

IDEAL / E-LIVE / FINAL C.A. / ACCOUNTS / AMALGAMATION – 1 (SOL.)

Sol.2. Calculation of shares to be issued and Number of debentures to be issued :

WN # 1 : Calculation of average profit for the past 3 years.

(a) $S = \frac{224,788 - 1250 + 188,962}{3} = \text{Rs.}137,500 / -$

(b) $M = \frac{136,950 + 171,050 + 179,500}{3} = \text{Rs.}162,500 / -$

WN # 2 : Determination of shares to be distributed to each company

Distribution :- 30,000 Equity Shares of N Ltd. are to be distributed between the S Ltd. and M Ltd. In their profitability ratio. i.e. 1375 : 1625

Shares to be issued to S Ltd. = $\frac{1,375}{3,000} \times 30,000 = 13,750$ shares

Shares to be issued to M Ltd. = $\frac{1,625}{3,000} \times 30,000 = 16,250$ shares

WN # 3 : Calculation of the number of debentures to be issued :

(i) Calculation of 8% return of capital employed : (at revalued figures)

	Particulars	S (Rs.)	M (Rs.)
(a)	Fixed Assets	3,55,000	1,95,000
(b)	Current Assets	1,49,750	78,875
		5,04,750	2,73,875
(c)	Current Liabilities	(2,98,500)	(90,125)
(d)	Capital employed	2,06,250	1,83,750
(e)	Return on capital employed @ 8%	16,500	14,700
(f)	Number of 15% debenture to be issued in order to get same return of Rs.16,500/- and Rs.14,700/- respectively.	1,10,000	98,000
	$\left[\frac{16,500}{15\%} \quad \frac{14,700}{15\%} \right]$		

WN # 4 : Calculation of purchase consideration and goodwill or capital reserve from the amalgamation :

	Particulars	S (Rs.)	M (Rs.)	Total
(I)	Purchase consideration :			
	(a) Value of equity shares (WN # 2) (13,750 x 5; 16,250 x 5)	68,750	81,250	1,50,000
	(b) 15% Debentures (WN # 3)	1,10,000	98,000	2,08,000
	(c) Total	1,78,750	1,79,250	3,58,000
(II)	Net assets taken over :			
	(a) Fixed Assets (Revalued figures)	3,55,000	1,95,000	5,50,000
	(b) Add : Current Assets	1,49,750	78,875	2,06,950
	(c) Less: Current Liabilities	(2,98,500)	(90,125)	(3,66,950)
	(d) Total (a + b + c)	2,06,250	1,83,750	3,90,000
III	Goodwill / (Capital reserve) (I - II)	(27,500)	(4,500)	(32,000)