

***UDES*H *REG*ULAR**

FOR GROUP-1, MAY 2024

- Subject- Advanced Accounting
- Chapter- *Amalgamation*
- Lecture No.- *11*

Recap of Previous Lecture



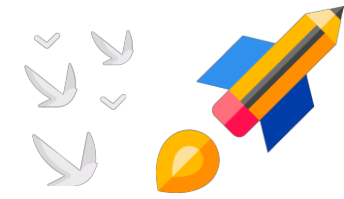
Topic

*Intrinsic Value Method
&
Questions*



PHYSICS
WALLAH

Topics to be Covered



Topic

*Intrinsic Value Method
&
Questions*



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TOPIC: Questions (Intrinsic value)

Q 24

Better Ltd: Bonus Issue ^{1 for every 2}

$$\text{Bonus Amt.} = 10L \times \frac{1}{2} = 5L$$

Reserves & surplus A/c - Dr 5L
To Equity share capital 5L

After above entry: Better Ltd. Share capital = $10L + 5L = 15,00,000$
(15,000 shares of 100 each)

$$\begin{matrix} \text{No. of shares of} \\ \text{Best Ltd.} \end{matrix} \times \begin{matrix} \text{value/share} \\ \text{of Best Ltd.} \end{matrix} = \begin{matrix} \text{No. of shares} \\ \text{of Better Ltd.} \end{matrix} \times \begin{matrix} \text{value/share of} \\ \text{Better Ltd.} \end{matrix}$$

$$\begin{matrix} \text{No. of shares} \\ \text{of Best Ltd.} \end{matrix} \times 150 = 15,000 \times 100 = \boxed{15,00,000}$$

$$\text{No. of shares} = 15,000 \times \frac{100}{150} = 10,000 \text{ shares}$$

$FV = 100 \quad IP = 150$

Books of Better Ltd.

Realisation A/c

To PPE	15		By current liab. 2
To curr. ASH	5		By Best Ltd. 15
			(P.L.)
			By loss t/d to
			ESH (B.P.) 3
	<u>20</u>		<u>20</u>

Best Ltd. A/c

To Realisation	15		By Eq. sh. of Best Ltd. 15
	<u>15</u>		<u>15</u>

Eq. sh. capital A/c

To ESH A/c	15		By Bal b/d 10
			By Res. & surplus 5
	<u>15</u>		<u>15</u>

Res. & surplus A/c

To Eq. sh. cap.	5		By Bal b/d 8
To ESH A/c	3		
	<u>8</u>		<u>8</u>

ESH A/c

To Realisation	3		By Eq. sh. cap. 15
To Eq. sh. of Best Ltd.	15		By Res. & surplus 3
	<u>18</u>		<u>18</u>

Books of Best Ltd.
Journal Entries

1)	Business Purchase A/c - Dr	15	
	To Liquidator of Better Ltd. A/c		15
2)	PPE A/c - Dr	15	
	Current Assets A/c - Dr	5	
	To Capital Res. (B.f.)		3
	To current Wds.		2
	To Bus. Purchase		15
3)	Liq. of Better Ltd. A/c - Dr	15	
	(10000 x 100) To Eq. Sh. Capital A/c		10
	(10000 x 50) To Sec. Premium A/c		5

Purchase

4) Cancellation of Inter/Mutual owing

Creditors (Current Liab.) A/c - Dr 1
 To Debtors (Current Assets) 1

5) Stock Reserve

$C = 100$
 $+ P \frac{25}{125}$
 $SP \underline{125}$

Value = 50000
 Profit included = $50000 \times \frac{25}{125} = 10000$

Capital Reserve A/c - Dr 0.10
 To Stock (Current Assets) 0.10

Balance sheet of Best Ltd.

	Note No.	Amount (Lakhs)
<u>Equity & Liabilities</u>		
1) Shareholder funds	1	30
a) Share Capital	2	17.90
b) Reserves & Surplus		21
2) Current Liabilities $(20 + 2 - 1)$ ^{Inter owing}		21
TOTAL		68.90
<u>Assets</u>		
1) Non Current Assets		
a) PPE & Intangible		40
i) PPE $(25 + 15)$		5
b) Non Current Investments		23.90
2) Current Assets $(20 + 5 - 1 - 0.10)$ ^{Inter owing} Stock Res.		23.90
TOTAL		68.90

Note 1: Share capital

30000 eq. sh. of 100 each

30

(Out of above 15000 eq. sh. issued for
consideration other than cash)

Note 2: Res. & Surplus

Res. & Surplus	10
Capital Res. (3 - 0.10)	2.90
Sec. Premium	<u>5</u>
	<u>17.90</u>
	→

Q23

(i)

Purchase consideration

	<u>ALtd.</u>	<u>BLtd.</u>
No. of shares	100000	60000
Value / share	28	20
Value of w. / Purch. cons.	1800000	1200000
Issue Price of AB Ltd. share	16 (10+6)	16 (10+6)
No. of shares issued	112500 shares (180 / 16)	75000 shares (120 / 16)

(iii) AB Ltd.

WON
Name of Purchase

Computation of a/w or Cap. Reserve

	<u>A Ltd.</u>	<u>B Ltd.</u>
Total Assets	2440000	1480000
- Trade Payables	(260000)	(170000)
- SLL. Loan	-	(300000)
- 10% Debentures	(500000)	-
- Liability [Earlier contingent] (60000)	(60000)	-
Net Assets	1620000	1010000
Purchase consideration	1800000	1200000
Difference	180000 a/w	190000 a/w

Balance sheet of AB Ltd.

Equity & Liabilities

- | | | |
|-------------------------------------|---|--|
| 1) Shareholders funds | | |
| a) Share Capital | 1 | |
| b) Reserves & surplus | 2 | |
| 2) Non current liabilities | | |
| a) Long Term Borrowings | 3 | |
| 3) Current liabilities | | |
| a) Trade Payables (200000 + 170000) | | |
| b) Other current Liab. | | |
| TOTAL | | |

NOTE NO.

Amount

1875000

1125000

800000

430000

60000

4290000

Assets

- | | | |
|----------------------------|---|--|
| 1) Non current Assets | | |
| a) PPE & Intangible Assets | 4 | |
| i) PPE | 5 | |
| ii) Intangible Assets | | |
| b) Non current Investment | | |

2230000

370000

80000

2) Current Assets

- a) Inventories
- b) Trade Receivables
- c) Cash & Cash Equivalents

TOTAL

870000

670000

70000

4290000

Note 1: Share Capital

187500 equity shares of 10 each

1875000

(All the above shares issued for consideration other than cash)

Note 2: Res. & Surplus

Sec. Premium (187500 x 6)

1125000

Note 3: LTB

10% Debentures

Sec. loan

500000

300000

800000

NOTE 4: PPE

Land & Building

1350000

Plant & Mach.

880000

2230000

NOTE 5: Intangible Assets

Goodwill

370000

(ii)

Books of ALtd.

1) Realisation A/c - Dr 2440000

To Land & Building	900000
To Plant & Mach.	500000
To Investment	80000
To Inventory	520000
To Trade Rec.	410000
To Bank	30000

2) P&L A/c - Dr 60000

To Prov. for liability	60000
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(Being liability created in books)

3)	10% Debentures A/c - Dr	50000	
	Trade Payables A/c - Dr	260000	
	Prov. for Liab. A/c - Dr	60000	
			820000
	To Realisation A/c		

4)	AB Ltd. A/c - Dr	1800000	
			1800000
	To Realisation A/c		

(Being purchase consideration due)

5)	Equity shares of AB Ltd. A/c - Dr	1800000	
			1800000
	To AB Ltd. A/c		

(Being consideration received)

6) Realisation A/c - Dr 180000
 To ESH A/c 180000
 (Being Realisation Profit transferred to ESH A/c)

Realisation A/c	
244000	82000
180000	180000
<u> </u>	<u> </u>

7) Eq. sh. capital A/c - Dr 1000000
 Sec. Premium A/c - Dr 200000
 General Res. A/c - Dr 300000
 PAL A/c - Dr (180000 - 60000) 120000
 To ESH A/c 1620000

8) ESH A/c - Dr 180000
 To Eq. sh. of AB Ltd. 180000

PA 23, 25 & 26



2 mins Summary



Topic

*Intrinsic value Method
&
Questions*

Two

Three

Four

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Thank You

