UDESH REGULAR

FOR GROUP-1, MAY 2024

- Subject- Advanced Accounting
- Chapter- Amalgamation
- Lecture No.- 3

Recap of Previous Lecture

Topic

Books of Purchasing Co.

+

Questions

Topics to be Covered

Topic

Books of Purchasing co.
+
Questions

TOPIC : Questions

Q5

Purchase consideration

Hari Ltd: Net Payment Method

Payment To	Payment In	Workings	Amount
1) ESH	Equity shares	$(64000 \times \frac{3}{2}) \times 12$ 96000 eq. sh. of 10 each @ 12	1152000
			1152000

Narayan Ltd: Net Assets Method

Plant & Mach. (20L - 15%)	1700000
Trade Receivables	125000
Inventory (150000 - 10%)	135000
Cash & Bank	100000
Trade Payables	(225000)
Debentures (5L - 5%)	(475000)
	1360000

Settle / Discharge

To PSH:

15% Pref. sh. of 100 each — 500000

$(7500 \times 2/3) \times 100$

5000 sh. of 100 each

For ESH (B.f.) — 860000 (1360000 - 500000)

No. : 860000 / 10

= 86000 sh. of 10 each

Books of Hari Narayan Ltd.

1) Business Purchase A/c - Dr 2512000
To Liquidator of Hari Ltd. 1152000
To Liquidator of Narayan Ltd. 1360000

Hari Ltd:

2) Nature of Merger

Plant & Machinery A/c - Dr 1280000
Trade Receivables A/c - Dr 152000
Inventory A/c - Dr 100000
Cash & Bank A/c - Dr 108000

Diff:
Sh-Cap. vs PC
640000 vs 1152000
512000

To Trade Payables 120000
To General Reserve (880000 - *512000) 368000
To Business Purchase 1152000

3) Liquidator of Hari Ltd. A/c —Dr	1152000	
(96000 x 10) To Equity share capital A/c		960000
(96000 x 2) To Securities Premium A/c		192000

Nargam Ltd:

4) Purchase

Plant & Mach. A/c —Dr	1700000	
Trade Rec. A/c —Dr	125000	
Inventory A/c —Dr	135000	
Cash & Bank A/c —Dr	100000	
To Trade Payable		225000
To Deb. of Nargam Ltd.		475000
To Business Purchase		1360000

5) Liquidator of Nargan Ltd. A/c - Dr 1360000

To 15% Pref. share capital 500000

To Equity share capital 860000

6) Deb. of Nargan Ltd. A/c - Dr 475000

To Debentures 475000

Q7

Purchase Consideration
(Net Payment Method)

Payment to	Payment In	Workings	Amount
1) ESH	Eq. shares	(30000 X 8/6) x 10 40000 eq. sh. of 10 each	400000
2) PSH	10% Pref. sh.	100000 − 10% = 90000 900 Pref. sh. of 100 each	90000
			490000

Books of P Ltd:

		Dr	Cr
1)	PPE A/c − Dr	105000	
	(700000 X 15%) To Revaluation Reserve A/c		105000
2)	Reserve & surplus A/c − Dr	60000	
	(600000 X 10%) To Equity Dividend Payable		60000
3)	Equity Dividend Payable A/c − Dr	60000	
	To Bank A/c		60000

4)

Business Purchase A/c - Dr	490000	
To Liquidator of Q Ltd. A/c		490000

Nature of Purchase

5)

PPE A/c (250000 + 15%) . Dr	287500	
Investment A/c - Dr	80000	
Inventories A/c - Dr (320000 - 5%)	304000	
Debtors A/c - Dr (190000 - 5%)	180500	
B/R A/c - Dr	20000	
Bank A/c - Dr (40000 - 30000 Dividend)	10000	
To Capital Res. (B.f.)		80000
To Creditors		125000
To B/P		25000
(150000 + 8%) To Deb. of Q Ltd.		162000
To Business Purchase		490000

6) Liq. of Q Ltd. A/c —Dr 490000

To Equity share capital 400000

To 10% Pref. sh. capital 90000

7) Deb. of Q Ltd. A/c —Dr 162000

(1800 X 10) Disc. on Issue A/c —Dr 18000

(1800 X 100) To 12% Debentures 180000

$\frac{162000}{90}$ => 1800 deb.

8) Creditors A/c —Dr 10000

To Debtors A/c 10000

(Cancellation of Mutual / Inter Owing)

9) Capital Reserve A/c —Dr 30000

(Expenses) To Bank A/c 30000

Optional

10) Res. & Surplus A/c —Dr 18000

(W/off) To Disc. on Issue A/c 18000

Q8. Purchase Consideration : Net Assets

WN Computation of Goodwill   G/W = SP × 2

	Abhay Ltd.	Asha Ltd.
Average Profits	275000	175000
− Normal Profits (Capital Emp. × Rate of Return) (Sh. Cap. + GR) × 10%	(177500) (1500000 + 275000) × 10%	(112500) (1000000 + 125000) × 10%
Super Profits	97500	62500
Goodwill (SP × 2)	195000	125000

Purchase consideration

		Abhay Ltd.	Asha Ltd.	
	Goodwill	195000	125000	
B.V. + 10%	Land & Building	935000	632500	
	Plant & Mach.	379500	247500	
	Inventories	462000	264000	
	Debtors	305000	285000	
60000 ind:)	Bank A/c (180000 - 40000)	140000	25000	(45000 - 20000)
	Prov. for D/Debts	(30500)	(28500)	
	Creditors	(55000)	(35000)	
	Unrec. Liab.	-	(15500)	
(250000 + 10%)	Debentures	-	(275000)	
	Net Assets / P.C.	2331000	1225000	
	Share Price	100	100	
	No. of Shares	23310 sh.	12250 sh.	

Listen carefully

H/W : Revise Assignment Ques done in class
(No need of B/s of CQ : 8)

Practise Ques : 6 to 10

↓

Doubts : Khabrana nahi hai
↓
Patience

Balance Sheet of P Ltd.

Equity & Liabilities	Note No.	Amount (Lakhs)
1) Shareholder funds		
a) Share Capital	1	24000
b) Reserves & Surplus	2	16704
2) Non Current Liabilities		
a) Long Term Borrowings	3	1000
3) Current Liabilities		
a) Trade Payables	4	1583
b) Short term Provisions	5	2532
TOTAL		45819
Assets		
1) Non Current Assets		
a) PPE & Intangible Assets		
i) PPE	6	29054
2) Current Assets		
a) Inventories		11903
b) Trade Receivables	7	3140
c) Cash & Cash Equivalents	8	1722
TOTAL		45819

Note 1: Share capital

2400 Lakhs equity Shares of 10 each	24000

(Out of above 900 Lakh equity shares issued for consideration other than cash)

Note 2: Reserves & Surplus

Securities Premium	3000
Foreign Project Reserve	310
General Reserve (9500 + 200)	9700
P&L A/c (2870 + 825 - 1)	3694
	16704

Note 3: Long Term Borrowings

13% Debentures	1000

Note 4: Trade Payables

Creditors	1543
B/P (120 - 80)	40
	1583

Note 5: Short term Provisions

Sundry Provisions	2532

Note 6: PPE

Land & Building	6000
Plant & Machinery	19000
Furniture, Fixture & Fittings	4054
	29054

29054

Note 7: Trade Receivables

Debtors	3140
B/R (80 − 80)	-
	3140

Note 8: Cash & Cash Eq.

Bank	1722
(1114 + 609 − 1)	

[FV=100]

Cases: (Debentures Takeover & New Issue)

Old co. 10% Debentures 100000

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

A
To C
To BP

Entry 2: Takeover — To Deb. of Old Co. 100000

Entry 4:

Deb. of old co. A/c – Dr 100000
To 12% Debentures A/c 100000

[1000 deb. of 100 each]

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

Entry 2: Takeover — To Deb. of Old Co. 95000 (100000 − 5%)

Entry 4:

Deb. of Old co. A/c – Dr 95000
To 12% Debentures A/c 95000

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

(950 Deb. of 100 each)

Case 3: Redeem at 10% premium by issue of 12% Deb. of New co. at par.

Entry 2: Takeover

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

Entry 4:

Deb. of old Co. A/c – Dr 110000
To 12% Debentures 110000
(1100 deb. of 100 each)

No: $\frac{110000}{100} = 1100$ Deb.

Case 4: Redeem at 10% premium by issue of 12% Deb. of New co. at $\boxed{10\% \text{ premium}}$

IP = 110

Entry 2: Takeover

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

Entry 4:

Deb. of old Co. A/c Dr 110000
To 12% Debentures 100000 (1000 × 100)
To Sec. Premium 10% 10000 (1000 × 10)

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

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. 120000 (100000 + 20%)

Entry 4:

Deb. of old Co. A/c - Dr	120000	
(1250×4) Disc. on Issue A/c - Dr	5000	4%
(1250×100) To 12% Debentures A/c		12500

No. = $\frac{120000}{96}$

= 1250 deb.

2 mins Summary

Topic

Books of Purchasing Co. & Questions

Thank You