

AMALGAMATION

Problem 1. Following are the Balance sheets of A.Ltd. and B.Ltd as 31st.March.2017:

| | A.Ltd | B.Ltd |
|---|---------------|---------------|
| | Rs.000 | Rs.000 |
| I. Equity and Liabilities | | |
| (1) Shareholders' Funds | | |
| (a) Share Capital | | |
| Equity Share Capital (Rs.10 each) | 24,000 | 9,000 |
| 12% Performance shares capital (Rs.10 each) | -- | 3,000 |
| (b) Reserves and Surplus | | |
| General Reserve | 13,830 | 2,940 |
| Statutory Reserves | 1,170 | 375 |
| Surplus Account | 1,689 | 1,065 |
| (2) Non-Current Liabilities | | |
| 13% Debentures | -- | 750 |
| (3) Currents Liabilities | 4,311 | 2,970 |
| Total | 45,000 | 21,100 |
| II. Assets | | |
| (1) Non- Current Assets | | |
| Fixed Assets | 33,000 | 14,190 |
| (2) Current Assets | 12,000 | 5,910 |
| Total | 45,000 | 20,100 |

On 1st April 2017 takes over B. Ltd on the following terms:

- (i) A. Ltd will issue 10,50,000 equity shares of Rs.10 each at per to the equity shareholders of B.Ltd.
- (ii) A. Ltd will issue 33,000 12% performance shares of Rs. 100 each at par to the performance shareholders of B.Ltd.
- (iii) Debentures of B. Ltd will be converted into equal number of 14% debenture of the same denomination.

You are informed that the statutory reserves of B Ltd are to be maintained for two more years. You are required to show the Balance Sheet of A Ltd immediately after the above mentioned scheme of amalgamation has been implemented assuming that:

- a. The amalgamation is in the nature of merger and
- b. The amalgamation is in the nature of business.

Prob.No-04

Deva Ltd and Asura Ltd carrying on similar business agreed to amalgamate by transferring their undertaking to a new company , Devasura
Balance sheets of the two companies as on the date transfer were as follows.

| | Deva Ltd Rs | Asura Ltd Rs |
|-------------------------------------|------------------|-----------------|
| I. Equity and Liabilities | | |
| (1) Shareholders' Funds | | |
| (a) Share Capital: | | |
| Equity Shares of Rs. 100 Each | 5,00,000 | 3,00,000 |
| 6% preference Shares of Rs.100 each | 5,00,000 | 2,50,000 |
| (b) Reserves and Surplus | | |
| General Reserve | 2,00,000 | 70,000 |
| Surplus Account | 1,15,000 | 55,000 |
| (2) Non Current Liabilities | | |
| 5% Debentures | -- | 40,000 |
| (3) Current Liabilities | | |
| Sundry Creditors | 75,000 | 35,000 |
| Total | 13,90,000 | 7,50,000 |
| Assets | | |
| (1) Non Currents Assets: | | |
| (a) Tangible Assets : | | |
| Land & Buildings | 4,65,000 | 2,55,000 |
| Plant & Machinery | 5,60,00 | 3,58,000 |
| Furniture and Fittings | 79,000 | 34,000 |
| (b) Intangible Assets | | |
| Discount on Shares | 55,100 | -- |
| (2) Current Assets | | |
| Stock | 81,500 | 52,000 |
| Debtors | 56,000 | 24,600 |
| Cash & Cash Equivalents : | | |
| Cash in Bank | 87,000 | 22,500 |
| Cash in hand | 6,400 | 3,900 |
| Total | 13,90,000 | 7,50,000 |

The terms of agreement were as follows :

(a) The purchase consideration consisted of :

(i) The assumption of liabilities of both the companies ; (ii) the discharge of the debentures an Asura Ltd... at a premium of 5% by Devasura Ltd.. by the issue of 7% debentures on Devasura Ltd. (iii) the issue of 10 equity shares of Rs.10 each a premium od Rs.2. per share for each preference share held in both the companies, ; (iv) the issue of 10 equity shares of Rs.10 each at a premium of Rs.2 per share and Rs.22 in cash for each equity share in Deva Ltd. And 5 equity shares of Rs.10 each at premium of Rs.2 per share and Rs. 80 in cash for every equity share in Asura. Ltd.

(b) All the assets and liabilities the two companies were taken over at their book values except a provision @ 5% to be raised on debtors.

(c) In order to raise working capital and to pat the purchase consideration. Devasura Ltd. Decided to issue 30,000 equity shares of Rs.10 each at a premium of Rs,2.50 per share.

(i) Pass Journal Entries in the books of Deva Ltd. To close its accounts and

(ii) Show the opening Balance sheet Devasura Ltd. assuming amalgamation has been done in the nature of purchase.

| | | |
|--|---|-------------------|
| | Deva Ltd | Asura Ltd. |
| Ans. [purchase consideration : | 13,10,000 | 7,20,000 |
| Value of goodwill (taken over) | 52,000 | 48,000 |
| Loss on Realization | 49,000 | |
| | Balance sheet total of Devasura Ltd. Rs. 22,07,000]. | |

Prob.No-12

Balance sheet of A Ltd. And B.Ltd are as under.:

| | A.Ltd. Rs | B.Ltd. Rs. |
|----------------------------------|------------------|------------------|
| I. Equity and Liabilities | | |
| (1) Shareholders' Funds | | |
| (a) Share Capital | | |
| Shares of Rs.100 Each | 5,00,000 | 15,00,000 |
| (b) Reserves and Surplus : | | |
| Capital Reserve | 50,000 | -- |
| General Reserve | 20,000 | 20,000 |
| Development rebate Reserve | 40,000 | -- |
| Surplus account | -- | 1,20,000 |
| (2) Non-Current Liabilities | | |
| 6% Debentures | 3,00,000 | -- |
| (3) Current Liabilities | | |
| Creditors | 95,000 | 2,40,000 |
| TOTAL | 10,05,000 | 20,60,000 |
| II. Assets | | |
| (1) Non-Current Assets | | |
| (i) Tangible Assets : | | |
| Building | -- | 6,00,000 |
| Plant & machinery | 4,20,000 | 6,50,000 |

| | | | |
|------|--|--------------------|------------------|
| | Furniture | 5,000 | 10,000 |
| (ii) | Capital work-in-progress (Express on new project) | 1,00,000 75,000 | -- -- |
| (2) | Current Assets | | |
| | Stock | 2,10,000 | 3,80,000 |
| | Debtors | 1,80,000 | 2,30,000 |
| | Cash % Bank balance. | 15,000 | 1,90,000 |
| | Total | 10,05,000 | 20,60,000 |

A.Ltd. was absorbed by B.Ltd. on 1st. April 2017. On the terms given below.

- Fixed assets other than goodwill to be valued at Rs 5,00,000 including Rs. 6,000 for furniture
 - stock to be reduced by Rs.20,000 and debtors by 5%
 - B.Ltd to assume liabilities and 6% debentures
 - The new project to be valued at Rs. 95,000
 - The shareholders of A.Ltd. to receive cash payment of rs.30 per share plus four ordinary shares in B.Ltd. for every five shares held.
 - B.Ltd to pay the liquidation express of A.Ltd. amounting to Rs.6,000
- Draft the journal entries in the books of B.Ltd. and A.Ltd. taking amalgamation in the nature of purchase and prepare Balance sheet of B.Ltd. after absorption, Development Rebase reserve of A.Ltd. is to be continued in the books of B.Ltd.

Probl.No- 07

The board of directors if Lucky decided to amalgamation the Unlucky Ltd. Balance sheets of the two companies as on 31st.March.2017 are given below.

| | Lucky Ltd. Rs | Unlucky Ltd. Rs |
|--------------------------------------|-----------------|-----------------|
| I. Equity and Liabilities | | |
| (1) Shareholders' Funds | | |
| (a) Share Capital | | |
| Equity shares of Rs.1 Each | 63,000 | 20,000 |
| 5% preference shares of Rs.1 each. | -- | 10,000 |
| (b) Reserves and Surplus : | | |
| Capital reserve | 30,000 | |
| General Reserve | 30,000 | |
| Surplus A/c. (Negatice Bal) | | (-) 10,000 |
| Share Holders' Funds | 1,23,000 | 20,000 |
| (2) Non-Current liabilities | -- | -- |
| (3) Current liabilities | | |
| Creditors | 2,000 | 10,000 |
| Overdrafts | -- | 10,000 |
| Total Equity and Liabilities. | 1,25,000 | 40,000 |
| II. Assets | | |
| (1) Non-Current Assets | | |
| (a) Tangle Assets | | |

| | | |
|-------------------------|-----------------|---------------|
| Land & Buildings | 25,000 | 15,000 |
| Plant | 35,000 | -- |
| (b) Intangible Assets : | | |
| Goodwill | 10,000 | 10,000 |
| Copy Rights | 5,000 | -- |
| (2) Current Assets | | |
| Closing Stock | 10,000 | 5,000 |
| Debtors | 10,000 | 10,000 |
| Cash in Hand | 30,000 | -- |
| Total Assets | 1,25,000 | 40,000 |

The terms of sales are as follows:

- (i) Lucky Ltd. Takes over both assets and liabilities of unlucky Ltd.
- (ii) Equity shareholder of Unlucky Ltd. Are receive one new share of Rs.1 of lucky Ltd for every 10 shares hold and the preference shareholders one 5% preference share of Rs. 1 in Lucky Ltd. For every 2 shares held.
- (iii) An amount of Rs. 5,000 towards cost of liquidation will be met by the lucky Ltd.
- (iv) The land buildings of lucky Ltd are valued at Rs.40,000and a provision of Rs.1000 is to made for doubtful debts in case of Unlucky Ltd.

Show necessary ledger Accounts to close the books of Unlucky Ltd. and prepare the Balance sheet of Lucky Ltd. After amalgamation.

AMALGAMATION

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| | | |
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