

FINAL C.A. ACCOUNTS HOMEWORK ASSIGNMENT- 5

AMALGAMATION

Q.1. The following are the summarized Balance Sheets of Mukta Ltd. and Nithya Ltd.

Liabilities	Mukta Ltd.	Nithya Ltd.	Assets	Mukta Ltd.	Nithya Ltd.
Share Capital	32,000	28,000	Sundry Assets	42,000	33,000
Profit & Loss A/c	5,000	–	Share in Nithya Ltd.	20,000	–
Creditors	15,000	6,000	Profit & Loss A/c	–	1,000
Loan – Uma Ltd.	10,000	–			
Total	62,000	34,000	Total	62,000	34,000

The whole of Shares of Mukta are held by Uma and the entire Share Capital of Nithya is held by Mukta.

A new Company Nithyamukta Ltd., is formed to acquire the Sundry Assets and Liabilities of Mukta Ltd. and Nithya Ltd. For this purpose, Sundry Assets of Mukta Ltd. are revalued at Rs.30,000 and those of Nithya Ltd. at Rs.20,000.

Show the Journal Entries necessary to close the books of Mukta Ltd. and Nithya Ltd.

Q.2. Given below is the balance sheet of H Ltd. as on 31.3.97 :

Liabilities	Amount	Assets	Amount
Equity Share Capital (in equity shares of Rs.10 each)	4.00	Block assets less depreciation to date	6.00
10% Pref. share capital	3.00	Stock and debtors	5.30
General Reserve	1.00	Cash and bank	0.70
Profit & Loss Account	1.00		
Creditors	3.00		
	12.00		12.00

M Ltd. another existing company holds 25% of equity share capital of H Ltd. purchased at Rs.10 per share.

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It was agreed that M Ltd. should take over the entire undertaking of H Ltd. on 30.9.97 on which date the position of current assets (except cash and bank balances) and creditors was as follows :

Stock and debtors 4 lakhs

Creditors 2 lakhs

Profits earned for half year ended 30.9.97 by H Ltd. was Rs.70,500 after charging depreciation of Rs.32,500 on block assets. H Ltd. declared 10% dividend for 1996-97 on 30.8.97 and the same was paid within a week.

Goodwill of H Ltd. was valued at Rs.80,000 and block assets were valued at 10% over their book value as on 31.3.97 for purposes of take over. Preference shareholders of H Ltd. will be allotted 10% preference shares of Rs.10 each by M Ltd. Equity share holders of H Ltd. will receive requisite number of equity shares of Rs.10 each from M Ltd. valued at Rs.10 per share.

- (a) Compute the purchase consideration.
- (b) Explain, how the capital reserve or goodwill, if any, will appear in the balance sheet of M Ltd. after absorption.

