G
PC	400000	0
(-) Net Assets Took over	+1,91,80,000	41,60,000
	1,95,80,000	41,60,000
	Goodwill	CR

Balance Sheet
AG Ltd.

E&E	400000 (PSH) 40,00,000 against Cash 9600000 to Employees	1,40,00,000
R&S	CR	41,60,000
LTB	a) Secured Loan (2560000 + 14400000)	16960000
	b) Unsecured Loan	43,00,000

CL

Trade payables	736000
Stat. Liab.	1,64,00,000
Liab. to Emp X	—
	631,80,000

PPE	2,04,00,000
Goodwill	1,95,80,000
Other CA	1,92,00,000
Cash (400000 × 10)	40,00,000
	6,31,80,000

Q502

WN-1 Pc as per Net Assets

	W
PPE (2400 - 60 + 120)	2460
Goodwill	240
Inventory	720
T. Receivable	1080
*Cash & Eq.	360
(-) T. payable	(360)
Pc	4500

No. of shares = $\frac{4500000}{100}$ = 45000 no.

Cash Value

B/s Cash = 420 31/3

(-) Divd = 360

(+) Cash profit = 300

360 1/7 Net Cash Value

NP = 240

(+) Dep = 60

300

2) Net CA as on 1/July (£ in 000)

	B	W
Tr. Receivable	1680	1080
Inventory	960	720
Cash	1410*	360
(-) T. payable	(600)	(360)
	3450	1800

1440 31/3
(-) 600 Divd
(+) 570 Cash profit
1410

3) Bal. of P&L of Black Ltd.

31/3 Bal P&L = 720
(+) NP = 480
(-) Dividend = (600)
Bal. 1/7 = 600

4) PPE Bal. after Take over on 1/7

Black	PPE 31/3	3600
	(-) Dep(3m)	90
	1/7	3510

White	PPE taken over	2460
	PPE Bal.	5970

Q504
Q301
Q401
Mohan Ltd merger Transferor.

Home Section

X 403 Transferor
505 X
506
507 Priority

Q301 Books of B

1) Loan To Cap. Reduction 60,000 / 60,000

2) Esc a/c Dr. (100) 10,00,000
To Esc (10) 100000 ÷ 10 (10000 no.)
To Cap. Red. 900000

3) Esc a/c Dr. (10) 100000
To Esc a/c (100) 100000
(Bring 10000 share Consolidated to 1000 Shares)

PC working :-

20000 × 1/1 = 20000 no.
× 100/-
PC 20,00,000

4) Business purchase a/c Dr. 20,00,000
To Liq. of Add. 20,00,000

5) PPE a/c Dr. 2700000
Invest a/c Dr. 700000
To T. Receiv. a/c Dr. 400000
Cash a/c Dr. 250000

To T. payable 300000
To Debn Holder 500000
To Bank Loan 250000
To B/P 2000000
(BF) To Reser. 1000000

6) Liq. of A 20,00,000
To ESC 20,00,000

7) T. payable Dr. 100000
To T. Reserv. 100000

8) Capital Reduct. a/c Dr. 960000
To P&L a/c 800000
To CR a/c 160000

B/S

ESC (100000 + 2000000)		2100000
RES	CR 160000	1160000
	Reserv. 1000000	
Debn		500000
Loan from Bank	250 A	640000
	390 B	
Trade Payable	A 300	500000
	B 300	
	(-) Comm. 100	
B. of D		50000
		49,50000

PPE	35,50,000
Invest.	700000
T. Receiv.	450000
Cash	250000
	49,50,000

PC = 100
(-) NA = 90
10

PC = 400000
(-) NA = (19,80000)
1,95,80,000

Q507

Net Assets

Goodwill	150000
L&B	500000
P&m	400000
Invent	472500
T.Rec.	300000
Cash	60000
Unrecord. Asset	15000
(-) provision	(7500)
(-) T.payable	(240000)
(-) RGF	(60000)
	1590,000
(-) PC to PSH	330000
	1260000 PC ~~For~~ ESH
	÷
	10.5 New Share issue price
	120000 no.

External Reconstruction ⇒ 

A + B = A

A + B = C

Q104

1) Debn of Mohan = 200000 → Settlement by issue 20000 Debn of Ravi Ltd.

2) Interest on Debn (B/S) = 20000 → Settlement by equity share 2000 no. @10/-

3) Trade Payable (B/S) ⇒ 150000 → Settlement Value

12000 no. @10/-

120000

4) PC to PSH ⇒ 6000 no. × 1/1 = New 6000 Equity of 10/- = 60000

(+) 1 yr. Dividend Settled ⇒ 60000 × 9.1. = ₹ 5400 / 10

New eq shares 540 no.

5) PC to ESH :- 30000 × 1/3 = 10000 × 10 = ₹100000/-

6) Inventory at 72000
PPE at 308400

7) Remaining shares issued to public :-

40000
- 2000 to Debenture
- 12000 to Creditors
- 6540 to PSH
- 10000 to ESH

9460 to Public

i.e Bank 94600
To Cash 94600

8) Bank Bal. of Mohan to be taken over = 20000 - 5000 = 15000/-

1) WN-1 PC

Payment to	Payment in	Working	Amt
PSH	Equity Sh.	6540 rs. X 10	65400
ESH	Eq Sh.	30000 x 1/3 x 10	100000
		10000 x 10	
			165400

Note :- This is Analg. in the nature of purchase

WN-2 Calculation of Goodwill/CR

PC discharged	165400
(-) Net Asset acq.	165400
	NIL

PPE	308400
Inv.	72000
TR	110000
Cash	15000

(-) Payable (120000)

(-) Debn Holder (220000)

Books of Ravi Ltd.

Bank A/c

To B/P (took over)	15000	By Bal.	109600
To ESC	94600		
	109600		109600

B/S

ESC	400000
Debentures	200000
	600000
PPE	308400
Inventory	72000
T. Receivable	110000
Bank	109600
	600000

Books of Motan

Realisation

To PPE	340000	By Debtor Holder	200000
To Inventory	80000	By Int Accrued	20000
To T. Receiv.	110000	By T. payables	150000
To Goodwill	10000	By Ravi Ltd. (PC)	165400
To Bank (exp)	5000		
To Bank (Bank Bal. Closed)	15000	By ESH (Loss)	30000
To PSH	5400		

ESH

To P&L 170000	By ESC 300000
To Realisation 30000	By
To Eq. Shares 100000 of Ravi Ltd	

Merger

All Asset & Liab

Debn 200000 BV Recorded

220000

2nd

Gen. P&L

S. Ass. BV

To S. Liab

Debn ~~220000~~ 200000

4th

~~Debtors Old. 220000~~

~~To Debn 220000~~

Debtors 200000
Gen. Pzl 20000
To Debtors 220000

PC 1720000
~~10000 Exp~~
~~30000~~

Realisation Acc

To Bank 2500 | By Trec 1722000