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| ◆ VILE PARLE | ◆ GOREGAON | ◆ BHAYANDAR |
| ◆ VIRAR | ◆ BOISAR | ◆ DOMBIVALI |
| ◆ CHINCHWAD | ◆ CHIPLUN | ◆ KUDAL |
| ◆ KANKAVALI | ◆ AHMADNAGAR | ◆ KOLHAPUR |
| ◆ SANGLI | ◆ JALGAON | ◆ JAMSHEDPUR |

FINAL C.A. ACCOUNTS HOMEWORK ASSIGNMENT-6

AMALGAMATION

Q.1. The balance sheets of 'S' Ltd. and 'H' Ltd. as on 30th June, 1997 were as follows :

	(in crores)			
Liabilities	'S' Ltd.		'H' Ltd.	
Equity share capital	80		25	
Reserves and surplus	400		75	
10% 25 lakhs debentures of Rs.100 each	-		25	
Other liabilities	120		-	
	600		125	
Assets				
Fixed assets at cost	200		75	
Less : Depreciation	100		50	
	Investments in 'H' Ltd.		25	
2 Crores equity shares of Rs.10 each at cost	32			
10% 25 lakhs debentures of Rs.100 each at cost	24		56	
Current assets	800		300	
Less : Current liabilities	(356)		(200)	
	600		125	

In a scheme of absorption duly approved by the Court, the assets of 'H' Ltd. were taken over at an agreed value of Rs.130 crores. The liabilities were taken over at par. Outside shareholders of 'H' Ltd. were allotted equity shares in 'S' Ltd. at a premium of Rs.90 per share in satisfaction of other claims in 'H' Ltd. for purposes of recording in the books of 'S' Ltd. Fixed assets taken over from 'H' Ltd. were revalued at Rs.40 crores.

The scheme was put through on 1st July, 1997.

- (a) Journal entries in the books of 'S' Ltd. to record the transactions.
- (b) Show the balance sheet of 'S' Ltd. after absorption of 'H' Ltd.

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Q.2. The summarised balance sheets of A Ltd. and its subsidiary B Ltd. as on 31.3.2001 are as follows :

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)
Share of Rs.10 each	1,00,00,000	20,00,000
Reserves and surplus	1,40,00,000	60,00,000
Secured loans	40,00,000	-
Current Liabilities	60,00,000	20,00,000
	3,40,00,000	1,00,00,000
Fixed assets	1,20,00,000	35,00,000
Investment in B Ltd.	7,40,000	-
Sundry debtors	70,00,000	10,00,000
Inventories	60,00,000	50,00,000
Cash and Bank	82,60,000	5,00,000
	3,40,00,000	1,00,00,000

A Ltd. holds 76% of the paid up capital of B Ltd. The balance shares in B Ltd. are held by a foreign collaborating company. A memorandum of understanding has been entered into with the foreign company providing for the following :

- (a) The shares held by the foreign company will be sold to A Ltd. The price per share will be calculated by capitalizing the yield at 16%. Yield, for this purpose, would mean 44% of the average of pre-tax profits for the last 3 years, which were Rs.35 lakhs, Rs.4 lakhs and Rs.65 lakhs.
- (b) The actual cost of shares to the foreign company was Rs.2,40,000 only. The profit that would accrue to them would be taxable at an average rate of 30%. The tax payable be deducted from the proceeds and A Ltd. will pay it to the Government.
- (c) Out of the net consideration, 50% would be remitted to the foreign, company immediately and the balance will be an unsecured loan repayable after one year. It was also decided that A Ltd. would absorb B Ltd. Simultaneously by writing down the fixed assets of B Ltd. by 5%. The balance sheet figures included a sum of Rs.1,50,000 due by B Ltd. to A Ltd.

The entire arrangement was approved by all concerned for giving effect to on 1.4.2001. You are required to show the Balance Sheet of A Ltd. as it would appear after arrangement is put through on 1.4.2001.

