Question 1

On 1st April, 2018, Tina Ltd. take over the business of Rina Ltd. and discharged purchase consideration as follows:

(i) Issued 50,000 fully paid Equity shares of Rs.10 each at a premium of Rs.5 per share to the equity shareholders of Rina Ltd.

(ii) Cash payment of Rs.50,000 was made to equity shareholders of Rina Ltd.

(iii) Issued 2,000 fully paid 12% Preference shares of Rs.100 each at par to discharge the preference shareholders of Rina Ltd.

Debentures of Rina Ltd. 20,000) will he converted into equal number and amount of 10% debentures of Tina Ltd. Calculate the amount of Purchase consideration and pass Journal Entry relating to discharge of purchase consideration in the books of Tina Ltd.

Question 2

S. Ltd. is absorbed by P. Ltd. S Ltd. gives the following information on the date of absorption:

	Rs.
Sundry Assets	13,00,000
Share capital:	
2,000 7% Preference shares of Rs. 100 each (fully paid-up)	2,00,000
5,000 Equity shares of Rs. 100 each (fully paid-up)	5,00,000
Reserves	3,00,000
6% Debentures	2,00,000
Trade payables	1,00,000

Additional information:

P. Ltd. has agreed:

(i) to issue 9% Preference shares of Rs. 100 each, in the ratio of 3 shares of P. Ltd. for 4 preference shares in S. Ltd.

(ii) to issue to the debenture-holders in S Ltd. 8% Mortgage Debentures at Rs. 96 in lieu of 6% Debentures in S. Ltd. which are to be redeemed at a premium of 20%;

(iii) to pay Rs. 20 per share in cash and to issue six equity shares of Rs. 100 each issued at the market value Rs. 125 in lieu of every five shares held in S. Ltd.; and

(iv) to assume the liability to trade payables.

You are required to calculate the purchase consideration.

Question 3

Y Ltd decides to absorb X Ltd. The draft balance sheet of X Ltd. is as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
3,000 equity shares of Rs. 100 (fully paid up)	3,00,000	Net Assets	2,90,000
Preference shares	60,000	Profit and Loss account	70,000
	3,60,000		3,60,000

Y Ltd agrees to take over the net assets of X Ltd.

An equity share in X Ltd for the purpose of absorption is valued at Rs. 70.

Y Ltd agrees to pay Rs. 60,000 in cash for payment to preference shareholders. Equity shares will be valued at Rs. 120 each.
Calculate purchase consideration to be paid by Y Ltd. and how will it be discharged?

Question 4

Let us consider the Balance Sheet of X Ltd. as at 31st March, 20X1:

		Particulars	Notes	Rs. (000)
		Equity and		
1		**Liabilities**		
	A	**Shareholders' funds**	1	100,00
	B	Share capital	2	12,50
2		Reserves and		
	A		3	40,00
3		Surplus **Non-current**		
	A	**liabilities** Long-term		20,00
		borrowings **Current**		172,50
		liabilities Trade Total		
1				
		Payables		
	A		4	105,50
	B		5	5,00
2		**Assets**		
	(a)	**Non-current assets**		23,00
	(b)			24,00
		Property, Plant and		
	(c)			15,00
		Equipment **Non-current**		172,50
		investments Current assets		
		Inventories		
		Trade receivables Total		
		Cash and Cash equivalents		

Notes to accounts

1	**Share Capital**		**Rs. in ('000)**
	Equity share capital		
	7,50,000 Equity Shares of Rs. 10 each		75,00
	25,000 14% Preference Shares of Rs. 100 each		25,00
			100,00
2	**Reserves and Surplus**		
	General reserve		12,50
			12,50
3	**Long-term borrowings**		
	Secured		
	14% Debentures		40,00
			40,00

4	**Property, plant and Equipment**		
	Land and Building		50,00
	Plant and machinery		45,00
	Furniture		10,50
			105,50
5	**Non-current investments**		
	Investments at cost		5,00
			5,00

Other Information:

(i) Y Ltd. takes over X Ltd. on 10th April, 20X1.

(ii) Debenture holders of X Ltd. are discharged by Y Ltd. at 10% premium by issuing 15% own debentures of Y Ltd.

(iii) 14% Preference Shareholders of X Ltd. are discharged at a premium of 20% by issuing necessary number of 15% Preference Shares of Y Ltd. (Face value Rs. 100 each).

(iv) Intrinsic value per share of X Ltd. is Rs. 20 and that of Y Ltd. Rs. 30. Y Ltd. will issue equity shares to satisfy the equity shareholders of X Ltd. on the basis of intrinsic value. However, the entry should be made at par value only. The nominal value of each equity share of Y Ltd. is Rs. 10.

Compute the purchase consideration.

Question 5

Anjana Ltd. is absorbed by Sanjana Ltd., the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding Rs. 10,000 (actual cost Rs. 9,000) the payment of the 9% debentures of Rs. 50,000 at a premium of 20% in 8% debentures issued at a premium of 25% at face value and the payment of Rs. 15 per share in cash and allotment of three 11% preference share of Rs. 10 each at a discount of 10% and four equity share of Rs. 10 each at a premium of 20% fully paid for every five shares in Anjana Ltd.. The number of share of the vendor company are 1,50,000 of Rs. 10 each fully paid.

Calculate purchase consideration.

Question 6

Neel Ltd. and Gagan Ltd. amalgamated to form a new company on 1.04. 20X1. Following is the Balance Sheet of Neel Ltd. and Gagan Ltd. as at 31.3. 20X1:

		Particulars	Notes	Neel	Gagan
		Equity and Liabilities			
1		**Shareholders' funds**			
	A			7,75,000	8,55,000
		Share capital			
2				6,23,500	5,57,600
				13,98,500	14,12,600
		Current liabilities			
		Total			
1		**Assets**			
	A	**Non-current assets**	1	12,35,000	12,54,000
2		Property, Plant and Equipment		1,63,500	1,58,600
				13,98,500	14,12,600

		Current assets			
		Total			

Notes to accounts:

1	**Property, plant and Equipment**			
	Land and Building		7,50,000	6,40,000
	Plant and machinery		4,85,000	6,14,000
			12,35,000	12,54,000

Following is the additional information:

(i) The assets of Neel Ltd. and Gagan Ltd. are to be revalued as under:

	Neel	**Gagan**
	Rs.	**Rs.**
Plant and machinery	5,25,000	6,75,000
Building	7,75,000	6,48,000

(ii) The purchase consideration is to be discharged as under:

(a) Issue 24,000 equity shares of Rs. 25 each fully paid up in the proportion of their profitability in the preceding 2 years.

(b) Profits for the preceding 2 years are given below:

	Neel	**Gagan**
	Rs.	**Rs.**
Ist year	2,62,800	2,75,125
IInd year	2,12,200	2,49,875
Total	4,75,000	5,25,000

(c) Issue 12% preference shares of Rs. 10 each fully paid up at par to provide income equivalent to 8% return on net assets in the business as on 31.3.20X1 after revaluation of assets of Neel Ltd. and Gagan Ltd. respectively.

You are required to compute the

(i) Equity and preference shares issued to Neel Ltd. and Gagan Ltd.,

(ii) Purchase consideration.

Question 7

Given below balance sheet of Vasudha Ltd and Vaishali Ltd as at 31st March, 2012.

Liabilities	Vasudha Ltd.	Vaishali Ltd.	Assets	Vasudha Ltd.	Vaishali Ltd.
Issued Share Capital:			Factory Building	2,10,000	1,60,000
Equity Shares of Rs.10 each	5,40,000	4,03,300	Debtrs Stock	2,86,900 91,500	1,72,900 82,500
General Reserves	1,01,000	65,000	Goodwill	50,000	35,000
Profit & Loss A/c	66,000	43,500	Cash at Bank	98,000	1,09,590
Sundry Creditors	44,400	58,200	Preliminary Expenses	15,000	10,010
Total	**7,51,400**	**5,70,000**	**Total**	**7,51,400**	**5,70,000**

Goodwill of the Companies Vasudha Ltd. and Vaishali Ltd. is to be valued at Rs.75,000 and Rs.50,000 respectively. Factory Building of Vasudha Ltd is worth Rs.1,95,000 and of Vaishali Ltd. Rs.1,75,000. Stock of Vaishali Ltd. has been shown at 10% above of its cost.

It is decided that Vasudha Ltd. will absorb Vaishali Ltd. by taking over its entire business by issue of shares at the Intrinsic Value.
You are required to draft the balance sheet of the new company after putting through the schemes.

Question 8

X Ltd. takes over Y Ltd. on Shrawan 01, 2069 and discharges consideration for the business as follows:

a. Issued 42,000 fully paid equity shares of Rs. 10 each at par to the equity share holders of Y Ltd.
b. Issued fully paid up 15% preference shares of Rs. 100 each to discharge the preference shareholders (Rs. 170,000) of Y Ltd. at a premium of 10%.
c. It is agreed that the debentures of Y Ltd. (Rs. 50,000) will be converted into equal number and amount of 13% debentures of X Ltd.

Calculate the purchase consideration of X Ltd.

Question 9

Sham Ltd. Balance Sheet as on 31st March, 2002 is as follows:

Liabilities	Rs	Assets	Rs.
Equity Share Capital of Rs. 10 each	1,50,000	Fixed Assets	1,00,000
9% Debenture	1,00,000	Current Assets	2,00,000
Current Liabilities	50,000		
Total	3,00,000	Total	3,00,000

Ram Ltd. agreed to take over Sham Ltd.

i. New Company will issue necessary equity shares to old company's shareholders.
ii. 10000 11% Debentures of Rs. 10 each were issued at Rs. 12 each for 9% Debenture holders.
iii. Current Liabilities were also taken over

Calculate Purchase Consideration assuming intrinsic value of old and new company are Rs. 20 and 15 per share respectively.

Question 10

Balance sheet of Ram Ltd. and Sham Ltd. is given as on 31st March 2002:

	Ram Ltd.	Sham Ltd		Ran Ltd.	Sham Ltd.
Equity Share Capital of Rs. 10 each	100,000	50,000	Fixed Assets	80,000	70,000
Reserve and Surplus	10,000	20,000	Book Debts	30,000	40,000
Debentures	20,000	40,000	Stock	20,000	10,000
Creditors	10,000	-	Cash in Hand	10,000	5,000
Share premium	-	15,000			
Total	140,000	125,000	Total	140,000	125,000

Ram Ltd. took over Sham Ltd. on following conditions:

1. That necessary share would be issued to old shareholders in accordance with intrinsic value of shares.
2. That fixed assets has market value of Rs. 75000 and 80000 respectively, Debtors are good, Stock is shown at cost price whose gross realizable value is Rs. 25000 and 12000 respectively.
3. Debenture of Sham Ltd. were to be issued equivalent Debentures at premium of 10%

Calculate Purchase Consideration.

Question 11

The following is the balance sheet of Dee Ltd. as on 30.6.1995

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital			
40,000 Equity shares of Rs. 10 each fully paid	4,00,000	Buildings	1,70,000
10% Preference shares of Rs. 100	50,000	Plant & Machinery	4,00,000
General Reserve Account	1,27,600	Investments	50,600
7 % Debentures	2,50,000	Stock	80,700
Profit and Loss Account	29,6000	Debtors	1,40,000
		Cash at bank	16,500
	8,57,200		**8,57,200**

Dee Ltd. was absorbed by Comet Ltd. on the above mentioned date on the following terms and condition

i. Assume all the liabilities and to acquire all assets except investments which are sold by Dee Ltd. at Rs.45,000
ii. Discharge all the debentures of Dee Ltd. at a discount of 5% by the issue of 12% debentures of Rs. 100 each of Comet Ltd.
iii. Issue two new Equity shares of Rs. 3 each in Comet Ltd. at Rs. 6 per share and also pay Rs. 2 per share in cash to the shareholders of Dee Ltd. in exchange of every share in Dee Ltd.
iv. Dee Ltd. sold in the open market 1/4th of the shares received from Comet Ltd. at the average of Rs.
5.50 per share
v. Issue such number of preference shares of Rs.100 each at Rs. 96 to discharge Dee Ltd. preference shares at a premium of 20%.

You are required to determine the purchase consideration.

Question 12

The following are the balance sheet of A & Co. and B & Co. as on 30th September 1995:

A & Co.

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital:			

50,000 Equity shares of Rs. 10 each fully paid	5,00,000	Buildings	1,50,000
General Reserve Account	1,70,000	Machinery	5,50,000
Profit and Loss Account	30,000	Stock	80,000
12% Debentures of 100 each	1,00,000	Debtors	70,000
Trade Creditors	50,000	Cash	15,000
Employee provident Fund	15,000		
	8,65,000		**8,65,000**

B & Co.

Liabilities	Rs.	**Assets**	Rs.
Share capital			
30,000 Equity shares of Rs. 10 each	3,00,000	Machinery	2,50,000
Trade Creditors	40,000	Stock	40,000
		Debtors	45,000
		Cash	5,000
	3,40,000		**3,40,000**

A & Co. and B & Co. decided to amalgamate and form a new company C & Co.

All the assets has to be taken over at a reduced valuation of 10% with an exception of building which has to be taken over at 15 % increased valuation. Debentures has to be redeemed at a 5% premium and liabilities taken over at book value. Calculate the Purchase Consideration.

Question 13 [ICAI Nov 2007]

The following is the Balance Sheet of 'A' Ltd. as on 31.3.2007:

Liabilities	Rs.	Assets	Rs.
14,000 Equity shares of Rs.100		Sundry assets	18,00,000
each fully paid	14,00,000	Discount on issue of	
General reserve	10,000	debentures	10,000
10% Debentures	2,00,000	Preliminary expenses	30,000
Sundry creditors	2,00,000	P & L A/c	60,000
Bank overdraft	50,000		
Bills payable	40,000		
	19,00,000		19,00,000

'R' Ltd. agreed to take over the business of 'A' Ltd. Calculate purchase consideration under Net Assets method on the basis of the following:

The market value of 75% of the sundry assets is estimated to be 12% more than the book value and that of the remaining 25% at 8% less than the book value. The liabilities are taken over at book values. There is an unrecorded liability of Rs.25,000.

Question 14