AMALGAMATION

Sol.1.

1. Books of Nithya Ltd.

(a) Journal Entries

Particulars		Debit	Credit
1. Realisation A/c	Dr.	33,000	
To Sundry Assets A/c			33,000
(Being sundry assets transferred to Realisation A/c on sale of business to Nithyamukta Ltd.)			
2. Creditors A/c	Dr.	6,000	
To Realisation A/c			6,000
(Being Creditors transferred to Realisation A/c on sale of business to Nithyamukta Ltd.)			
3. Nithyamukta Ltd A/c	Dr.	14,000	
To Realisation A/c			14,000
(Being the purchase consideration receivable from Nithyamukta Ltd. towards net assets i.e. Assets= Rs.20,000 less Creditors = Rs.6,000)			
4. Share Capital A/c	Dr.	28,000	
To Sundry Shareholders (Mukta Ltd.) A/c			28,000
(Being the amount of Share Capital transferred to Sundry Shareholders Account)			
5. Sundry Shareholders (Mukta Ltd.) A/c	Dr.	14,000	
To Realization A/c			13,000
To Profit & Loss A/c			1,000
(Being loss on realization and Dr. balance of P & L A/c transferred to Shareholders A/c)			
6. Shares in Nithyamukta Ltd	Dr.	14,000	
To Nithyamukta Ltd.			14,000
(Being the amount of purchase consideration received in shares of Nithyamukta Ltd.)			
7. Sundry Shareholders (Mukta Ltd.) A/c	Dr.	14,000	
To Shares in Nithyamukta Ltd. A/c			14,000
(Being amount payable to shareholders discharged by issue of shares in new Company)			

(b) Realisation Account

Particulars	Rs.	Particulars	Rs.
To Sundry Assets A/c – Transfer	33,000	By Creditors – Transfer	6,000
		By Nithyamukta Ltd. (Purc. Consideration)	14,000
		By Shareholders (Mukta Ltd.) A/c (Loss on Realization)	13,000
Total	**33,000**	**Total**	**33,000**

(c) Shareholders (Mukta Ltd.) Account

Particulars	Rs.	Particulars	Rs.
To Realization A/c – loss transfer	13,000	By Share Capital – Transfer	28,000
To Profit and Loss A/c – Transfer	1,000		
To Shares in Nithyamukta Ltd.	14,000		
Total	**28,000**	**Total**	**33,000**

Sol. 2 .

WN 1 : Calculation of purchase consideration

	Purchase consideration	Alpha	Beta
i.	No. of equity shares	10,00,000	8,00,000
	Exchange Ratio	1 : 1.5	1 : 1
	No. of equity shares to be issued	15,00,000	8,00,000
	Equity share capital	Rs.1500 Lakhs	Rs.800 Lakhs
ii.	No. of preference shares	4,00,000	3,00,000
	Exchange Ratio	1 : 1	1 : 1
	No. of preference share to be issued	4,00,000	3,00,000
	Preference Share capital	Rs.400 Lakhs	Rs.300 Lakhs

WN 2 : Settlement of Debentures :

(Rs. in Lakhs)

		Alpha Ltd.	Beta Ltd.
a.	Value of 12% debentures	96	80
b.	Interest payable	11.52	9.6
c.	16% Debentures to be issued $\left[\frac{11.52}{16}\times 100\right]\left[\frac{9.6}{16}\times 100\right]$	72	60
d.	Amount to be credited to profit and Loss A/c (a - c)	24	20

BALALANCE SHEET OF GAMMA LTD. AS ON 31 - 03 - 2010

Liabilities		Rs.	Assets	Rs.
Share capital :			Fixed assets (1,200 + 1,000)	2,200
Equity share capital		2,300		
Preference share capital		700	Current assets, loans and advances (800 + 565)	1,445
Reserve and Surplus				
General reserve	150			
Profit & Loss A/c [(120) + 60 + 20 + 24]	(16)			
Revaluation reserve	80	214		
16% Debentures		132		
Current liabilities and provisions		299		
		3,645		3,645