

AMALGAMATION

Solution 1

As per AS 14, consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

Payment To	Payment In	Workings	Amount
Preference shareholders	Pref. shares	$20,000 \times 70$	14,00,000
Equity shareholders	Cash		1,00,000
	Equity Shares	$56,000 \times 110$	61,60,000
			76,60,000

Solution 2

According to AS 14, 'consideration' for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. Therefore, debentures issued to the debenture holders will not be included in purchase consideration.

Payment To	Payment In	Workings	Amount
Preference shareholders	9% Pref. shares	$5,000 \times \frac{3}{4} \times 100$	3,75,000
Equity shareholders	Cash	$12,500 \times 20$	2,50,000
	Equity Shares	$12,500 \times \frac{6}{5} \times 125$	18,75,000
			25,00,000

Solution 3

As per AS 14 on Accounting for Amalgamations, the term 'consideration' has been defined as the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. The payment made by transferee company to discharge the Debenture holders and outside liabilities and cost of winding up of transferor company shall not be considered as part of purchase consideration

Computation of Purchase Consideration

Cash payment [$\text{₹}18 \times 1,50,000$]	27,00,000
11% Preference Shares of ₹ 10 each [$(1,50,000 \times \frac{2}{3}) \times \text{₹} 10$]	10,00,000
Equity shares of ₹ 10 each @ 30% premium [$(1,50,000 \times \frac{1}{3}) \times \text{₹} 13$]	6,50,000
	43,50,000

Solution 4

As per AS 14, consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. Thus, payment to debenture holders are not covered by the term 'consideration'.

Particulars	₹
Equity Shares ($42,000 \times 10$)	4,20,000
15% Preference Shares ($1,70,000 + 10\%$)	1,87,000
Purchase Consideration	6,07,000

Solution 5

Consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

Computation of Purchase consideration	(₹)	Form
For Preference Shareholders of Moon Ltd. (25,000 × ₹ 70)	17,50,000	25,000 Preference Shares
For equity shareholders of Moon Ltd. (70,000 × ₹ 110)	77,00,000	70,000 Equity shares of Star Ltd.
	1,25,000	Cash
Total Purchase consideration	95,75,000	

Solution 6

As per AS 14, consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. Thus, payment to debenture holders are not covered by the term 'consideration'.

Particulars	₹
Equity Shares (50,000 x 15)	7,50,000
Cash payment	50,000
12% Preference Share Capital	2,00,000
Purchase Consideration	10,00,000

Journal entry relating to discharge of consideration in the books of Tina Ltd.

	Dr.	Cr.
	₹	₹
Liquidation of Rina Ltd. A/c Dr.	10,00,000	
To Equity share capital A/c		5,00,000
To 12% Preference share capital A/c		2,00,000
To Securities premium A/c		2,50,000
To Bank/Cash A/c		50,000
(Discharge of purchase consideration)		

Solution 7

(a) Amalgamation in the nature of Merger:

Journal Entries in the books of X Ltd.

Particulars	Debit	Credit
Business Purchase A/c Dr.	53,70	
To Liquidator of Y Ltd.		53,70
(Consideration payable for business taken over from Y Ltd.)		
Land and Building A/c Dr.	15,50	
Plant and Machinery A/c Dr.	17,00	
Furniture A/c Dr.	3,50	
Investments A/c Dr.	5,00	
Inventories A/c Dr.	9,50	
Trade Receivables A/c Dr.	10,30	
Bank A/c Dr.	5,20	
General Reserve A/c (Bal.Fig.) Dr.	4,20	
To Export Profit reserve A/c		2,00
To Investment Allowance reserve A/c		1,00
To Profit and loss A/c		5,00
To 13% Debentures of Y Ltd. A/c		3,50
To Trade Payables A/c		3,50
To Other Current Liabilities A/c		1,50
To Business purchase A/c		53,70
(Being assets and liabilities taken over of Y Ltd.)		

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Liquidator of Y Ltd.	Dr.	53,70	
To Equity share capital A/c			35,00
To 15% Preference share capital A/c			18,70
(Being consideration discharged of Y Ltd.)			
13% Debentures of Y Ltd.	Dr.	3,50	
To 13% Debentures A/c			3,50
(Allotment of 13% Debentures to debentureholders of Y Ltd.)			

Balance Sheet of X Ltd.

	Particulars	Notes	(In '000)
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	12,570
	b) Reserves and Surplus	2	1,930
2	Non-current liabilities		
	a) Long-term borrowings	3	850
3	Current liabilities		
	a) Trade Payables		800
	b) Other Current Liabilities		350
	Total		16,500
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment	4	9,925
	b) Non Current Investments		1,200
2	Current assets		
	a) Inventories		2,200
	b) Trade receivables		1,930
	c) Cash and cash equivalents		1,245
	Total		16,500

Notes to accounts

	₹
1. Share capital	
8,50,000 Equity shares of 10 each	8,500
(Out of above 3,50,000 equity shares issued for consideration other than cash)	
18,700, 15% Preference Shares of 100 each	1,870
(Above 18,700 preference shares issued for consideration other than cash)	
22,000, 14% Preference Shares of 100 each	2,200
Total	12,570
2. Reserves and Surplus	
General Reserve (500+250-670)	80
Export Profit Reserve (300+200)	500
Investment Allowance Reserve	100
P&L Account (750+500)	1,250
Total	1,930
3. Long Term Borrowings:	
8,500 13% Debentures of 100 each	850
4. Property, Plant & Equipment	
Land and Building	4,050
Plant and Machinery	4,950
Furniture and Fittings	925
Total	9,925

The difference between the amount recorded as share capital issued and the amount of share capital of transferor company should be adjusted in reserves.

Thus, Adjustment for amalgamation = (53,70 – 47,00) = 670

Working Notes: 1 Calculation of purchase consideration

Equity shareholders of Y Ltd. (3,50,000 equity shares x 10)	3,500
Preference shareholders of Y Ltd. (18,700 Pref. shares x 100)	1,870
Purchase consideration would be	5,370

(b) Amalgamation in the nature of Purchase:

Journal Entries in the books of X Ltd.

Particulars	Debit	Credit
Business Purchase A/c Dr.	53,70	
To Liquidator of Y Ltd.		53,70
(Consideration payable for business taken over from Y Ltd.)		
Land and Building A/c Dr.	15,50	
Plant and Machinery A/c Dr.	17,00	
Furniture A/c Dr.	3,50	
Investments A/c Dr.	5,00	
Inventories A/c Dr.	9,50	
Trade Receivables A/c Dr.	10,30	
Bank A/c Dr.	5,20	
To Capital Reserve A/c (B.f.)		3,80
To 13% Debentures of Y Ltd. A/c		3,50
To Trade Payables A/c		3,50
To Other Current Liabilities A/c		1,50
To Business purchase A/c		53,70
(Being assets and liabilities taken over of Y Ltd.)		
Liquidator of Y Ltd. Dr.	53,70	
To Equity share capital A/c		35,00
To 15% Preference share capital A/c		18,70
(Being consideration discharged of Y Ltd.)		
13% Debentures of Y Ltd. Dr.	3,50	
To 13% Debentures A/c		3,50
(Allotment of 13% Debentures to debentureholders of Y Ltd.)		
Amalgamation Adjustment Reserve A/c Dr.	300	
To Export Profit reserve A/c		200
To Investment Allowance reserve A/c		100
(Being statutory reserves taken over of Y Ltd.)		

Balance Sheet of X Ltd.

	Particulars	Notes	₹ (In '000)
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	12,570
	b) Reserves and Surplus	2	1,930
2	Non-current liabilities		
	a) Long-term borrowings	3	850
3	Current liabilities		
	a) Trade Payables		800
	b) Other Current Liabilities		350
	Total		16,500

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	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment	4	9,925
	b) Non Current Investments		1,200
2	Current assets		
	a) Inventories		2,200
	b) Trade receivables		1,930
	c) Cash and cash equivalents		1,245
	Total		16,500

Notes to accounts

	₹
1. Share capital	
8,50,000 Equity shares of 10 each (Out of above 3,50,000 equity shares issued for consideration other than cash)	8,500
18,700, 15% Preference Shares of 100 each (Above 18,700 preference shares issued for consideration other than cash)	1,870
22,000, 14% Preference Shares of 100 each	2,200
Total	12,570
2. Reserves and Surplus	
Capital Reserve	380
General Reserve	500
P&L Account	750
Export Profit Reserve (300+200)	500
Investment Allowance Reserve	100
Less: Amalgamation Adjustment Reserve	(300)
Total	1,930
3. Long Term Borrowings:	
8,500 13% Debentures of 100 each	850
4. Property, Plant & Equipment	
Land and Building	4,050
Plant and Machinery	4,950
Furniture and Fittings	925
Total	9,925

Solution 8

Balance Sheet of Super Fast Express Ltd. As at 1st Jan., 2020

Particulars	Notes	₹
Equity and Liabilities		
1. Shareholders' funds		
a) Share capital	1	30,00,000
b) Reserves and Surplus	2	3,60,000
2. Non-current liabilities		
a) Long-term provision	3	1,00,000
3. Current liabilities		
a) Trade Payables		1,00,000
Total		35,60,000
Assets		
1. Non-current assets		

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a) Property, Plant & Equipment & Intangible Assets		
Property, Plant & Equipment	4	25,00,000
Intangible assets	5	1,00,000
2. Current assets		
Inventories		3,40,000
Trade receivables		2,80,000
Cash and cash equivalents	6	3,40,000
Total		35,60,000

Notes to Accounts

	₹
1. Share Capital	
Equity share capital	
Issued, subscribed and paid up	
30,000 equity shares of ₹100 each	30,00,000
(Above equity shares issued for consideration other than cash)	
Total	30,00,000
2. Reserves and Surplus	
Reserve account	1,00,000
Surplus	1,00,000
Insurance reserve	1,00,000
Employees profit sharing account	60,000
Total	3,60,000
3. Long-term provisions	
Provident fund	1,00,000
Total	1,00,000
4. Property, Plant & Equipment	
Buildings	16,00,000
Machinery	9,00,000
Total	25,00,000
5. Intangible assets	
Goodwill	1,00,000
Total	1,00,000
6. Cash and cash equivalents	
Balances with banks	2,30,000
Cash on hand	1,10,000
Total	3,40,000

Solution 9

Books of Y Co. Ltd. Journal Entries

Particulars	Debit	Credit
Business Purchase A/c Dr.	55,00,000	
To Liquidator of X Co. Ltd.		55,00,000
(Being business taken over)		
Sundry Assets A/c Dr.	65,00,000	
To General reserve A/c (10,00,000 – 5,00,000)		5,00,000
To P&L A/c		5,00,000
To Business purchase A/c		55,00,000
(Being assets and liabilities taken over)		
Liquidator of X Co. Ltd. Dr.	55,00,000	
To Equity share capital A/c		55,00,000
(Being consideration discharged)		

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Calculation of Purchase Consideration

Equity shareholders (5,00,000/10*11 equity shares x 10)	55,00,000
Purchase consideration would be	55,00,000

$$\begin{aligned} \text{Sundry Assets of X Co. Ltd.} &= \text{Share Capital} + \text{General Reserve} + \text{P\&L Account} \\ &= 50,00,000 + 10,00,000 + 5,00,000 = 65,00,000 \end{aligned}$$

Solution 10**Journal Entries in the books of VT Ltd.**

		Dr.	Cr.
1	Property, Plant & Equipment A/c Dr.	2,10,000	
	To Revaluation Reserve A/c		2,10,000
	(Revaluation of fixed assets at 15% above book value)		
2	Reserves & Surplus A/c Dr.	1,20,000	
	To Equity Dividend		1,20,000
	(Declaration of equity dividend @ 10%)		
3	Equity Dividend A/c Dr.	1,20,000	
	To Bank A/c		1,20,000
	(Payment of equity dividend)		
4	Business Purchase A/c Dr.	9,80,000	
	To Liquidator of MG Ltd.		9,80,000
	(Being purchase of business of MG Ltd.)		
5	Property, Plant & Equipment A/c Dr.	5,75,000	
	Inventory A/c Dr.	6,08,000	
	Debtors A/c Dr.	3,80,000	
	Investment A/c Dr.	1,60,000	
	Bills receivables A/c Dr.	40,000	
	Cash at bank A/c (80000-60000) Dr.	20,000	
	To Provision for Doubtful Debts A/c*		18,000
	To Creditors A/c		2,50,000
	To Bills Payable A/c		50,000
	To 12% Debentures of MG Ltd. A/c		3,24,000
	To Business purchase A/c		9,80,000
	To Capital Reserves A/c (Bal Fig.)		1,61,000
6	(Incorporation of various assets and liabilities taken over from MG Ltd. at agreed values and difference of net assets and purchase consideration being credited to capital reserve)		
	Liquidator of MG Ltd. A/c Dr.	9,80,000	
	To Equity share capital A/c		8,00,000
	To 10% Preference Share Capital A/c		1,80,000
7	(Discharge of consideration for MG Ltd.'s business)		
	Creditors A/c Dr.	20,000	
	To Debtors A/c		20,000
8	(Being mutual owing cancelled)		
	12% Debentures of MG Ltd. A/c Dr.	3,24,000	
	Discount on Issue of Debentures Dr.	36,000	
	To 12% Debentures A/c		3,60,000
9	(Allotment of 12% Debentures to debenture holders of MG Ltd. at a discount of 10%)		
	Capital Reserve A/c Dr.	60,000	
	To Bank A/c		60,000
	(Being liquidation expenses reimbursed to MG Ltd.)		

Statement of Consideration payable by VT Ltd. for 60,000 shares (payment method)

Shares to be allotted $60,000/12 \times 16 = 80,000$ shares of VT Ltd.

Issued 80,000 shares of ₹ 10 each i.e.

₹ 8,00,000 (i)

For 10% preference shares, to be paid at 10% discount ₹ 2,00,000x 90/100

₹ 1,80,000 (ii)

Consideration amount [(i) + (ii)]

₹ 9,80,000

***Note:** Provision = $(3,80,000 - 20,000 \text{ mutual owing}) \times 5\% = 18,000$

Since debtors of MG include 20,000 due from VT Ltd & these are to be cancelled after takeover so no provision created on this portion,

If creditors of MG include 20,000 due to VT Ltd. then provision will be on full amount of debtors as creditors include 20,000 & not debtors & cancellation entry would be passed in similar manner

Solution 11**Balance Sheet of C Ltd.**

As at 1st April, 2020

Particulars	Note No.	(in lakhs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	1,200
(b) Reserves and Surplus	2	1,650
(2) Non-Current Liabilities		
Long-term borrowings	3	60
(3) Current Liabilities		
Trade payables	4	610
Total		3,520
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	5	1,550
(ii) Intangible assets	6	20
(b) Non-current investments	7	200
(2) Current assets		
(a) Inventories		600
(b) Trade receivables	8	650
(c) Cash and cash equivalents		500
Total		3,520

Notes to Accounts

		(₹ in lakhs)	(₹ in lakhs)
1.	Share Capital		
	Equity share capital		
	70 Lakhs equity shares of ₹10 each	700	
	5 Lakhs preference shares of ₹100 each	500	
	(all the above shares are allotted as fully paid up pursuant to contracts without payment being received in cash)		1,200
2.	Reserves and surplus		
	Securities premium account		
	On equity shares – 70 lakh shares X ₹ 20 = 1,400		
	On preference shares – 5 lakh shares X ₹ 50 = 250	1,650	
	Investment allowance reserve	100	
	Amalgamation Adjustment reserve	(100)	1,650

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3.	Long-term borrowings		
	15% Debentures		60
4.	Trade payables (420+190)		610
5.	Property, Plant & Equipment		
	Land and building	950	
	Plant and Machinery	<u>600</u>	1,550
6.	Intangible assets		
	Goodwill [W.N.2] (110-90)		20
7.	Non-current Investments		
	Investments		200
8.	Trade receivables (300+350)		650

Working Notes:

		(₹ in lakhs)	
(1)	Computation of Purchase Consideration		
	(a) Preference shareholders:		
	$\left(\frac{3,00,00,000}{100}\right)$ i.e. 3,00,000 shares x 150 each	450	
	$\left(\frac{2,00,00,000}{100}\right)$ i.e. 2,00,000 shares x 150 each		300
	(b) Equity shareholders:		
	$\left(\frac{8,00,00,000 \times 5}{100}\right)$ i.e. 40,00,000 shares x 30 each	1,200	
	$\left(\frac{7,50,00,000 \times 4}{100}\right)$ i.e. 30,00,000 shares x 30 each		900
	Amount of Purchase consideration	1,650	1,200
(2)	Net Assets Taken Over		
	Assets taken over:		
	Land and building	550	400
	Plant and Machinery	350	250
	Investments	150	50
	Inventories	350	250
	Sundry Debtors	250	300
	Bills receivable	50	50
	Cash and bank	300	200
		2,000	1,500
	Less: Liabilities taken over:		
	Debentures	40	20
	Sundry Creditors	270	120
	Bills payable	150	70
		(460)	(210)
	Net assets taken over	1,540	1,290
	Purchase consideration	1,650	1,200
	Goodwill	110	
	Capital reserve		90

Solution 12

Balance Sheet of Little Ltd. As at 1st April, 2020

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Particulars	Note No.	(₹ in lakhs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	1150.00
(b) Reserves and Surplus	2	2437.80
(2) Non-Current Liabilities		
Long-term borrowings	3	185.20
(3) Current Liabilities		
Trade payables	4	130
Total		3903
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	5	1885
(ii) Intangible assets		
(b) Non-current investments (95+80)		175
(2) Current assets		
(a) Inventories (415+389)		804
(b) Trade receivables	6	570
(c) Cash and cash equivalents (303+166)		469
Total		3903

Notes to Accounts

		(₹ in lakhs)	(₹ in lakhs)
1.	Share Capital		
	Equity share capital		
	65.50 Lakhs equity shares of ₹10 each	655	
	4.95 Lakhs preference shares of ₹100 each	495	
	(all the above shares are allotted as fully paid up pursuant to contracts without payment being received in cash)		1,150
2.	Reserves and surplus		
	Securities premium account		
	On equity shares – 65.50 lakh shares X ₹ 25 = 1,637.50		
	On preference shares – 4.95 lakh shares X ₹ 25 = 123.75	1761.25	
	Capital Reserve (283.33+393.22)	676.55	
	Investment allowance reserve	120	
	Amalgamation Adjustment reserve	(120)	2437.80
3.	Long-term borrowings		
	15% Debentures	135.20	
	Unsecured Loans (Public Deposits)	50	185.20
4.	Trade payables		
	Sundry creditors (65+35)	100	
	Bills Payables	30	130
5.	Property, Plant & Equipment		
	Land and building (670+385)	1055	
	Plant and Machinery (475+355)	830	1885
6.	Trade receivables		
	Sundry Debtors (322+213)	535	
	Bills receivables	35	570

Working Notes:

		(₹ in lakhs)	
(1)	Computation of Purchase Consideration		
	(a) Preference shareholders: $\left(\frac{3,20,00,000}{100}\right)$ i.e. 3,20,000 shares x 125 each	400	
	$\left(\frac{1,75,00,000}{100}\right)$ i.e. 1,75,000 shares x 125 each		218.75
	(b) Equity shareholders: $\left(\frac{10,00,00,000 \times 4}{100}\right)$ i.e. 40,00,000 shares x 35 each	1,400	
	$\left(\frac{8,50,00,000 \times 3}{100}\right)$ i.e. 25,50,000 shares x 35 each		892.50
	Amount of Purchase consideration	1,800	1,111.25
(2)	Net Assets Taken Over		
	Assets taken over:		
	Land and building	670	385
	Plant and Machinery	475	355
	Investments	95	80
	Inventories	415	389
	Sundry Debtors	322	213
	Bills receivable	35	-
	Cash and bank	303	166
		2,315	1,588
	Less: Liabilities taken over:		
	Debentures	86.67	48.53
	Unsecured Loan (Public Deposits)	50	-
	Sundry Creditors	65	35
	Bills payable	30	-
		(231.67)	(83.53)
	Net assets taken over	2083.33	1504.47
	Purchase consideration	1800	1111.25
	Capital reserve	283.33	393.22
3	Issue of Debentures (₹ In Lakhs) High Ltd.- 15% fresh issue of debenture for 13% old debentures = 100 X 13% / 15% = 86.67(rounded off) Low Ltd.- 15% fresh issue of debenture for 13% old debentures = 56 X 13% / 15% = 48.53 (rounded off) Total debentures issued = 86.67 + 48.53 = 135.20 Lakhs		

Solution 13**Balance Sheet of Bright Ltd. as at 1st April, 2021**

Particulars	Note No.	(₹ in lakhs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	2,250
(b) Reserves and Surplus	2	4,200
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	84.375
(3) Current Liabilities		

(a) Trade payables	4	915
Total		7449.375
II. Assets		
(1) Non-current assets		
(a) i. Property, plant and equipment	5	2,325
ii Intangible assets	6	633.375
(b) Non-current investments	7	300
(2) Current assets		
(a) Inventories	8	900
(b) Trade receivables	9	975
(c) Cash and cash equivalents	10	2316
Total		7449.375

Notes to Accounts:

		(₹ in lakhs)	(₹ in lakhs)
1.	Share Capital: Authorized Share Capital		
	1,50,00,000 Equity shares of ₹10 each	1500	
	7,50,000 16% Preference Share of 100 each	750	
	Issued: 1,50,00,000 Equity shares of ₹ 10 each (Out of which 1,05,00,000 Shares were Issued for consideration other than cash)	1500	
	7,50,000 16% Preference Shares of 100 each (Issued for consideration other than cash)	750	2,250
2.	Reserves and surplus		
	Securities Premium Account		
	(1,50,00,000 shares × ₹ 25) 3750		
	(7,50,000 shares × ₹ 60) 450	4,200	
	Investment Allowance Reserve	150	
	Amalgamation Adjustment Reserve	(150)	4,200
3.	Long-term borrowings		
	16% Debentures (56,25,000+28,12,500) (W.N. 3)		84.375
4.	Trade payables		
	Dark Ltd.	630	
	Fair Ltd.	285	915
5.	Property, plant & equipment		
	Land and Building	1350	
	Plant and Machinery	975	2,325
6.	Intangible assets		
	Goodwill [W.N. 2] 624.375		
	Add: liquidation exp. (6+3) 9.00		633.375
7.	Non-current Investments		
	Investments (225+75)		300
8.	Inventories		
	Dark Ltd.	525	
	Fair Ltd.	375	900
9	Trade receivables		
	Dark Ltd.	450	
	Fair Ltd.	525	975
10	Cash & cash equivalents		
	Dark Ltd.	450	
	Fair Ltd.	300	

	Liquidation Expenses (6+3)	(9)	
	Shares issued for cash (45 lakh shares x ₹35)	1575	2316

Working Notes :

		(₹ in lakhs)	
		Dark Ltd.	Fair Ltd.
(1)	Computation of Purchase consideration		
	(a) Preference shareholders: (4,50,00,000/100) i.e. 4,50,000 shares × ₹ 160 each	720	480
	(3,00,00,000/100) i.e. 3,00,000 shares × ₹ 160 each		
	(b) Equity shareholders: (12,00,00,000 × 5) / 100 i.e. 60,00,000 shares x ₹ 35 each	2100	1575
	(11,25,00,000 × 4) / 100 i.e. 45,00,000 shares × ₹ 35 each		
	Amount of Purchase Consideration	2820	2055
(2)	Net Assets Taken Over		
	Assets taken over:		
	Property Plant & Equity	1,350	975
	Non-Current Investments	225	75
	Inventory	525	375
	Trade receivables	450	525
	Cash and bank	450	300
		3,000	2,250
	Less: Liabilities taken over:		
	10% Debentures 56.25 28.125		
	Trade payables 630 285	(686.25)	(313.125)
	Net assets taken over	2,313.75	1936.875
	Purchase consideration	2,820	2055.00
	Goodwill	506.25	118.125
	Total goodwill		624.375

(1) Issue of Debentures

Debentures	₹ 90,00,000	₹ 45,00,000
Interest 10%	₹ 9,00,000	₹ 4,50,000
	(900000*100) / 16 = 5625000	(450000*100) / 16 = 2812500

NOTE: In the above solution ₹ 35 has been considered as the issue price of Equity shares for public issue also. Alternative considering this as ₹ 10 also possible. In that case, the balance of cash and cash equivalents will be ₹ 1,191 lakhs and securities premium will be ₹ 3,075 lakhs in place of the balances given in the balance sheet in the above solution.

Solution 14

Computation of Amount of Debentures and Shares to be issued:

1. Average Net Profit:

$$\text{Sun} = \frac{4,49,576 - 2,500 + 3,77,924}{3} = 2,75,000$$

$$\text{Neptune} = \frac{2,73,900 + 3,42,100 + 2,59,000}{3} = 3,25,000$$

2. Equity Shares Issued: Ratio of distribution is based on average net profit

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a) Ratio of Distribution:- 275:325

b) No. of shares : 60,000 allocated in above ratio i.e 27,500 & 32,500 shares

c) Amount:

a. Sun: $27,500 \times 5 = 1,37,500$

b. Neptune: $32,500 \times 5 = 1,62,500$

3. Capital Employed

	Sun	Neptune
Property, Plant & Equipment	7,10,000	3,90,000
Current Assets	2,99,500	1,57,750
	10,09,500	5,47,750
Less Current Liabilities	(5,97,000)	(1,80,250)
	4,12,500	3,67,500

4. Debentures Issued

	Sun	Neptune
8% Return on capital employed	33,000	29,400
15% Debentures to be issued to provide equivalent income		
Sun : $33,000 \times 100 / 15$	2,20,000	
Neptune: $29,400 \times 100 / 15$		1,96,000

Purchase Consideration:

	Sun	Neptune
Equity Shares	1,37,500	1,62,500
15% Debentures	2,20,000	1,96,000
	3,57,500	3,58,500

Computation of Goodwill/Capital Reserve:

	Sun		Neptune	
Business Purchase (Purchase Consideration)		3,57,500		3,58,500
Net Assets Taken Over:				
Fixed Assets	7,10,000		3,90,000	
Current Assets	2,99,500		1,57,750	
Less: Current Liabilities	(5,97,000)	4,12,500	(1,80,250)	3,67,500
Goodwill/(Capital Reserve) [Bal.fig.]		(55,000)		(9,000)
Capital Reserve = $55,000 + 9,000 = 64,000$				

Balance Sheet of Neptune Ltd.

	Particulars	Notes	₹
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	3,00,000
	b) Reserves and Surplus	2	64,000
2	Non-current liabilities		
	a) Long-term borrowings	3	4,16,000
3	Current liabilities		
	a) Other Current Liabilities $(5,97,000 + 1,80,250 - 43,350)$		7,33,900
	Total		15,13,900
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment $(7,10,000 + 3,90,000)$		11,00,000
2	Current assets		
	a) Other Current Assets $(2,99,500 + 1,57,750 - 43,350)$		4,13,900

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	Total	15,13,900
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Notes to accounts

	₹
1. Share capital	
Authorised: 80,000 Equity shares of 5 each	4,00,000
Issued & Subscribed: 60,000 Equity shares of 5 each (Above equity shares issued for consideration other than cash)	3,00,000
2. Reserves and Surplus	
Capital Reserve	64,000
3. Long Term Borrowings:	
15% Debentures	4,16,000

Solution 15

1. Computation of amount of Debentures and Shares to be issued:

(i) Average Net Profit	X Ltd.	Y Ltd.
₹ (42,50,000+44,45,760-75,000+37,79,240)/4	31,00,000	
₹ (26,50,000+27,60,000+34,00,000+35,90,000)/4		31,00,000

(ii) Equity Shares Issued

a) Ratio of distribution

X Ltd. : Y Ltd.
1 : 1

b) Number of shares

X Ltd. : 3,10,000
Y Ltd. : 3,10,000
6,20,000

c) Amount of shares

3,10,000 shares of ₹ 5 each = ₹ 15,50,000
3,10,000 shares of ₹ 5 each = ₹ 15,50,000

d)

Capital Employed (after revaluation of assets)	X Ltd. (₹)	Y Ltd. (₹)
Property, plant and equipment	71,00,000	39,00,000
Current Assets	29,95,000	15,77,500
	1,00,95,000	54,77,500
Less: Current Liabilities	(59,70,000)	(18,02,500)
	41,25,000	36,75,000

(iii) Debentures Issued

	X Ltd. (₹)	Y Ltd. (₹)
4% Return on capital employed	1,65,000	1,47,000
7.5% Debentures to be issued to provide equivalent income:	(1,65,000 × 100/7.5) =22,00,000	(1,47,000 × 100/7.5) =19,60,000

Balance Sheet of XY Ltd.

As at 31st March 2023 (after amalgamation)

Particulars	Note No	₹
I. Equity and Liabilities		
(1) Shareholders' Funds		

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(a)	Share Capital	1	31,00,000
(b)	Reserves and Surplus	2	5,40,000
(2)	Non-Current Liabilities		
(a)	Long-term borrowings	3	41,60,000
(3)	Current Liabilities		
(a)	Trade Payables	4	76,35,250
	Total		1,54,35,250
II.	Assets		
(1)	Non-current assets		
(a)	PPE	5	1,10,00,000
(2)	Current assets		
(a)	Other current assets	6	44,35,250
	Total		1,54,35,250

Notes to Accounts

			₹
1	Share Capital		
	Authorized		
	8,00,000 Equity Shares of ₹ 5 each		40,00,000
	Issued and Subscribed		
	6,20,000 Equity Shares of ₹ 5 each		31,00,000
	(all the above shares are allotted as fully paid-up pursuant to a contract without payment being received in cash)		
2	Reserve and Surplus		
	Capital Reserve		5,40,000
3	Long-term borrowings		
	Secured Loans		
	7.5% Debentures		
	X Ltd.	22,00,000	
	Y Ltd.	19,60,000	41,60,000
	Current Liabilities:		
4	Trade Payables		
	X Ltd.	59,70,000	
	Y Ltd.	18,02,500	
		77,72,500	
	Less: Mutual Owings	(1,37,250)	76,35,250
5	Property, Plant and Equipment:		
	X Ltd.	71,00,000	
	Y Ltd.	39,00,000	1,10,00,000
6	Other Current Assets:		
	X Ltd.	29,95,000	
	Y Ltd.	15,77,500	
		45,72,500	
	Less: Mutual Owings	(1,37,250)	44,35,250

Working Notes:

		X Ltd. ₹	Y Ltd. ₹	Total ₹
(1)	Purchase Consideration			
	Equity Shares Issued	15,50,000	15,50,000	31,00,000
	7.5% Debentures Issued	22,00,000	19,60,000	41,60,000
		37,50,000	35,10,000	72,60,000
(2)	Capital Reserve			
(a)	Net Assets taken over			
	Property, plant & equipment	71,00,000	39,00,000	1,10,00,000
	Current Assets	29,95,000	14,40,250*	44,35,250
		1,00,95,000	53,40,250	1,54,35,250
	Less: Current Liabilities	(58,32,750**)	(18,02,500)	(76,35,250)
		42,62,250	35,37,750	78,00,000
(b)	Purchase Consideration	37,50,000	35,10,000	72,60,000
(c)	Capital Reserve [(a) - (b)]	5,12,250	27,750	5,40,000

* 15,77,500 - 1,37,250 = 14,40,250

** 59,70,000 - 1,37,250 = 58,32,750

Note: In Working note 2 given above, the mutual owings amounting ₹ 1,37,250 included in debtors and creditors of X Ltd. and Y Ltd. have been adjusted. Alternatively, the capital reserve can be computed without adjustment of mutual owings. In that case, this working note will be presented in the following manner:

		X Ltd. ₹	Y Ltd. ₹	Total ₹
	Capital Reserve			
(a)	Net Assets taken over			
	Property, plant & equipment	71,00,000	39,00,000	1,10,00,000
	Current Assets	29,95,000	15,77,500	45,72,500
		1,00,95,000	54,77,500	1,55,72,500
	Less: Current Liabilities	(59,70,000)	(18,02,500)	(77,72,500)
		41,25,000	36,75,000	78,00,000
(b)	Purchase Consideration	37,50,000	35,10,000	72,60,000
(c)	Capital Reserve [(a) - (b)]	3,75,000	1,65,000	5,40,000

Solution 16

1. Purchase Consideration	₹
Equity share capital (3,00,000 x 12)	36,00,000
Cash Payment (1,80,000 x 5)	9,00,000
	45,00,000

Realisation Account

	₹		₹
To Goodwill	1,40,000	By 9% Debentures	2,85,000
To Freehold Property	12,40,000	By Trade Payables	75,000
To Plant & Machinery	5,60,000	By Nitin Ltd.	45,00,000
To Inventory	6,24,000		
To Trade Receivable	1,08,000		
To Investment	1,60,000		
To Cash & Cash equivalent	1,48,000		
(1,68,000 - 20,000)			

To Cash/Bank:			
Realisation expenses	20,000		
To Profit	18,60,000		
	48,60,000		48,60,000

Equity Shareholders Account

	₹		₹
To Preliminary Expenses	30,000	By Equity Share Capital	18,00,000
To Cash & Bank A/c	9,00,000	By Export Profit Reserves	2,50,000
To Equity Shares in Nitin Ltd.	36,00,000	By General Reserves a/c	4,10,000
		By Investment allowance Reserve	80,000
		By Profit & Loss Account	1,30,000
		By Realisation Account	18,60,000
	45,30,000		45,30,000

Nitin Ltd. Account

	₹		₹
To Realisation Account	45,00,000	By Equity shares in Nitin Ltd.	36,00,000
		By Cash & Bank A/c	9,00,000
	45,00,000		45,00,000

9% Debentures Account

	₹		₹
To Realisation A/c	2,85,000	By Balance b/d	2,85,000
	2,85,000		2,85,000

In the Book of Nitin Ltd. Journal Entries

S.No.		Dr.	Cr.
		₹	₹
1	Business Purchase A/c Dr.	45,00,000	
	To Liquidators of Rashmi Ltd. Account		45,00,000
	(Being business of Rashmi Ltd. taken over)		
2	Freehold Property Account Dr.	27,28,000	
	Plant & Machinery Account Dr.	5,04,000	
	Investment Account Dr.	1,30,000	
	Inventory Account Dr.	5,20,000	
	Trade receivables Account Dr.	1,08,000	
	Cash & Cash Equivalent Account Dr.	1,48,000	
	Goodwill Account (Bal. Fig.) Dr.	8,01,890	
	To Provision for Doubtful Debts Account		8,640
	To Trade payables Account		75,000
	To 9% Debentures of Rashmi Ltd (2,85,000*125%)		3,56,250
	To Business Purchase A/c		45,00,000
	(Being Assets and Liabilities taken over).		
3	Liquidators of Rashmi Ltd. A/c Dr.	45,00,000	
	To Equity Share Capital A/c		30,00,000
	To Securities Premium A/c		6,00,000
	To Bank A/c		9,00,000
	(Being Purchase Consideration satisfied as above).		
4	9% Debentures of Rashmi Ltd. Dr.	3,56,250	
	Discount on issue of debentures Dr.	18,750	

	To 10% Debentures (3,56,250*100/95)		3,75,000
	(Being liability of debenture holders discharged)		
5	Amalgamation Adjustment Reserve Dr.	3,30,000	
	To Export Profit Reserve		2,50,000
	To Investment Allowance Reserve		80,000
	(Being statutory Reserves taken over)		
6	Goodwill OR P&L A/c Dr.	30,000	
	To Cash/Bank A/c		30,000
	(Liquidation expenses reimbursed)		

Solution 17

In the Books of Y Ltd.

Realisation Account

	₹		₹
To Sundry Assets		By Retirement Gratuity Fund	60,000
Goodwill	75,000	By Trade payables	2,40,000
Land & Building	3,00,000	By X Ltd. (Purchase Consideration)	15,90,000
Plant & Machinery	4,50,000		
Inventory	5,25,000		
Trade receivables	3,00,000		
Bank	60,000		
To Preference Shareholders	30,000		
To Equity Shareholders (Profit on Realisation)	1,50,000		
	18,90,000		18,90,000

In the Book of X Ltd.

Journal Entries

	Dr.	Cr.
	₹	₹
Business Purchase A/c Dr.	15,90,000	
To Liquidators of Y Ltd. Account		15,90,000
(Being business of Y Ltd. taken over)		
Goodwill Account Dr.	1,50,000	
Land & Building Account Dr.	5,00,000	
Plant & Machinery Account Dr.	4,00,000	
Inventory Account Dr.	4,72,500	
Trade receivables Account Dr.	3,00,000	
Bank Account Dr.	60,000	
Unrecorded Assets Account Dr.	15,000	
To Retirement Gratuity Fund Account		60,000
To Trade payables Account		2,40,000
To Provision for Doubtful Debts Account		7,500
To Business Purchase A/c		15,90,000
(Being Assets and Liabilities taken over as per agreed valuation).		
Liquidators of Y Ltd. A/c Dr.	15,90,000	
To 9% Preference Share Capital A/c		3,30,000
To Equity Share Capital A/c		12,00,000
To Securities Premium A/c		60,000
(Being Purchase Consideration satisfied as above).		

Balance Sheet X Ltd. as at 31st March, 2020

	Particulars	Note No.	Amount
			₹
	Equity and Liabilities		
1	Shareholders funds		
	a) Share capital	1	48,30,000
	b) Reserves and Surplus	2	2,70,000
2	Non-current liabilities		
	a) Long-term Provisions	3	2,10,000
3	Current liabilities		
	a) Trade payables (3,90,000+2,40,000-20,000)		6,10,000
	Total		59,20,000
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	(i) Property, Plant & Equipment	4	33,00,000
	(ii) Intangible assets	5	3,00,000
2	Current assets		
	a) Inventories		12,22,500
	b) Trade receivables	6	8,72,500
	c) Cash and cash equivalents	7	2,10,000
	d) Other Current Assets	8	15,000
	Total		59,20,000

Notes to accounts

		₹
1.	Share Capital	
	Equity share capital	
	4,20,000 Equity Shares of ₹10 each fully paid (Out of above 1,20,000 Equity shares were issued in consideration other than for cash)	42,00,000
	Preference share capital	
	6,300 9% Preference Shares of ₹100 each (Out of above 3,300 Preference Shares were issued in consideration other than for cash)	6,30,000
	Total	48,30,000
2.	Reserves and Surplus	
	Securities Premium	60,000
	General Reserve	2,10,000
	Total	2,70,000
3.	Long-term provisions	
	Retirement Gratuity fund	2,10,000
	Total	2,10,000
4.	Property, Plant & Equipment	
	Land & Buildings	14,00,000
	Plant & Machinery	19,00,000
	Total	33,00,000
5.	Intangible assets	
	Goodwill	3,00,000
	Total	3,00,000
6.	Trade receivables (6,00,000+3,00,000-20,000)	8,80,000

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Less: Provision for Doubtful Debts	(7,500)	8,72,500
7. Cash & Cash Equivalents (1,50,000+60,000)		2,10,000
8. Other Current Assets (Unrecorded Assets)		15,000

Working Notes:

1. Computation of goodwill

Profit of 2018-19	90,000
Profit of 2017-18 adjusted (78,000 + 10,000)	88,000
Profit of 2016-17 adjusted (72,000 – 25,000)	47,000
	2,25,000
Average profit	75,000

Goodwill to be valued at 2 times of average profits = ₹ 75,000 x 2 = ₹ 1,50,000

Purchase Consideration	₹
Goodwill	1,50,000
Land & Building	5,00,000
Plant & Machinery	4,00,000
Inventory	4,72,500
Trade receivables	3,00,000
Unrecorded Assets	15,000
Cash at Bank	60,000
	18,97,500
Less: Liabilities:	
Retirement Gratuity Fund	(60,000)
Provision for Doubtful debts	(7,500)
Trade payables	(2,40,000)
Net Assets/Purchase Consideration	15,90,000
To be satisfied as under:	
10% Preference Shareholders of Y Ltd.	3,00,000
Add: 10% Premium	30,000
3,300 9% Preference shares of X Ltd.	3,30,000
Equity Shareholders of Y Ltd. to be satisfied by issue of 1,20,000	
Equity Shares of X Ltd. at 5% Premium	12,60,000
Total	15,90,000

Solution 18

Calculation of Purchase Consideration

One share of B Ltd. will be issued in exchange of every share of A Ltd. (i.e. 20,000 equity shares of B Ltd. will be issued against 20,000 equity shares of A Ltd.)	20,000 shares
---	---------------

Journal Entries in the books of B Ltd.

Date		(₹ in thousands)	
2020		Dr.	Cr.
March, 31	Loan from bank A/c	Dr.	60
	To Capital reduction A/c		60
	(Being loan from bank waived off to the extent of ₹60 thousand)		
	Equity share capital A/c (₹ 100)	Dr.	1,000
	To Equity share capital A/c (₹ 10)		100
	To Capital Reduction A/c		900
	(Being equity shares of ₹100 each reduced to ₹10 each)		
	Equity share capital A/c (₹ 10)	Dr.	100
	To Equity share capital A/c (₹ 100 each)		100

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	(Being 10 equity shares of ₹10 each consolidated to one share of ₹100 each)		
	Capital Reduction A/c Dr.	960	
	To Profit and Loss A/c		800
	To Capital reserve A/c		160
	Being accumulated losses set off against reconstruction A/c and balance transferred to capital reserve account)		
	Business Purchase A/c Dr.	2,000	
	To Liquidator of A Ltd.		2,000
	(Being purchase of business of A Ltd.)		
	Property, Plant & Equipment A/c Dr.	2,700	
	Investment A/c Dr.	700	
	Trade receivables A/c Dr.	400	
	Cash at bank A/c Dr.	250	
	To Trade payables A/c		300
	To Loans from bank A/c		250
	To 10% Debentures A/c		500
	To Business purchase A/c		2,000
	To Reserves A/c		1,000
	(Being assets, liabilities and reserves taken over under pooling of interest method)		
	Liquidator of A Ltd. A/c Dr.	2,000	
	To Equity share capital A/c		2,000
	(Being payment made to liquidators of A Ltd. by allotment of 20,000 new equity shares)		
	Trade payables A/c Dr.	100	
	To Trade receivables A/c		100
	(Being mutual owing cancelled)		

Balance Sheet of B Ltd. after merger as on 31.3.2020

	Particulars	Notes	₹ in '000
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	2,100
	b) Reserves and Surplus	2	1,160
2	Non-current liabilities		
	a) Long term borrowings	3	1,140
3	Current liabilities		
	a) Trade payables		500
	b) Short term borrowings	4	50
	Total		4,950
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment		3,550
	b) Non-current Investments		700
2	Current assets		
	a) Trade receivables		450
	b) Cash and cash equivalents		250
	Total		4,950

Notes to Accounts

		₹ in '000	
1	Share Capital		
	21,000, Equity shares of ₹100 each fully paid (Out of the above, 20,000 shares have been issued for consideration other than cash)		2,100
2	Reserves and Surplus		
	Capital reserve	160	
	General reserve	1,000	
	Total		1,160
3	Long Term Borrowings		
	10% Debentures	500	
	Loan from bank (250+450-60)	640	1,140
4	Short term borrowings		
	Bank overdraft		50

Solution 19

In the Books of No Ltd. Journal Entries

		Rupees in crores	
		Dr.	Cr.
(i)	Realisation Dr.	64	
	To Property, Plant & Equipment A/c		30
	To Current assets A/c		34
	(Being assets transferred to realization account on sale of business to Yes Ltd.)		
(ii)	Provision for Depreciation A/c Dr.	24	
	Current Liabilities A/c Dr.	15	
	Unsecured Loan from Yes Ltd. A/c Dr.	10	
	To Realisation A/c		49
	(Being liabilities transferred to realization account on sale of business to Yes Ltd.)		
(iii)	Equity share capital A/c Dr.	5	
	Reserves & Surplus A/c Dr.	10	
	To Equity shareholders A/c		15
	(Being transfer of share capital and reserve to shareholders account)		
(iv)	Yes Ltd. Dr.	1.20	
	To Realisation A/c		1.20
	(Being purchase consideration due)		
(v)	Equity shares in Yes Ltd. Dr.	1.20	
	To Yes Ltd.		1.20
	(Being purchase consideration received)		
(vi)	Equity shareholders A/c Dr.	13.80	
	To Realisation A/c		13.80
	(Being loss on realization transferred to shareholders A/c)		
(vii)	Equity shareholders A/c Dr.	1.20	
	To Equity shares in Yes Ltd. A/c		1.20
	(Being 10 Lakh equity shares for ₹12 each distributed to equity shareholders of No Ltd.)		

Journal Entries in the Books of Yes Ltd.

		Rupees in crores	
		Dr.	Cr.
(i)	Business purchase A/c Dr.	1.20	
	To Liquidators of No Ltd. A/c		1.20
	(Being amount payable to No Ltd.)		
(ii)	Property, Plant & Equipment A/c Dr.	6	
	Current Assets A/c Dr.	34	
	To Current Liabilities A/c		15
	To Unsecured Loan (from Yes Ltd.) A/c		10
	To Reserves & Surplus A/c (10+3.80*) *diff.		13.80
	To Business purchase A/c		1.20
	(Being assets & Liabilities taken over and purchase consideration due)		
(iii)	Liquidators of No Ltd. A/c Dr.	1.20	
	To Equity share capital A/c		1
	To Securities premium A/c		0.20
	(Being shares allotted in full payment of purchase consideration)		
(iv)	Unsecured Loan (from Yes Ltd.) A/c Dr.	10	
	To Loan to No Ltd. A/c		10
	(Being cancellation of mutual liability))		

Working Note: Purchase Consideration

(50 Lakhs/5) * 12 = 1.20 crores

i.e. 10 Lakhs equity shares of 10each issued at 12 per share (2 premium).

Solution 20

Ledger accounts in the books of Mohan Ltd.

Realisation Account

	₹		₹
To Goodwill	10,000	By 10% Debentures	2,00,000
To Property, Plant & Equipment	3,40,000	By Accured Interest	20,000
To Inventory	80,000	By Trade Payables	1,50,000
To Trade Receivable	1,10,000	By Ravi Ltd. (Purchase Consideration)	1,65,400
To Bank (20,000-5,000)	15,000	By Equity shareholders A/c (loss on realization) (Bal. fig.)	30,000
To Bank (Expenses)	5,000		
To Preference Shareholders (65,400-60,000)	5,400		
	5,65,400		5,65,400

Equity Shareholders Account

	₹		₹
To Profit & Loss A/c	1,70,000	By Equity Share Capital	3,00,000
To Realisation A/c	30,000		
To Equity Shares in Ravi Ltd.	1,00,000		
	3,00,000		3,00,000

**Books of Ravi Ltd.
Bank Account**

	₹		₹
To Business Purchase	15,000	By Balance c/d	1,09,600
To Equity Share application & Allotment	94,600		
	1,09,600		1,09,600

Balance Sheet as at 31.3.2020

	Particulars	Notes	₹
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	4,00,000
2	Non-current liabilities		
	a) Long term borrowings	2	2,00,000
	Total		6,00,000
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment		3,08,400
2	Current assets		
	a) Inventories		72,000
	b) Trade receivables		1,10,000
	c) Cash and cash equivalents		1,09,600
	Total		6,00,000

Notes to Accounts

1	Share Capital	
	Authorised share capital 40,000 equity shares of ₹ 10 each	4,00,000
	Issued and Subscribed	
	40,000, Equity shares of ₹10 each fully paid (Out of the above, 30,540 shares have been issued for consideration other than cash)	4,00,000
2	Long Term Borrowings	
	10% Debentures	2,00,000

Working Notes: 1. Calculation of Purchase consideration

Payment to preference shareholders	
6,000 equity shares @ ₹ 10	60,000
For arrears of dividend: (6,000 x ₹ 10) x 9%	5,400
Payment to equity shareholders	
(30,000 shares x 1/3) @ ₹ 10	1,00,000
Total purchase consideration	1,65,400

2. Calculation of number of Equity shares issued to public

	No. of Shares
Authorized equity shares	40,000
Less: Equity shares issued for	
Interest accrued on debentures	2,000
Trade payables of Mohan Ltd.	12,000
Preference shareholders of Mohan Ltd.	6,000
Arrears of preference dividend	540

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Equity shareholders of Mohan Ltd.	10,000	(30,540)
Number of equity shares issued to public at par for cash		9,460

Note: When we compare Net Assets taken over with Purchase Consideration there is no difference so no Goodwill/Capital Reserve would arise. The same working note can also be shown.

Solution 21

Journal Entries in the books of Z Ltd.

		₹	₹
Business Purchase A/c	Dr.	54,00,000	
To Liquidator of A Ltd. A/c			54,00,000
Land & Building A/c	Dr.	28,00,000	
Plant & Machinery A/c	Dr.	20,00,000	
Long term advance to B Ltd. A/c	Dr.	2,20,000	
Inventories A/c	Dr.	10,40,000	
Trade Receivables A/c	Dr.	8,20,000	
Cash and Bank A/c	Dr.	3,00,000	
Goodwill A/c	Dr.	12,20,000	
To Retirement Gratuity Fund A/c			1,00,000
To 10% Debentures of A Ltd. A/c			20,00,000
To Unsecured Loan A/c			6,00,000
To Trade Payables A/c			1,00,000
To Other liabilities A/c			2,00,000
To Business Purchase A/c			54,00,000
10% Debentures of A Ltd. A/c	Dr.	20,00,000	
To 12% Debentures A/c			20,00,000
Liquidator of A Ltd. A/c	Dr.	54,00,000	
To Equity Share Capital A/c			27,00,000
To Securities Premium A/c			27,00,000
Business Purchase A/c	Dr.	28,80,000	
To Liquidator of B Ltd. A/c			28,80,000
Land and Building A/c	Dr.	21,00,000	
Plant & Machinery A/c	Dr.	7,60,000	
Inventories A/c	Dr.	7,00,000	
Trade Receivables A/c	Dr.	5,20,000	
Cash and Bank (less dividend) A/c	Dr.	60,000	
To Unsecured Loan A/c			8,20,000
To Trade Payables A/c			3,40,000
To Business Purchase A/c			28,80,000
To Capital Reserve A/c			1,00,000
Liquidators of B Ltd. A/c	Dr.	28,80,000	
To Equity Share Capital A/c			14,40,000
To Securities Premium A/c			14,40,000
Unsecured Loans A/c	Dr.	2,20,000	
To Long term Advance to B Ltd. A/c			2,20,000
*Capital Reserve A/c	Dr.	1,00,000	
To Cash and Bank A/c (Liquidation expenses)			80,000
To Goodwill A/c			20,000

Note:

1. The journal entries for A Ltd. and B Ltd. have been given separately in the above solution. Alternatively, the entries may be given as combined for both companies.
2. *Alternatively, following set of entries may be given in place of the last entry given in the above solution:

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Goodwill A/c	Dr.	50,000	
To Cash & Bank A/c (Liquidation expenses of A Ltd.)			50,000
Capital Reserve A/c	Dr.	30,000	
To Cash and Bank A/c (Liquidation expenses of B Ltd.)			30,000
Capital Reserve A/c	Dr.	70,000	
To Goodwill A/c			70,000

Balance Sheet of Z Ltd. as at 31st March, 2022

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	41,40,000
(b) Reserves and Surplus	2	41,40,000
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	20,00,000
(b) Long term provisions	4	1,00,000
(3) Current Liabilities		
(a) Short-term borrowings*	5	12,00,000
(b) Trade payables	6	4,40,000
(a) Other liability		2,00,000
Total		1,22,20,000
II. Assets		
(1) Non-current assets		
(a) PPE & Intangible Assets		
i. Property, plant and equipment	7	76,60,000
ii. Intangible Assets (Goodwill 12,20,000-20,000)		12,00,000
(2) Current assets		
(a) Inventories	8	17,40,000
(b) Trade receivables	9	13,40,000
(c) Cash and cash equivalents	10	2,80,000
Total		1,22,20,000

*Unsecured loans have been considered as short-term borrowings. Alternatively, it may be considered as long-term borrowings and presented accordingly

Notes to Accounts

	(₹)	(₹)
1. Share Capital		
Authorized Share Capital: 6,00,000 Equity shares of ₹ 10 each		<u>60,00,000</u>
Issued: 4,14,000 Equity shares of ₹ 10 each (all these shares were Issued for consideration other than cash)		41,40,000
2. Reserves and surplus		
Securities Premium Account (4,14,000 shares × ₹ 10)		41,40,000
3. Long-term borrowings		
12% Debentures		20,00,000
4. Long term Provisions		
Retirement gratuity fund		1,00,000
5. Short-term borrowings		
Unsecured loans		
A Ltd. 6,00,000		
B Ltd. 8,20,000	14,20,000	
Less: Mutual	<u>(2,20,000)</u>	12,00,000

6. Trade payables		
A Ltd.	1,00,000	
B Ltd.	<u>3,40,000</u>	4,40,000
7. Property, plant & equipment		
Land and Building		
A Ltd.	28,00,000	
B Ltd.	<u>21,00,000</u>	49,00,000
Plant and Machinery		
A Ltd.	20,00,000	
B Ltd.	<u>7,60,000</u>	27,60,000
8. Inventories		76,60,000
A Ltd.	10,40,000	
B Ltd.	<u>7,00,000</u>	17,40,000
9 Trade receivables		
A Ltd.	8,20,000	
B Ltd.	<u>5,20,000</u>	13,40,000
10 Cash & cash equivalents		
A Ltd.	3,00,000	
B Ltd. [3,00,000-2,40,000(dividend)]	60,000	
Less: Liquidation Expenses	<u>(80,000)</u>	2,80,000

Working Note:

Calculation of amount of Purchase Consideration

	A Ltd.	B Ltd.
Existing shares	3,00,000	2,40,000
Agreed value per share	₹ 18	₹ 12
Purchase consideration	54,00,000	28,80,000
No. of shares to be issued of ₹ 20 each (including ₹ 10 premium)	2,70,000	1,44,000
Face value of shares at ₹ 10	27,00,000	14,40,000
Premium of shares at ₹ 10	27,00,000	14,40,000

Solution 22

Books of P Ltd. Realisation Account

	₹		₹
To Goodwill	1,00,000	By 8% Debentures	2,00,000
To Land & Building	4,50,000	By Trade payables	88,000
To Plant & Machinery	6,20,000	By PQ Ltd. (Purchase consideration)	16,02,100
To Furniture & Fitting	1,00,000	By Equity shareholders A/c (Loss)	1,37,900
To Trade receivables	3,25,000		
To Inventory	2,33,000		
To Cash at Bank	1,08,000		
To Cash in hand	54,000		
To Preference shareholders (excess)	38,000		
	20,28,000		20,28,000

Equity Shareholders Account

	₹		₹
To Realisation A/c (loss)	1,37,900	By Share capital	8,20,000
To Equity Shares in PQ Ltd.	10,82,400	By Profit & Loss A/c	3,52,000
To Cash	1,01,700	By General Reserve A/c	1,50,000
	13,22,000		13,22,000

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9% Preference Shareholders Account

	₹		₹
To Preference Shares in PQ Ltd.	4,18,000	By Pref. Share capital	3,80,000
		By Realisation A/c	38,000
	4,18,000		4,18,000

PQ Ltd. Account

	₹		₹
To Realisation A/c	16,02,100	By Equity Shares in PQ Ltd.	10,82,400
		By Preference Shares in PQ Ltd.	4,18,000
		By Cash	1,01,700
	16,02,100		16,02,100

**Books of Q Ltd.
Realisation Account**

	₹		₹
To Goodwill	80,000	By 8% Debentures	1,00,000
To Land & Building	3,40,000	By Trade payables	1,60,000
To Plant & Machinery	4,50,000	By Unsecured loan	1,75,000
To Furniture & Fittings	50,000	By PQ Ltd. (Purchase consideration	7,92,250
To Trade receivables	1,50,000	By Equity shareholders A/c (Loss)	90,750
To Inventory	1,05,000		
To Cash at bank	95,000		
To Cash in hand	20,000		
To Pref. shareholders	28,000		
	13,18,000		13,18,000

Equity Shareholders Account

	₹		₹
To Equity shares in PQ Ltd.	4,22,400	By Share Capital	3,20,000
To Realisation	90,750	By Profit & Loss A/c	2,05,000
To Cash	61,850	By General Reserve	50,000
	5,75,000		5,75,000

9% Preference Shareholders Account

	₹		₹
To Preference Shares in PQ Ltd.	3,08,000	By Pref. Share capital	2,80,000
		By Realisation A/c	28,000
	3,08,000		3,08,000

PQ Ltd. Account

	₹		₹
To Realisation A/c	7,92,250	By Equity shares in PQ Ltd.	4,22,400
		By Preference Shares in PQ Ltd.	3,08,000
		By Cash	61,850
	7,92,250		7,92,250

Working Notes

(i) Purchase consideration

	P Ltd.	Q Ltd.
Payable to shareholders:		
Preference shares at ₹22 per share	4,18,000	3,08,000

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Equity Shares at ₹22 per share	10,82,400	4,22,400
Cash	1,01,700	61,850
	16,02,100	7,92,250

(ii) Value of Net Assets

		P Ltd.		Q Ltd.
Goodwill		1,00,000		80,000
Land & Building		4,50,000		3,40,000
Plant & Machinery		5,58,000		4,05,000
Furniture & Fittings		90,000		45,000
Trade receivables less 5%		3,08,750		1,42,500
Inventory less 5%		2,21,350		99,750
Cash at Bank		1,08,000		95,000
Cash in hand		54,000		20,000
		18,90,100		12,27,250
Less: Debentures	2,00,000		1,00,000	
Trade payables	88,000		1,60,000	
Unsecured Loans	--	(2,88,000)	1,75,000	(4,35,000)
		16,02,100		7,92,250
Payable in shares		15,00,400		7,30,400
Payable in cash		1,01,700		61,850

Solution 23

Purchase consideration:

	Raman Ltd. ₹	Naman Ltd. ₹
Payable to preference shareholders:	5,15,200	2,57,600
Preference shares at ₹ 115 per share	(3,360 x 4)/3	(1,680 x 4)/3
Equity Shares at ₹ 12 per share	13,44,000	5,04,000
	(67,200 x 5/3)	(25,200 x 5/3)
Cash [See W.N.]	41,260	94,980
	19,00,460	8,56,580

Working note:

	Raman Ltd. ₹	Naman Ltd. ₹
Goodwill	1,62,000	-
PPE	10,58,100	5,20,100
Trade receivables	2,47,140	1,38,180
Inventory	2,78,620	2,06,780
Cash & Cash Equivalent	2,35,240	1,60,480
	19,81,100	10,25,540
Less: Trade payables	(80,640)	(1,68,960)
	19,00,460	8,56,580
Payable in shares	18,59,200	7,61,600
Payable in cash	41,260	94,980

Solution 24

R Ltd.

Balance Sheet as at 1.4.2020

	Particulars	Notes No.	₹
	Equity and Liabilities		
1	Shareholders' funds		

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	a) Share capital	1	6,55,990
	b) Reserves and Surplus	2	2,77,995
2	Non-current liabilities		
	a) Long-term borrowings	3	80,000
3	Current liabilities		
	a) Trade Payables	4	80,000
	b) Short term provision	5	22,000
	Total		11,15,985
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment	6	5,60,000
	b) Non-current investments	7	1,30,000
2	Current assets		
	a) Inventory	8	1,52,000
	b) Trade receivables	9	1,44,000
	c) Cash and cash equivalents	10	1,29,985
	Total		11,15,985

Notes to accounts

		₹
1	Share Capital	
	Equity share capital	
	55,599 Equity shares of ₹10 each, fully paid up (W. N.2)	5,55,990
	Preference share capital	
	9% Preference share capital (Share of ₹100 each) (W.N.2)	1,00,000
		6,55,990
2	Reserves and Surplus	
	Securities premium (W.N.2)	2,77,995
	Investment allowance reserve (₹10,000 + ₹4,000)	14,000
	Amalgamation Adjustment reserve (₹10,000 + ₹4,000)	(14,000)
		2,77,995
3	Long-term borrowings	
	Secured : 10% Debentures (50% of ₹ 1,60,000)	80,000
4	Trade Payables (₹ 50,000 + ₹ 30,000)	80,000
5	Short term Provisions	
	Provision for tax (₹ 14,000+₹ 8,000)	22,000
6	Tangible assets	
	Building (₹ 1,32,000 + ₹ 1,05,000)	2,37,000
	Plant and Machinery (₹ 1,76,000+₹ 1,47,000)	3,23,000
		5,60,000
7	Non-current investment	
	Investments (₹80,000+₹50,000)	1,30,000
8	Inventory	
	Stock (₹ 72,000 + ₹ 80,000)	1,52,000
9	Trade receivables	
	Trade receivables [90% of (₹90,000 + ₹70,000)]	1,44,000
10	Cash and cash equivalents	
	Cash and bank (₹80,000 + ₹50,000 – ₹ 15)	1,29,985

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Working Notes

1. Calculation of value of equity shares issued to transferor companies

		P Ltd.		Q Ltd.
		(₹)		(₹)
Assets taken over:				
Building		1,32,000		1,05,000
Plant and machinery		1,76,000		1,47,000
Investments		80,000		50,000
Inventories		72,000		80,000
Trade receivables		81,000		63,000
Cash & Bank		80,000		50,000
		6,21,000		4,95,000
Less: Liabilities:				
10% Debentures	1,00,000		60,000	
Trade payables	50,000		30,000	
Tax Provision	<u>14,000</u>	(1,64,000)	<u>8,000</u>	(98,000)
		4,57,000		3,97,000
Less: Preference Share Capital		(60,000)		(40,000)
		3,97,000		3,57,000

2. Number of shares issued to equity shareholders, debenture holders and preference shareholders

	P Ltd.	Q Ltd.	Total
9% Preference share capital issued	₹60,000	₹40,000	₹1,00,000
Equity shares issued @ ₹15 per share (including ₹ 5 premium)			
₹3,97,000/15	26,466 Shares		
₹3,57,000/15		23,800 shares	50,266 shares
Equity share capital @ ₹10	₹2,64,660	₹2,38,000	₹5,02,660
Securities premium @ ₹5	₹1,32,330	₹1,19,000	₹2,51,330
	₹3,96,990	₹3,57,000	₹7,53,990
Difference in Cash	10	-	10
50% of Debentures are converted into equity shares @ ₹ 15 per share			
1,00,000/2 = 50,000/15	3,333 shares		
60,000/2 = 30,000/15		2,000 shares	5,333 shares
Equity share capital @ ₹10	₹33,330	₹20,000	₹53,330
Securities premium @ 5	₹16,665	₹10,000	₹26,665
	₹49,995	₹30,000	₹79,995
Difference in Cash	5	-	5

Solution 25

Balance Sheet of AB Ltd.

	Particulars	Notes	₹
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	30,80,000
	b) Reserves and Surplus	2	6,17,100
2	Current liabilities		
	a) Other Current Liabilities		38,900
	Total		37,36,000
	Assets		

1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment	3	23,09,000
	Intangible assets	4	1,12,000
	b) Non Current Investments		1,55,000
2	Current assets		
	a) Inventories (3,58,000 + 2,40,000)		5,98,000
	b) Trade receivables (72,000 + 70,000)		1,42,000
	c) Cash and cash equivalents		4,20,000
	Total		37,36,000

Notes to accounts

	₹
1. Share capital	
Authorised Share Capital	
3,00,000 Equity Shares of 10 each	30,00,000
60,000, 8% Cumulative Preference shares of 10 each	<u>6,00,000</u>
	<u>36,00,000</u>
Issued, Subscribed, Called & Paid up capital	
2,48,000 Equity shares of 10 each	24,80,000
60,000, 8% Cumulative Preference shares of 10 each	<u>6,00,000</u>
Total	30,80,000
2. Reserves and Surplus	
Debit balance of P&L Account	
Underwriting Commission & Preliminary Expenses (38,900+24,000)	(62,900)
Securities Premium [(2,48,000*2.50) + (60,000*1)]	6,80,000
Total	6,17,100
3 Property, Plant & Equipment	
Building	5,40,000
Motor Car	1,26,000
Plant and Machinery	15,10,000
Furniture	1,33,000
Total	23,09,000
4 Intangible assets	
Goodwill (15,000 - 3,000)	12,000
Patents	1,00,000
Total	1,12,000

Working Notes: 1 Mode of Discharge of Purchase consideration of A Ltd.

Cash Payment	5,75,000
Equity Shares (1,80,000*12.50)	22,50,000
Purchase consideration	28,25,000

Working Notes: 2 Mode of Discharge of Purchase consideration of B Ltd.

Cash Payment	16,000
Equity Shares (38,000*12.50)	4,75,000
Purchase consideration	4,91,000

Working Notes: 3 Cash at bank balance in the initial balance sheet of AB Ltd.

Issue of Preference Shares (60,000*11)	6,60,000
Issue of Equity Shares (30,000*12.50)	3,75,000
Payment to A Ltd.	(5,75,000)
Payment to B Ltd.	(16,000)
Preliminary Expenses	(24,000)
	4,20,000

Working Notes: 4 Calculation of Goodwill/ Capital Reserve of A Ltd. & B Ltd

	A Ltd.		B Ltd.	
Business Purchase (Purchase Consideration)		28,25,000		4,91,000
Less: Patents	1,00,000			
Building	5,40,000			
Plant & machinery	15,10,000			
Motor car			1,26,000	
Furniture	75,000		58,000	
Investments	1,55,000			
Stock	3,58,000		2,40,000	
Debtors	72,000	(28,10,000)	70,000	(4,94,000)
Goodwill/(Capital Reserve) [Bal.fig.]		15,000		(3,000)
Net Goodwill=15,000-3,000=12,000				

Solution 26**(i) Calculation of Number of shares issued to P Ltd. and Q Ltd.:**

Amount of Share Capital as per balance sheet	
P Ltd.	6,00,000
Q Ltd.	8,40,000
	14,40,000

Share of P Ltd.	= ₹ 14,40,000 x [21,60,000 / (21,60,000 + 14,40,000)]
	= 8,64,000 or 86,400 shares
Securities premium	21,60,000 – 8,64,000 = 12,96,000
Premium per share	12,96,000 / 86,400 = 15
Issued 86,400 shares @ ₹ 10 each at a premium of ₹ 15 per share	
Share of Q Ltd.	= ₹ 14,40,000 x [14,40,000 / (21,60,000 + 14,40,000)]
	= 5,76,000 or 57,600 shares
Securities premium	14,40,000 – 5,76,000 = 8,64,000
Premium per share	8,64,000 / 57,600 = 15
Issued 57,600 shares @ ₹ 10 each at a premium of ₹ 15 per share	

In other words total share capital i.e 14,40,000 divided in the ratio of net assets of both companies (21,60,000:14,40,000 =3:2) which comes out to 8,64,000 & 5,76,000 respectively. Balance amount is security premium which can then be calculated per share.

Journal Entries in the books of PQ Ltd.

Particulars	Debit	Credit
Business Purchase A/c Dr.	36,00,000	
To Liquidator of P Ltd.		21,60,000
To Liquidator of Q Ltd.		14,40,000
(Being business of P Ltd. & Q Ltd. taken over)		
Goodwill A/c Dr.	5,40,000	
Property, Plant & Equipment A/c Dr.	7,20,000	
Inventory A/c Dr.	3,60,000	
Trade Receivables A/c Dr.	4,80,000	
Bank A/c Dr.	3,00,000	
To Trade payables A/c		2,40,000
To Business purchase A/c		21,60,000
(Being assets and liabilities of P Ltd. taken over)		

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Property, Plant & Equipment A/c	Dr.	10,80,000	
Inventory A/c	Dr.	6,60,000	
Trade Receivables A/c	Dr.	7,80,000	
To Trade payables A/c			5,40,000
To Bank Overdraft A/c			5,40,000
To Business purchase A/c			14,40,000
(Being assets and liabilities of Q Ltd. taken over)			
Liquidator of P Ltd.	Dr.	21,60,000	
To Equity share capital A/c			8,64,000
To Securities Premium A/c			12,96,000
(Being shares allotted for discharge of purchase consideration)			
Liquidator of Q Ltd.	Dr.	14,40,000	
To Equity share capital A/c			5,76,000
To Securities Premium A/c			8,64,000
(Being shares allotted for discharge of purchase consideration)			
Bank A/c	Dr.	18,00,000	
To Equity share capital A/c			7,20,00
To Securities Premium A/c			10,80,000
(Being shares issued to raise working capital)			

Balance Sheet of PQ Ltd.

	Particulars	Notes	₹
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	21,60,000
	b) Reserves and Surplus	2	32,40,000
2	Current liabilities		
	a) Trade Payables (2,40,000+5,40,000)		7,80,000
	Total		61,80,000
	Assets		
1	Non-current assets		
	a) Property, Plant & Equipment & Intangible Assets		
	Property, Plant & Equipment (7,20,000+10,80,000)		18,00,000
	Intangible Assets (Goodwill)		5,40,000
2	Current assets		
	a) Inventories (3,60,000+6,60,000)		10,20,000
	b) Trade Receivables (4,80,000+7,80,000)		12,60,000
	c) Cash & Cash Equivalents	3	15,60,000
	Total		61,80,000

Notes to accounts

	₹
1. Share capital	
Authorised	
2,64,000 Equity shares of 10 each (14,40,000+12,00,000)	<u>26,40,000</u>
Issued & Subscribed	
2,16,000 Equity shares of 10 each	21,60,000
2. Reserves and Surplus	
Securities Premium (2,16,000 * 15)	32,40,000
3. Cash & Cash Equivalents	
Bank (3,00,000+18,00,000-5,40,000)	15,60,000

Working Notes:**1. Calculation of Goodwill**

Particulars	Amount	Weight	Weighted Amount
2017-18	3,00,000	1	3,00,000
2018-19	5,25,000	2	10,50,000
2019-20	6,30,000	3	18,90,000
	14,55,000	6	32,40,000

Goodwill = $32,40,000 / 6 = 5,40,000$

2. Calculation of Net assets

Particulars	P Ltd.	Q Ltd.
<u>Assets</u>		
Goodwill	5,40,000	
Fixed Assets	7,20,000	10,80,000
Inventory	3,60,000	6,60,000
Trade Receivables	4,80,000	7,80,000
Bank	3,00,000	
<u>Liabilities</u>		
Bank Overdraft		(5,40,000)
Trade Payables	(2,40,000)	(5,40,000)
Net Assets/Purchase Consideration	21,60,000	14,40,000

Solution 27**a) No. of shares issued by Black Ltd. to White Ltd. against purchase consideration**

White Ltd.	₹	₹
Goodwill		2,40,000
Property, plant and equipment	24,00,000	
Less: Depreciation $[24,00,000 \times 10\% \times 3/12]$	(60,000)	
	23,40,000	
Add: Appreciation	1,20,000	24,60,000
Inventory		7,20,000
Trade receivables		10,80,000
Cash and Bank balances	4,20,000	
Add: Profit after depreciation	2,40,000	
Add: Depreciation (non-cash)	60,000	3,00,000
Less: Dividend $[36,00,000 \times 10\%]$	(3,60,000)	3,60,000
		48,60,000
Less: Trade payables		(3,60,000)
Purchase Consideration		45,00,000
Number of shares to be issued by Black Ltd. @ ₹ 100 each		45,000 shares

b) Calculation of Net Current Assets as on 01.07.2020

		Black Ltd.		White Ltd.
Current assets:				
Inventory		9,60,000		7,20,000
Trade receivables		16,80,000		10,80,000
Cash and Bank	14,40,000		4,20,000	
Less: Dividend	(6,00,000)		(3,60,000)	
Add: Profit after depreciation	4,80,000		2,40,000	
Add: Depreciation being non cash	90,000	14,10,000	60,000	3,60,000
		40,50,000		21,60,000
Less: Trade payables		(6,00,000)		(3,60,000)
		34,50,000		18,00,000

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c) Profit and Loss Account balance of Black Ltd. as on 1.07.2020

	₹
P & L A/c balance as on 31.03.2020	7,20,000
Less: Dividend paid	(6,00,000)
	1,20,000
Add: Estimated profit for 3 months after charging depreciation	<u>4,80,000</u>
	6,00,000

d) Property, plant and equipment as on 01.07.2020

Property, plant and equipment of Black Ltd. as on 31.03.2020		36,00,000
Less: Depreciation for 3 months $[36,00,000 \times 10\% \times 3/12]$		<u>(90,000)</u>
		35,10,000
Property, plant and equipment of White Ltd. taken over as on 31.03.2020	24,00,000	
Less: Proportionate depreciation for 3 months	<u>(60,000)</u>	
	23,40,000	
Add: Appreciation above the estimated book value	<u>1,20,000</u>	<u>24,60,000</u>
Total Property, plant and equipment as on 1.7.2020		<u>59,70,000</u>

Solution 28

Balance sheet of AakashGanga Ltd. as at 1st April, 2021

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	1,40,00,000
(2) Non-Current Liabilities		
(a) Long term borrowings	2	2,12,60,000
(3) Current Liabilities		
(a) Trade Payables	3	73,60,000
(b) Other current liabilities	4	1,64,00,000
Total		5,90,20,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment	5	2,04,00,000
(b) Intangible assets	6	1,54,20,000
(2) Current assets		
(a) Cash and cash equivalents		40,00,000
(b) Other current assets	7	1,92,00,000
Total		5,90,20,000

Notes to Accounts

		(₹)
1. Share Capital		
Issued, subscribed & Paid up:		
14,00,000 equity shares of ₹ 10 each, fully paid up (W.N.4)		1,40,00,000
(of the above 10,00,000 shares have been issued for consideration other than cash)		
2. Long Term borrowings		
Secured Loans		

	Aakash Limited	25,60,000		
	Ganga Limited	1,44,00,000	1,69,60,000	
	Unsecured Loans		43,00,000	2,12,60,000
3.	Trade Payables (W.N.1)			
	Aakash Limited		44,80,000	
	Ganga Limited		28,80,000	73,60,000
4.	Other current liabilities			
	Statutory Liabilities			
	Aakash Limited		1,44,00,000	
	Ganga Limited		20,00,000	1,64,00,000
5.	Property, Plant & Equipment			
	Aakash Limited		68,00,000	
	Ganga Limited		1,36,00,000	2,04,00,000
6.	Intangible assets			
	Goodwill (W.N.3)			1,54,20,000
7.	Other Current Assets			
	Aakash Limited		57,60,000	
	Ganga Limited		1,34,40,000	1,92,00,000

Working Notes:

1. Value of total liabilities taken over by AakashGanga Ltd. (₹)

	Aakash Limited		Ganga Limited	
Current liabilities				
Statutory liabilities	1,44,00,000		20,00,000	
Liability to employees	60,00,000		36,00,000	
Trade payables @ 80%	44,80,000	2,48,80,000	28,80,000	84,80,000
Secured loans				
Given in Balance Sheet	3,20,00,000		1,60,00,000	
Interest waived	-		16,00,000	1,44,00,000
Value of Inventory (80% of ₹ 3,68,00,000)	2,94,40,000	25,60,000		
Unsecured Loans (25% of ₹1,72,00,000)		43,00,000		-
		3,17,40,000		2,28,80,000

2. Assets taken over by AakashGanga Ltd. (₹)

	Aakash Limited	Ganga Limited
	₹	₹
Property, Plant & Equipment	68,00,000	1,36,00,000
Current Assets (80% and 70% respectively of book value)	57,60,000	1,34,40,000
	1,25,60,000	2,70,40,000

3. Goodwill / Capital Reserve on amalgamation (₹)

Liabilities taken over (W.N. 1)	3,17,40,000	2,28,80,000
Equity shares to be issued to Preference Shareholders (A)	4,00,000	-
	3,21,40,000	2,28,80,000
Less: Total assets taken over (W.N. 2) (B)	(1,25,60,000)	(2,70,40,000)
(A-B)	1,95,80,000	(41,60,000)
	Goodwill	Capital Reserve
Net Goodwill (1,95,80,000- 41,60,000)	1,54,20,000	

4. **Equity shares issued by AakashGanga Ltd.**

(i)	For Cash		40,00,000
	For consideration other than cash		
(ii)	In Discharge of Liabilities to Employees	96,00,000	
(iii)	To Preference shareholders	4,00,000	1,00,00,000
			1,40,00,000
	No. of shares @ ₹ 10		14,00,000