Amalgamation (AS 14)

Q121 Calculation of Purchase Consideration (Net Assets method)

Particulars	Amt.
PPE	35,75,000
Investment	6,00,000
Current Assets (Less 10%)	4,50,000
(–) Trade payables	(5,00,000)
(–) Debenture holders (700 + 10%)	(770000)
Total PC for PSH & ESH =	33,55,000
(–) PC to PSH (750000 + 10%) =	(8,25,000)
PC available for ESH =	25,30,000
(–) PC to ESH in the form of Shares =	22,50,000

$$\frac{150000}{2} \times 3 = 225000$$

$\times 10/-$

Pc to ESH in Cash = 2,80,000
(B/F)

Q122

1) Transactions Before Amalgamation (acquisition)

a) Revaluation of PPE :-

	P	Q
BV	7,00,000	2,50,000
(+) 15% upwards	105000	37500
Revalued Amt	805000	287500

Revaluation Reserve will be Recorded in Books.

b) Equity Dividend Payment :-

	P	Q
ESC	6,00,000	3,00,000
Eq. Divd 10%	60,000	30,000

↓

Out of R&S Dr. effect
& Cash/Bank Cr. effect

2) Amalgamation adjustments / Transactions :-

a) Calculation of Purchase Consideration (PC)

Paymt to	Paymt in	Working	Amt.
ESH of Q Ltd.	Eq. shares of P Ltd	$\frac{30000}{6} \times 8$ 40,000 × 10 no.	4,00,000
PSH of Q Ltd.	Pref. shares of P Ltd.	100000 - 10% @ 100/- each 900 no.	90,000
		Total PC =	4,90,000

b) Settlement with Debentureholders

Settlement Value = 150000 + 8% = 162000

New 12% Debn to be issued at 10% Dis. = $\frac{162000}{90\%}$ = 180000 Face value of New Debn

i.e 1800 no. of Debn

100/- FV @ 90/- each.

Journal Entries
(Books of P Ltd.)

1) Before Amalgamation :-

		Dr.	Cr.
i)	PPE a/c Dr.	105,000	
	To Revaluation Reserve		105,000
ii)	Reserves & Surp Dr.	60,000	
	To Dividend payable		60,000
iii)	Dividend Payable Dr.	60,000	
	To Bank a/c		60,000

2) After Amalgamation :-

		Dr.	Cr.
i)	Business purchase a/c Dr.	490000	
	To Liquidator of Q Ltd.		490000
ii)	PPE a/c Dr.	287500	
	N.C. Investm. Dr.	80,000	
	Inventory Dr.	304,000	
	Debtors Dr.	1,90,000	
	Bill Rec. Dr.	20,000	
	Cash & CE Dr.	10,000	

To provision for BD 9500

To Trade Payables 150000

always at settlement value

To Debenture holders of Q Ltd. 162000

To Business purchase 490000

(B/F) To Capital Reserve 80000

iii) Debentureholders of Q Ltd. 162000
Discount on issue Dr. 18,000
To 12% Debentures 1,80,000

(iv) Liquidator of Q Ltd. Dr. 4,90,000
To 10% PSC a/c 90,000
To Eq. Share Cap. a/c 4,00,000

v) Capital Reserve a/c Dr. 30,000
To Bank 30,000

vi) Creditors a/c Dr. 10,000
To Debtors a/c 10,000

Q123

WN-1 Settlement of Debentures of Myth

Existing Interest Income @ 14% = 21,000

To provide 21,000 Interest @ 12% New Debⁿ the principal value should be :-

$$\frac{21000}{12\%} = 1,75,000$$ Settlement Value

WN-2 Analysis of Investments

	T	M
Total Investment	1,87,500	1,00,000
80% Non Trade Investment	150000	80,000
Non Trade Income	20% 30,000	15% 12,000

WN-3 Calculation of Avg. Profit

	Truth	Myth
18-19	8,20,000	2,55,000
19-20	7,45,000	2,15,000
20-21	6,04,000	2,14,000
Simple Avg.	7,23,000	228000
(-) Non Trade Income	(30,000)	(12,000)
Avg. Profit	6,93,000	2,16,000

WN-4 Calculation of Actual Capital Employed

	Truth	Myth
PPE	15,75,000	6,80,000
Trade Invest.	37,500	20,000
Curr. Assets	512500	365000
(-) Current Liab.	(140000)	(182000)
(-) 14% Debn	-	(150000)
Capital Employed	19,85,000	7,33,000

WN-5 Calculation of Goodwill (Capitalisation method)

$$\text{Goodwill} = \frac{\text{Avg Profit}}{\text{NRR}} - \text{Actual C/E}$$

$$\text{Goodwill of Truth} = \frac{693000}{18\%} - 1985000$$

$$= 18,65,000$$

$$\text{Goodwill of Myth} = \frac{216000}{18\%} - 733000$$

$$= 4,67,000$$

WN-6 Calculation of Intrinsic Value per Share

	Truth	Myth
PPE	1575000	680000
All Investments	187500	100000
Goodwill	18,65,000	4,67,000
CA	5,12,500	3,65,000
(−) CL	(140000)	(182000)
(−) Debenture	—	(175000)
	40,00,000	12,55,000
(−) PC to PSH	—	—
Net Assets For	40,00,000	12,55,000

ESH

÷ No. of eq. Shares	1,00,000	40,000
Intrinsic Value	40/-	31.375/-

WN-7 Calculation of PC :-

Paymt to	Payment in	Working	Amt.
ESH of Myth	Equity share	$\frac{40000 \times 31.375}{40}$ 31375 no. @ 40/- FV = 10/- SP = 30/-	12,55,000

Balance Sheet (Truth Ltd) after Amalgamation

Particulars		Amt.
Eq. Share Capital 131375 no. @ 10/-		13,13,750
Reserves & Surplus		20,76,250
GR	505000	
P&L	445000	
EPR	210000	
Am. Adj Res.	(25000)	
SP (31375×30)	941250	

Long Term Borrowings

12% Debentures	175000

Current Liabi :-

Trade Payables	232000
Other Curr. Liab.	90,000
	38,87,000

Non Current Assets

PPE	22,55,000
Investments	287500
Goodwill	467000

Current Assets

Inventories	3,00,000
Tr. Receivables	377500
Cash & Cash Equ.	2,00,000
	38,87,000

Q 124

WN-1 Calculation of Cash to be taken over of Glory Ltd.

Cash retained by Liquidator	=	104000
(+) Collection from Debtors	=	110,000
(-) payment to Creditors	=	(180,000)
(-) Commission to Liquidator in Cash		
5% of 110000		(5500)
2.5% of 180000		(4500)
Cash to be taken over by New Co.	=	24,000

2) Calculation of PC (Net Asset method)

	Galaxy	Glory
Property	588000	336000
P&M	252000	84000
Motor	56000	—
Goodwill	448000	168000
Inventory	336000	438000
Trade Rec.	462000	—
Cash	238000	24000

(-) T. Payable	(420000)	-
(-) Debn	-	(330000)
Net Assets PC	19,60,000	720000
No. of Shares to be issued by Glorious @ 10/-	196000	72000

B/s → You should Try.

Q126 Merger + Internal Reconstruction

Books of B Ltd.

1) Reconstruction of B Ltd.

a) Bank Loan a/c Dr. 60.000
To Capital Reduction 60,000

b) Eq. Share Cap. (100) a/c Dr. 10,00,000
To ESC (10) a/c 1,00,000
To Capital Reduction a/c 9,00,000

10000 no. × 10/-

c) ESC (10) a/c Dr. 1,00,000
To ESC (100) a/c 100000
(10000 no. Converted into 1000 no.)

d) Capital Reduction a/c Dr. 960000
To P&L a/c 8,00,000
To Capital Reserve 1,60,000

Working Note :- Calculation of Purchase Consideration

No. of Shares to be issued by B = 20000 × 1/1 = 20000 no.

× 100/-

20,00,000

Journal Entries for Amalgamation (Books of B)

1) Business purchase a/c Dr. 20,00,000
To Liquidator of A Ltd. 20,00,000

2) PPE a/c Dr. 27,00,000
Invst a/c Dr. 7,00,000
T. Receiv. a/c Dr. 4,00,000
Bank a/c Dr. 2,50,000

To Tr. payables 3,00,000
To Deb^n Holders of A Ltd. 5,00,000
To Bank Loan 2,50,000
To Business purch. 20,00,000
To General Reserv. 10,00,000

3) Liquidator a/c Dr. 20,00,000
To Eq. Shar. Capital 20,00,000

4) Trade payable a/c Dr. 100000
To Trade Receivables 100000

5) Debn Holders of A Ltd Dr. 500000
To 10% Debn a/c 500000

Balance Sheet (after merger)
B Ltd.

Particulars	Amt.
ESC (100000 + 20,00,000)	21,00,000
R&S :-	
Capital Reserves	160000
General Reserve	10,00,000
10% Debentures	5,00,000
Bank Loan B 450000 (60000) (+) A 250000	640000
Trade payables (300 + 300 − 100)	500000
Bank O/D	50,000

49,50,000

PPE	35,50,000
Investments	7,00,000
Trade Receivables (400 + 150 − 100)	450000
Bank Bal.	2,50,000
	49,50,000

Q130 (Merger)

(in Lakhs)

WN-1 Calculation of PC

Payment to	Payment in	Working	Amt.
ESH of V Ltd.	Eq. Shares in P Ltd.	$\frac{600}{2} \times 3 = 900$ no. $\times 10/-$	9000

Books of P Ltd.

Journal entries

1) Business purchase Dr.	9000	
To Liquidator of V Ltd.		9000

2)

P&M	5000
Furniture	1700
Inventory	4041
Debtors	1020
B/R	80
Bank a/c	609

To provisions	702
To Creditors	463
To Debenture holders	1000
To Business purch.	9000
To Foreign project Reserve	310
To P&L a/c	775
To GR	200

3) Liquidator a/c Dr. 9000
To ESc a/c 9000

4) Debn Holders of V Ltd Dr. 1000
To 13% Debn 1000

5) P&L a/c Dr. 1
To Bank 1

6) B/P To B/R 80 80

Q127

WN-1 Calculation of Goodwill

	14-15	15-16	16-17
Profits	300000	525000	630000
Weights	1	2	3
Weighted profits	3,00,000	10,50,000	18,90,000

$$W.\ Avg = \frac{3240000}{6} = 540000 = \text{Goodwill}$$

Note:- As per the information given in Question, after amalgamation the share capital of New Co. (PQ) should be the combined Sh. Capital of Both Companies under Pc Calculation.

Hence, Pc (in form of shares) shall consist of Sh. Capital of 14,40,000.

Hence No. of shares in Pc $= \frac{1440000}{10}$ Face value

$= 1,44,000$ no.

WN-2 Calculation of PC (by Net Assets)

	P	Q
Fixed Assets	720000	1080000
Inventory	360000	660000
Tr. Receivables	480000	780000
Cash & Cash eq.	300000	-
(-) Trade Payable	(240000)	(540000)
(-) Bank O/D	-	(540000)
(+) Goodwill	540000	
Purchase Consider. =	2160000	1440000
PC (Shares) to be issued in the ratio of N.Assets Value	$144000 \times \frac{2160}{2160+1440}$	$144000 \times \frac{1440}{3600}$
	86400 no.	57600
Issue price per share	$\frac{2160000 \text{ (PC)}}{86400 \text{ no.}}$	$\frac{1440000 \text{ (PC)}}{57600 \text{ no.}}$
	25/-	25/-

Face value 10/-
Premium 15/-

3) New issue of shares in Cash ⇒ 72000 no. × 25/-

18,00,000

Journal Entries (Books of PQ Ltd.)
(Amalgamation in the nature of Purchase because of Goodwill)

1)	Buss. purchase a/c Dr.	36,00,000	
	To Liq. of P Ltd.		2160000
	To Liq. of Q Ltd.		14,40,000
2)	Fixed Assets a/c Dr.	18,00,000	
	Inventory a/c Dr.	1020,000	
	Tr. Receivable a/c Dr.	12 60,000	
	Cash a/c Dr.	300000	
	Goodwill a/c	540000 (B/F)	
	To Trade payables		780000
	To Bank OD		540000
	To Buss. purchase		36,00,000
3)	Liquidator of P a/c Dr.	2160000	
	Liquidator of Q a/c Dr.	14,40,000	
	To ESC a/c		1440000
	To SP a/c		21,60,000

4) Bank a/c Dr. 18,00,000

To Eq. Sh. Cap. 7,20,000

To SP 10,80,000

B/S ⇒ Students duty

Q129

Note:- It is Clearly given that Trade payables are taken over. Hence Loans & 10% Deb^n shall not be taken by B Ltd.
A Ltd. Shall Settle Loan & Deb^n in Cash
patent is not taken over & Separate Sale value is not given, Hence Can not be realised in Cash.

WN-1 Calculation of Goodwill

Goodwill = SP × 4

SP = Avg Profit − Normal profit

Normal profit = 8% of (Sh.Cap + GR)
= 8% of 880000
= 70,400/-

SP = 1,24,400 − 70,400 = 54,000

Goodwill = 54000 × 4 = 2,16,000

WN-2 Calculation of PC :- (Net Asset)

Building	306000
Machine	576000
Inventory	198000
Tr. Receivable	260000
Goodwill	216000
(-) Trade Payables	(320000)
(-) prov. For BD	(26000)

Purchase Cons.	=	12,10,000
(-) PC in Cash	=	6,00,000
Balance PC in Equity shares	=	610000

No. of Shares to be issued = $\frac{610000}{125}$ = 4880 no.

Books of A Ltd.

Realisation A/c

To S. Assets (except Bank & share issue)	15,90,000	By T. Payable	320000
To Bank (Loan & Debn Settled)	560000	By Loan	160000
To Bank (exp. Settled)	16000	By Debn	400000
		By B Ltd. (PC)	12,10,000
		By ESH (Loss) (B/F)	76000

Equity Shareholders A/c

To Share issue exp.	34000	By ESC	800000
To Realis. a/c (Loss)	76000	By GR	80000
To Eq. Shares of B Ltd.	610000		
To Bank	160000		

Bank A/c

To Bal. b/d	136000	By Realis.	560000
To B Ltd.	6,00,000	By Realis.	16,000
		By ESH	1,60,000

~~B Ltd.~~ a/c (Tree)

To Realis. a/c (PC)	12,10,000	By Bank	6,00,000
		By Eq. shares of B	610000

Books of B Ltd.
(Amalg. in the Nature of purchase)

1) Unrealised profit

	SP	Profit
Total	160000	40000
Unsold	100000	? = 25000

25000 UP
− 10000
15000

R&S a/c Dr. 15000
To Stock 15000

Balance Sheet
B Ltd.

Share Capital 4880 x 100	488,000
R&S: SP 4880 x 25	1,22,000
P&L a/c (15,000)	
Tr. payables 320000 (−) 40000	2,80,000
Bank O/D (Cash paid in PC)	600000
	1475000

Building	306000
Machine	576000
Inventory (198000 − 15000)	183000
Tr. Receivable (260000 − 26000 − 40000)	194000
Goodwill	216000
	1475000

Mail id =

Name
mobile (Reg.)
Batch purchase ?
Order id

Subject : Booster practice batch access not found

1) MCQs Doubts

X 2) Amalgamation Doubts

3) Amalg Q125 discuss

AS 2

Concept Revision

+

Question practice

Q125

WN-1 Details of Assets & Liabilities taken over :-

	Aakash	Ganga
PPE	68,00,000	1,36,00,000
Other CA	57,60,000	1,34,40,000
(-) Secured Loan	(25,60,000)	(1,44,00,000)
(-) Unsec. Loan	(43,00,000)	—
(-) T. payables	(44,80,000)	(28,80,000)
(-) Stat. Liab.	(1,44,00,000)	(20,00,000)
(-) Liab. to Emp.	(60,00,000)	(36,00,000)
Net Assets Taken over	(1,91,80,000)	41,60,000
PC discharged	4,00,000	—
Issue of Eq. shares to PSH		
Goodwill/CR	1,95,80,000 Goodwill	41,60,000 CR

WN-2 Separate Equity Capital issued in Cash

400000 × 10 = 40,00,000

Bank 40 lacs
To ESC 40 lacs.

(+) Eq. Sh. Capital to be issued For Settlement of Employees Liab. = 96,00,000

Total ESC issued = 1,36,00,000
(+) pc to PSH 4,00,000
1,40,00,000

Balance Sheet
Aakash Ganga Ltd.

Particulars	Amt.
ESC (1,36,00,000 + 4,00,000)	1,40,00,000
CR	41,60,000
Secured Loans (2560000 + 14400000)	1,69,60,000
Unsec. Loans.	43,00,000
Tr. payable	73,60,000
Stat. Liabilities	1,64,00,000
	6,31,80,000
PPE	2,04,00,000
Goodwill	1,95,80,000
Other CA A 57,60000	2,32,00,000

G 1,34,40,000

New issue (+) in Cash 40,00,000

6,31,80,000