

FINAL C.A. ACCOUNTS HOMEWORK ASSIGNMENT- 5 (SOL.)

AMALGAMATION

Sol.1.

**1. Books of Nithya Ltd.
(a) Journal Entries**

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

IDEAL / e-LIVE / C.A. FINAL / ACCOUNTS / AMALGAMATION (SOLUTION)**(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 | 13,000 |
| | | (Loss on Realization) | |
| 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 |

2. Books of Mukta Ltd.**(a) Journal Entries**

| Particulars | Debit | Credit |
|---|--------------------------|------------------|
| 1. Realisation A/c To Sundry Assets A/c To Shares in Nithya Ltd. A/c (Being Sundry Assets and Shares in N Ltd. transferred to Realisation Account on sale of business to Nithyamukta Ltd.) | Dr. 62,000 | 42,000 20,000 |
| 2. Creditors A/c Loan (Uma Ltd.) A/c To Realisation A/c (Being Sundry Creditors and Loan transferred to Realisation A/c on sale of business) | Dr. 15,000 Dr. 10,000 | 25,000 |
| 3. Nithyamukta Ltd A/c To Realisation A/c (Being amount of purchase consideration receivable from Nithyamukta Ltd. (Sundry Assets 30,000 – Creditors 15,000 – Loans 10,000) net consideration = Rs.5,000) | Dr. 5,000 | 5,000 |
| 4. Shares in Nithyamukta Ltd. A/c To Nithyamukta Ltd. A/c (Being amount of Shares in Nithyamukta Ltd. received from that Co. in settlement of purchase consideration) | Dr. 5,000 | 5,000 |
| 5. Shares in Nithyamukta Ltd. A/c To Realization A/c (Being amount of shares in Nithyamukta Ltd. recd against invt in shares in Nithya Ltd.) | Dr. 14,000 | 14,000 |
| 6. Shareholders (Uma Ltd.) A/c To Realisation A/c (Being loss on realisation transferred to Sundry Shareholders Account) | Dr. 18,000 | 18,000 |

IDEAL / e-LIVE / C.A. FINAL / ACCOUNTS / AMALGAMATION (SOLUTION)

| | | | |
|--|------------|-----------------|--------|
| 7. Share Capital A/c Profit and Loss A/c To Shareholders (Uma Ltd.) A/c (Being balance of Share Capital and P & L A/c transferred to Sundry Shareholders A/c) | Dr. Dr. | 32,000 5,000 | 37,000 |
| 8. Shareholders (Uma Ltd.) A/c To Shares in Nithyamukta Ltd. (Being distribution of shares received from Nithyamukta Ltd. and from Nithya Ltd.) | Dr. | 19,000 | 19,000 |

(b) Realisation Account

| Particulars | Rs. | Particulars | Rs. |
|--------------------------|---------------|---|---------------|
| To Sundry Assets | 42,000 | By Creditors | 15,000 |
| To Shares in Nithya Ltd. | 20,000 | By Loan (Uma Ltd.) | 10,000 |
| | | By Nithyamukta Ltd. (Purc. Consideration) | 5,000 |
| | | By Shares in Nithyamukta Ltd. | 14,000 |
| | | By Shareholders A/c (Loss on Realization) | 18,000 |
| Total | 62,000 | Total | 62,000 |

(c) Sundry Shareholders Account

| Particulars | Rs. | Particulars | Rs. |
|-------------------------------|---------------|------------------------|---------------|
| To Realization A/c | 18,000 | By Share Capital A/c | 32,000 |
| To Shares in Nithyamukta Ltd. | 19,000 | By Profit and Loss A/c | 5,000 |
| Total | 37,000 | Total | 37,000 |

Sol. 2.

WN # 1: Calculation of cash and bank balances as on 30th September 1997

Balance Sheet of H Ltd. as at 30.09.97

| Liabilities | Amount | Assets | Amount |
|---|------------------|---------------------|------------------|
| Equity share capital (40,000 eq. shares of Rs.10 each) | 4,00,000 | Block assets | 6,00,000 |
| 10% Preference share capital | 3,00,000 | Less : Depreciation | <u>32,500</u> |
| Reserve and surplus | | Stock and debtors | 4,00,000 |
| General Reserve | 1,00,000 | Cash and bank | 1,33,000 |
| Profit and Loss A/c* | 1,00,500 | (balancing figure) | |
| Creditors | 2,00,000 | | |
| | 11,00,500 | | 11,00,500 |

| * | Particulars | Amount |
|------|----------------------------------|----------|
| i. | Opening balance | 1,00,000 |
| ii. | Add: Half year profit | 70,500 |
| iii. | Less : Preference dividend @ 10% | (30,000) |
| iv. | Less : Equity dividend @ 10% | (40,000) |
| v. | Closing balance | 1,00,500 |

IDEAL / e-LIVE / C.A. FINAL / ACCOUNTS / AMALGAMATION (SOLUTION)**(a) Purchase consideration – Net assets method**

| | Particulars | Amount | Amount |
|----|------------------------------|----------|------------------|
| a. | Fixed assets | 6,60,000 | |
| b. | Stock and debtors | 4,00,000 | |
| c. | Cash and bank | 1,33,000 | |
| d. | Goodwill | 80,000 | 12,73,000 |
| e. | Less: Creditors | | (2,00,000) |
| f. | Net assets taken over | | 10,73,000 |

(b) Calculation of capital reserve

| | Particulars | Amount (Rs.) |
|----|--------------------------------------|-------------------|
| a. | Net assets taken over | 10,73,000 |
| b. | Less : | |
| | (i) Preference shares to be allotted | 3,00,000 |
| | (ii) Equity shares to be allotted | 5,79,750 |
| | (iii) Cost of investments | 1,00,000 |
| | | <u>(9,79,750)</u> |
| c. | Capital Reserve | 93,250 |

Balance Sheet of M Ltd. as at 30th September 1997 (Extract)

| Liabilities | Amount | Assets | Amount |
|-----------------------|---------------|--------|--------|
| Reserve and Surplus : | | | |
| Capital Reserve | 93,250 | | |
| Less: Goodwill | <u>80,000</u> | 13,250 | |

