

# AMALGAMATION

## Nature of Purchase (Adjustment Cases)

B/s (Y Ltd.)

Share Capital	500	Fixed Assets	700
Reserves & Surplus	100	Current Assets	300
Creditors	400		
	<u>1000</u>		<u>1000</u>

Fixed Assets valued at 680.

## Purchase Consideration (Net Payment Method)

Case 1: 750

FA 680  
 CA 300  
 G/w (B/P) 170  
 To Creditors 400  
 To Bus. Purch. 750

$$680 + 300 - 400 = 580$$

$$750$$


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$$G/w \quad 170$$

Case 2: 550

FA 680  
 CA 300  
 To cap. Res. (B/P) 30  
 To Creditors 400  
 To Bus. Purch. 550

## B/s (Y Ltd.) (X)

Share Capital	500	Fixed Assets	700
Reserves & Surplus	100	Current Assets	300
Creditors	400		
	<u>1000</u>		<u>1000</u>

## Purchase Consideration (Net Assets Method)

$$\text{Fixed Assets} = 800$$

$$\text{Current Assets} = 400$$

$$\text{Creditors} = (300)$$

$$P.C. = \underline{900}$$

$$FA A/c - Dr \quad 800$$

$$CA A/c - Dr \quad 400$$

$$\text{To Creditors} \quad 300$$

$$\text{To Bus. Purch.} \quad 900$$

# Nature of Merger (Adjustment Cases)

B/s (Y Ltd.)

Share Capital	500	Fixed Assets	700
Reserves & Surplus	100	Current Assets	300
Creditors	400		
	1000		1000

Case 3: PC: 470

FA 700  
CA 300

To cred. 400  
(100+30) To Reserves 130

To Bus. Purch. 470

Diff: Share cap vs PC = 500 vs 470 = 30

## Purchase Consideration

Case 1: 540

FA 700  
CA 300

To cred. 400  
(100-40) Reserves 60  
To Bus. Purch. 540

Dr. total = 1000  
Cr. total = 1040

Diff: 40

Merger: Shortcut for Diff: Share cap vs PC

①  
500 vs 540

Diff: 40

Case 2: 620

FA 700  
CA 300  
Res. 20

To cred. 400  
(100-100) Reserves -  
To Bus. Purch. 620

Dr. total = 1000  
Cr. total = 1120

Diff: 120

②  
500 vs 620

Diff: 120

Case 3: 470

# B/s (Y Ltd.)

Share Capital	500	Fixed Assets	700
Res. & surplus		Current Assets	300
Revenue Res.	60		
Capital Res.	40		
Creditors	400		
	<u>1000</u>		<u>1000</u>

Revenue Res.  
Gen. Res. PALA/c

# Purchase Consideration

Case 1: 570

FA 700  
CA 300

To cred. 400  
 (60 - 60) To Rev. Res. -  
 (40 - 10) To Cap. Res. 30  
 To Bus. Purch. 570

Difference  
 Share cap. vs P.C.  
 500 vs 570  
 Diff: 70

Case 2: 480

FA 700  
CA 300

To cred. 400  
 (60 + 20) To Rev. Res. 80  
 (40) To Cap. Res. 40  
 To Bus. Purch. 480

Difference  
 Share cap. vs P.C.  
 500 vs 480  
 Diff: 20

## B/s (Y Ltd.)

Share Capital	500	Fixed Assets	700
Res. & surplus		Current Assets	300
Revenue Res.	40		
Capital Res.	35		
Statutory Res.	25		
Creditors	400		
	<u>1000</u>		<u>1000</u>

## Purchase Consideration

### Case 1: 580

FA	700		
CA	300		
Rev. Res.	5 (B/f)		
	To Creditors		400
(40 - 40)	To Rev. Res.		-
(35 - 35)	To Cap. Res.		-
(25 - 25)	To Stat. Res.		25
	To Bus. Purch.		580

### Entry Diff:

Sh. Cap. vs P.C.

500 vs 580

Diff: 80

Cases: ( Debentures Takeover & New Issue)

Old Co. 10% Debentures 100000 (FV = 100 each)

Case 1: Redeem/Discharge 10% Deb. of old Co. at par by issue of 12% Deb. of New Co.

Entry 2: Takeover

To Deb. of old Co. A/c 100000

Entry 4:

Deb. of old Co. A/c -Dr

100000

To 12% Debentures A/c

100000

$$\text{No.} = \frac{100000}{100} = 1000 \text{ Deb.}$$

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

Entry 2: Takeover

To Deb. of old Co. A/c 95000  
(100000 - 5%)

Entry 4:

Deb. of old Co. A/c -Dr

95000

To 12% Debentures A/c

95000

$$\text{No.} = \frac{95000}{100} = 950 \text{ Deb.}$$

Case 3: Redeem at 101% premium by issue of 12% Deb. of New Co. at par.

Entry 2: Takeover

To Deb. of old Co. A/c 1,10,000  
(1,00,000 + 10%)

Entry 4:

Deb. of old Co. A/c - Dr 1,10,000  
To 12% Debentures A/c 1,10,000

$$\text{No.} = \frac{1,10,000}{100} = 1,100 \text{ Debentures}$$

Case 4: Redeem at 101% premium by issue of 12% Deb. of New Co. at 101% premium

Entry 2: Takeover

To Deb. of old Co. A/c 1,10,000  
(1,00,000 + 10%)

Entry 4:

Deb. of old Co. A/c - Dr 1,10,000  
To 12% Debentures A/c (1,000 x 100) 1,00,000

$$\text{No.} = \frac{1,10,000}{110} = 1,000 \text{ deb.}$$

To Securities Premium A/c (1,000 x 10) 10,000

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

Entry 2: Takeover

To Deb. of old Co. A/c 1,20,000  
(1,00,000 + 20%)

Entry 4:

Deb. of old Co. A/c - Dr 1,20,000  
Discount on Issue A/c - Dr (1,250 × 4) 5,000

To 12% Debentures A/c (1,250 × 100) 1,25,000

$$\text{No.} = \frac{1,20,000}{96} = 1,250 \text{ deb.}$$