$\boxed{A - L - R}$ =

33L − 4.25L − 5.25L = 2350000 PC 2585000

E = 235000 → Reserves Dr. (Gen. Res.)

STUDENT NOTES

Profit and loss Account	3,75,000	1,25,000	Trade receivables	4,50,000	5,15,000
15% Debentures (₹ 100 each)	2,50,000	1,75,000	Cash at bank	3,62,500	2,60,000
Trade payables	2,25,000	1,75,000			
Other current liabilities	1,00,000	75,000			
	49,50,000	33,00,000		49,50,000	33,00,000

~~All the bills receivables of Pee Ltd. were having Gee Ltd.'s acceptances~~.

Gee Ltd. takes over Pee Ltd. on 1st April, 2015. The purchase consideration is discharged as follows:

- Issued 1,65,000 equity shares of ₹ 10 each at par to the equity shareholders of Pee Ltd. 165000 x 10 = 1650000
- Issued 15% preference shares of ₹ 100 each to discharge the preference shareholders of Pee Ltd. at 10% premium. 850000 + 85000 = 935000
- The debentures of Pee Ltd. will be converted into equivalent number of debentures of Gee Ltd.
- The statutory reserves of Pee Ltd. are to be maintained for two more yea₹
- Expenses of amalgamation amounting to ₹ 10,000 will be borne by Gee Ltd.

2585000 Payment.

Nature = merger

$\boxed{\text{Accounting}}$

~~Details of trade receivables and trade payables as under~~

Question 13 **Category:-**

Ram Limited and Shyam Limited carry on business of a similar nature and it is agreed that they should amalgamate.

- A new company, Ram and Shyam Limited, is to be formed to which the assets and liabilities of the existing companies, with certain exception, are to be transferred.
- On 31st March 2015, the Summarized Balance Sheets of the two companies were as under:

Ram Limited Balance Sheet as at 31st March, 2015

Liabilities	₹	Assets	₹
Issued and Subscribed		Freehold Property, at cost	2,10,000
Share Capital:		Plant and Machinery, at cost	
30,000 Equity Shares of ₹ 10		less Depreciation	50,000
each, fully paid	3,00,000	Motor Vehicles, at cost Less	
General Reserve	1,60,000	Depreciation	20,000

Question 13 :- Calculation of Purchase Consideration (NATO)

Particulars	Ram ltd.	Shyam ltd.
1) Freehold property	210000	120000
2) Plant & machine	50000	30000
3) motors vehicles	60000	–
4) Inventory	120000	156000
5) Trade receivables	164000	–
6) Cash at bank	86000	–
7) Goodwill	160000	60000
less: 6% Debentures	–	(126000)
less: Trade payables	(150000)	–
Purchase Consideration	700000 ✓	240000

= 940000

A-C To Ram — TL — E/S→X — PC Ram TL

Shyam 2.4L — E/S — Shyam 2.4L

2) Discharge of Purchase Consideration

Total Purchase Consideration	700000	240000
Equity Share Capital of Ram & Shyam ltd. Nominal value / sh	10	10
No. of shares issued	$\boxed{70000\ ES}$	$\boxed{24000\ ES}$

= 94000 ES.

3) Nature of Amalgamation = $\boxed{Purchase}$ ✓

4) Accounting for Amalgamation → Homework

a. Business Purchase a/c Dr. 940000
   To Liquidators of Ram ltd. 700000
   To Liquidators of Shyam ltd. 240000

b. Freehold Property a/c Dr.

Balance Sheet of Ram & Shyam ltd. (after amalgamation)

Particulars	Notes	Amount	Amount
Equity & liability			
Shareholders funds			
Share capital	1	940000	
Reserves & Surplus			940000
Non current liabilities			
Long Term Borrowings	2	126000	126000
Current liabilities			
Trade Payables		150000	150000
			1216000
Assets			
Non-Current Assets			
PPE	3	470000	
Intangible Assets		220000	690000
Current Assets			
Inventory		276000	
Trade Receivables		164000	
Cash & cash Equivalents		86000	
			526000
			1216000

NOTE 3 : Property Plant & Equipment

Particulars	Amount
1) Freehold Property	330000
2) Plant & machine	80000
3) motors vehicles	60000
	470000

NOTE 2 : Long Term Borrowings

1) 6% Debentures	126000

NOTE 1 : Share Capital

Particulars	Amount
Issued subscribed & Paidup	
94000 Equity Shares of ₹10each	940000

STUDENT NOTES

Profit and Loss Account	40,000	Inventory	1,20,000
Trade payables	1,50,000	Trade receivables	1,64,000
		Cash at Bank	86,000
	6,50,000		6,50,000

Shyam Limited Balance Sheet as at 31st March, 2015

Liabilities	₹	Assets	₹
Issued and Subscribed Share Capital:		Freehold Property, at cost	1,20,000
16,000 Equity Shares of ₹ 10 each, fully paid	1,60,000	Plant and Machinery, at cost less Depreciation	30,000
Profit and Loss Account	40,000	Inventory	1,56,000
6% Debentures	1,20,000	Trade receivables	42,000
Trade payables	64,000	Cash at Bank	36,000
	3,84,000		**3,84,000**

Assets and Liabilities are to be taken at book-value, with the following exceptions: Goodwill of Ram Limited and of Shyam Limited is to be valued at ₹ 1,60,000 and ₹60,000 respectively.

- **Motor Vehicles of Ram Limited is to be valued at ₹ 60,000.** read here
- **The debentures of Shyam Limited are to be discharged by the issue of 6% Debentures of Ram and Shyam Limited at a premium of 5%.**
- **The Trade receivables of Shyam Ltd. realized fully and Bank Balance of Shyam Limited are to be retained by the liquidator and the Trade payables of Shyam Ltd. are to be paid out of the proceeds thereof. You are required to:**

- **Compute the basis on which shares in Ram and Shyam Limited will be issued to the Shareholders of the existing companies assuming that the nominal value of each share in Ram and Shyam Limited is ₹ 10.**
- **Draw up a Balance Sheet of Ram and Shyam Limited as of 1st April, 2015, the date of completion of amalgamation.**
- **Write up Journal entries, including Bank entries, for closing the books of Shyam Limited.**

Question 14 **Category:-**

He summarised Balance Sheet of Mars Limited as on 31st March, 2015 was as follow:

Liabilities	₹	Assets	₹
Share Capital:		Fixed Assets:	
1,00,000 Equity shares of		Land and building	7,64,000

STUDENT NOTES

₹ 10 each fully paid up	10,00,000	Current Assets:	
Reserve and surplus:		Inventory	7,75,000
Capital reserve	42,000	Trade receivables	1,82,000
Contingency reserve	2,70,000	Cash at bank	3,29,000
Profit and loss A/c	2,52,000		
Current Liabilities & Provisions:			
Trade payables	2,66,000		
Provisions for tax	2,20,000		
Total	20,50,000	Total	20,50,000

On 1st April, 2015, Jupiter Limited agreed to absorb Mars Limited on the following terms and conditions:

Jupiter Limited will take over the assets at the following values:

Particular	**₹**
Land & building	10,80,000
Inventory	7,70,000
Bills Receivable	30,000

1880000

- ***Purchase consideration will be settled by Jupiter Ltd. as under:***
- ***4,100 fully paid 10% preference shares of ₹ 100 will be issued and the balance will be settled by issuing equity shares of ₹ 10 each at ₹ 8 paid up.***
- ***Liquidation expenses are to be reimbursed by Jupiter Ltd. to the extent of ₹ 5,000.***
- ***trade receivables realized ₹ 1,50,000. Bills payable were settled for ₹ 38,000. Income tax authorities fixed the taxation liability at ₹ 2,22,000 and the same was paid.***
- ***Trade payables were finally settled with cash remaining after meeting liquidation expenses amounting to ₹ 8,000.***

PSC 410000
ESC 1470000
No. of ES = 183750
1 → 8
x → 1470000
= 183750
clear

Details of trade receivables and trade payables as under

Trade Receivable : Debtor	**1,60,000**	
Less:- Provision for bad debts	(8,000)	1,52,000
Bill Receivable		30,000
Total		1,82,000
Trade payable:-Creditor		**2.26,000**
Bill payable		40,000
Total		2,66,000

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STUDENT NOTES

You are required to:

- *Calculate the number of equity shares and preference shares to be allotted by Jupiter Limited in discharge of purchase consideration*
- *Prepare the Realization account, Bank account, Equity shareholders account and Jupiter Limited's account in the books of Mars Ltd.*

Question 15 ***Category:-***

*The following was the **Balance Sheet** of **V Ltd**. **as on 31st March, 2015***

Particular	Note no.	Amount
Equity & Liabilities:		
Shareholders ' Fund		BV BV
Share Capital	1	A-L-R → $\boxed{1,150}$
Reserve & Surplus	2	(87)
Non-Current Liabilities		
Long term borrowing	3	630
Current Liabilities		
Trade Payable Cr.		170
Total		1,863
Assets		
Non-Current Assets	4	1,152
Tangible Assets		
Current Assets		
Inventories Dr.		380
Trade Receivables Dr.		256
Cash & Cash Equivalents	5	75
total		1,863

A - L - R → SC

1863 - 800 - (-87)

= 1150 + 11.5cr

PC 11.5cr.

E/S=0

STUDENT NOTES

Notes

Particular	**Amount**
(1) Share Capital Authorised:- Issued, Subscribed and Paid-up: 80 lakhs Equity Shares of Rs.10 each, fully paid up	800
35 lakhs 12% cumulative Preference Shares of Rs.10 each , fully paid up total	350
	1,150
(2) Reserve & Surplus	(87)
Profit & loss Account Dr.	
Total	(87)
(3) Long Term Borrowings	
10% Secured Cumulative Debentures of Rs.100 each, fully paid-up Cr.	600
Outstanding Debenture Interest Cr.	30
Total	630
(4) Non- Current Asset	
Land & Buildings Dr.	445
Plant & Machinery Dr.	593
Furniture, Fixtures and Fittings Dr.	114
Total	1,152
(5) Cash & Cash Equivalent	
Balance at bank Dr.	69
Cash in Hand Dr.	6
Total	75

V ltd. → P ltd. → Outsider

C 80 | P 20 | SP 100

CS 500000 → closing stock Dr. 100,000 → Reverse → closing stock Cr 100000

P&L Cr. 100,000 → Reverse → P&L Dr. 100,000

x - 100000 unrealised profit

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A	Dr.	1863			
To, L			− 630+170	1150	
To, R			− (87)		E/S → 0
To, ESC +SP				1150	
To, PSC					

15mins.

3. To PSC (35×10)
To ESC (64×10)
To SP (64×2.5)

STUDENT NOTES

On 1st April, 2015, P Ltd. took over the entire business of V Ltd. on the following terms:

- V Ltd.'s equity shareholders would receive 4 fully paid equity shares of P Ltd. of ₹ 10 each issued at a premium of ₹ 2.50 each for every five shares held by them in V Ltd.

P 4 V 5 64L × 12.5 = 8cr.

- Preference shareholders of V Ltd. would get 35 lakhs 13% Cumulative Preference Shares of ₹ 10 each fully paid up in P Ltd., in lieu of their present holding.

3.5cr. 11.5cr. PC

10% D of V ltd Dr.
To 10.5 Debentures
D = 600
I = 30

- All the debentures of V Ltd. would be converted into equal number of 10.5% Secured Cumulative Debentures of ₹ 100 each, fully paid up after the take over by P Ltd., which would also pay outstanding debenture interest in cash.

TP Dr. 7L
To TR 7L

- Expenses of amalgamation would be borne by P Ltd. Expenses came to be ₹ 2 lakhs. P Ltd. discovered that its trade payables included ₹ 7 lakhs due to V Ltd. for goods purchased.
- Also P Ltd's Inventory included goods of the invoice price of ₹ 5 lakhs earlier purchased from V Ltd., which had charged profit @ 20% of the invoice price. You are required to :
- Prepare Realisation A/c in the books of V Ltd.

Pass journal entries in the books of P Ltd. assuming it to be an amalgamation in the nature of merger.

Question 16 → With Internal Reconstruction **Category**:-

Following is the summarized Balance Sheets as at March 31, 2013:

(₹ '000)					
Liabilities	**Max Ltd.**	**Mini Ltd.**	**Assets**	**Max Ltd.**	**Mini Ltd.**
Share capital:			Goodwill	20	-
Equity shares of ₹ 100 each	1,500	1,000	Other fixed assets	1,500	760
9% Preference shares of ₹ 100 each	500	400	Trade receivables	651	440
General reserve	180	170	Inventory	393	680
Profit and loss account	-	15	Cash at bank	26	130
12% Debentures of ₹ 100 each	600	200	Own debenture (Nominal value ₹ 2,00,000)	192	-
Trade payables	415	225	Discount on issue of debentures	2	-
			Profit and loss account	411	
	3,195	2,010		3,195	2,010

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STUDENT NOTES

On 1.4.2013, Max Ltd. adopted the following scheme of reconstruction:

- Each equity share shall be sub-divided into 10 equity shares of ₹ 10 each fully paid up. 50% of the equity share capital would be surrendered to the Company
- Preference dividends are in arrear for 3 yea₹ Preference shareholders agreed to waive 90% of the dividend claim and accept payment for the balance.
- Own debentures of ₹ 80,000 were sold at ₹ 98 cum-interest and remaining own debentures were cancelled.
- Debenture holders of ₹ 2,80,000 agreed to accept one machinery of book value of ₹ 3,00,000 in full settlement.
- Trade payables, trade receivables and inventory were valued at ₹ 3,50,000, ₹ 5,90,000 and ₹ 3,60,000 respectively. The goodwill, discount on issue of debentures and Profit and Loss (Dr.) are to be written off.
- The Company paid ₹ 15,000 as penalty to avoid capital commitments of ₹ 3,00,000.
- On 2.4.2013 a scheme of absorption was adopted. Max Ltd. would take over Mini Ltd. The purchase consideration was fixed as below:
- Equity shareholders of Mini Ltd. will be given 50 equity shares of ₹ 10 each fully paid up, in exchange for every 5 shares held in Mini Ltd.
- Issue of 9% preference shares of ₹ 100 each in the ratio of 4 preference shares of Max Ltd. for every 5 preference shares held in Mini Ltd.
- Issue of one 12% debenture of ₹ 100 each of Max Ltd. for every 12% debentures in Mini Ltd.
- You are required to give Journal entries in the books of Max Ltd. and draw the resultant Balance Sheet as at 2nd April, 2013.

Question 17 **Category:-**

Given below are the summarized balance sheets of Vasudha Ltd. and Vaishali Ltd as at 31st March, 2013.

(Amount in ₹)

Liabilities	Vasudha Ltd	Vaishali Ltd.	Assets	Vasudha Ltd. BV	Vaishali Ltd MV
Issued Share Capital:			Factory Building	2,10,000	1,60,000
Equity Shares of ₹ 10 each	5,40,000 54000	4,03,300 40330	Trade receivables	2,86,900	1,72,900
General Reserves	86,000	54,990	Inventory	91,500	82,500
Profit & Loss A/c	66,000	43,500	Goodwill	50,000	35,000
Trade payables	44,400	58,200	Cash at Bank	98,000	1,09,590
	7,36,400	5,59,990		7,36,400	5,59,990

75000

50000

Question 17 :- Calculation of Purchase Consideration

Intrinsic Value Method

Particulars	Vasudha ltd.	Vaishali ltd.
1) Factory Building	195000	175000
2) Trade Receivables	286900	172900
3) Inventory	91500	75000
4) Goodwill	75000	50000
5) Cash at Bank	98000	109590
6) less: Trade Payables	(44400)	(58200)
7) Total Intrinsic Value	702000	524290
8) Number of shares	54000	40330
9) Intrinsic Value /sh	13/sh	13/sh

1. Total Intrinsic Value of Vaishali ltd = 524290
2. Intrinsic Value /sh of Vasudha ltd = 13
3. Number of shares to be issued by Vasudha = 40330 sh.

×10

40330×3

=

Inv = C 100, x = 75000

P 10

Current Value 110, 82500

Balance Sheet of Vasudha ltd. (after amalgamation)

Particulars	Notes	Amount	Amount
Equity & Liability			
Shareholders funds			
Share Capital (540000+403300)		943300	
Reserves & Surplus	1	272990	
Non-current Liabilities			
Current Liabilities			
Trade Payables		102600	
			1318890
Assets			
Non-current Assets			
PPE	2	385000	
Intangible Assets		100000	

Current Assets			
Trade Receivables		459800	
Inventory		166500	
Cash & Cash Equivalents		207590	
			1318890

NOTE 1 : Reserves & Surplus

1) General Reserve	86000
2) P&L	66000
3) Securities Premium (40330x3)	120990
	272990

NOTE 2 : Property, Plant & Equipment

1) Factory Building (210000+175000)	385000
	385000

Assets Dr.	582490	} 524290	} E/S = 0
To, Liabilities	58200		
To, ESC		→ 524290	

C
+10%
Inv

= 100
= 10
= 110 ← 82500

X 75000 = 1000000 / 15 = 66,667

Vas | Vai
AMV | AMV
LMV | LMV
TIV | TIV =
÷ NO | ÷ No
N/S | IV/SH

STUDENT NOTES

- Goodwill of the Companies Vasudha Ltd. and Vaishali Ltd. is to be valued at ₹ 75,000 and ₹ 50,000 respectively.
- Factory Building of Vasudha Ltd is worth ₹1,95,000 and of Vaishali Ltd ₹ 1,75,000.
- Inventory of Vaishali has been shown at 10% above of its cost.

It is decided that Vasudha Ltd will absorb Vaishali Ltd, by taking over its entire business by issue of shares at the Intrinsic Value.

You are required to draft the balance sheet of the Vasudha Ltd after putting through the scheme assuming that the assets & liabilities of Vaishali Ltd. were incorporated in Vasudha Ltd at fair value and assets and liabilities of Vasudha Ltd. have been carried at carrying values only

Question 18 — **Category:-**

Star and Moon had been carrying on business independently. They agree to amalgamate and form a new Company Neptune Ltd with an Authorised Share Capital of ₹ 2,00,000 divided into 40,000 Equity Shares of ₹ 5 each.
On 31st March, the respective Balance Sheets of Star and Moon were as follows:
(in ₹)

Particulars		Star	Moon
	Fixed Assets	3,17,500	1,82,500
	Current Assets	1,63,500	83,875
		4,81,000	2,66,375
Less:	Current Liabilities	(2,98,500)	(90,125)
	Balance representing Capital	1,82,500	1,76,250

Additional Information:
Revalued figures of Fixed and Current Assets were as follows

Particulars	Star	Moon
Fixed Assets	3,55,000	1,95,000
Current Assets	1,49,750	78,875

The Debtors and Creditors include ₹ 21,675 owed by Star to Moon.
The Purchase Consideration is satisfied by issue of the following Shares and Debentures:
30,000 Equity Shares of Neptune Ltd to Star and Moon, in the proportion to the profitability of their respective business, based on the Average Net Profit during the last three years which were as follows:

Particulars	Star	Moon
Year before last - Profit	2,24,788	1,36,950
Last Year - (Loss) / Profit	(1,250)	1,71,050
This Year - Profit	1,88,962	1,79,500

S : 30000 × 4125 / 9000 = 13750 E.S

M : 30000 × 4875 / 9000 = 16250 ES

412500

487500

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×5 68750 ×5 81250

STUDENT NOTES

• 15% Debentures in Neptune Ltd at par to provide an Income equivalent to 8% Return on Capital Employed in their respective business as on 31st March, after revaluation of assets. Net Assets

Required:

(1) Compute the amount of Debentures and Shares to be issued to Star and Moon, and

(2) Prepare the Balance Sheet of Neptune Ltd showing the position immediately after amalgamation. → Homework

ICAI SM → Questions

Special points :-

Capital Employed × 8% = Amount

Income → Debentures (15%)

x 100%

Capital Emp

	S	M
FA	353000	195000
CA	149750	78875
- CL	(298500)	(90125)
C.E.	206250	183750

Star = 206250 × 8% = 16500 → 15%

x = 110000 → 100%

Moon = 183750 × 8% = 14700 → 15%

x = 98000 → 100%

Total Purchase Consideration

	S	M	
1. Equity Share Capital	68750	81250	
2. Debentures	110000	98000	
Total Purchase Consideration =	178750	179250	= 358000

"IF YOU DO WHAT YOU ALWAYS DID, YOU WILL GET WHAT YOU ALWAYS GOT"

CA Tejas Suchak