

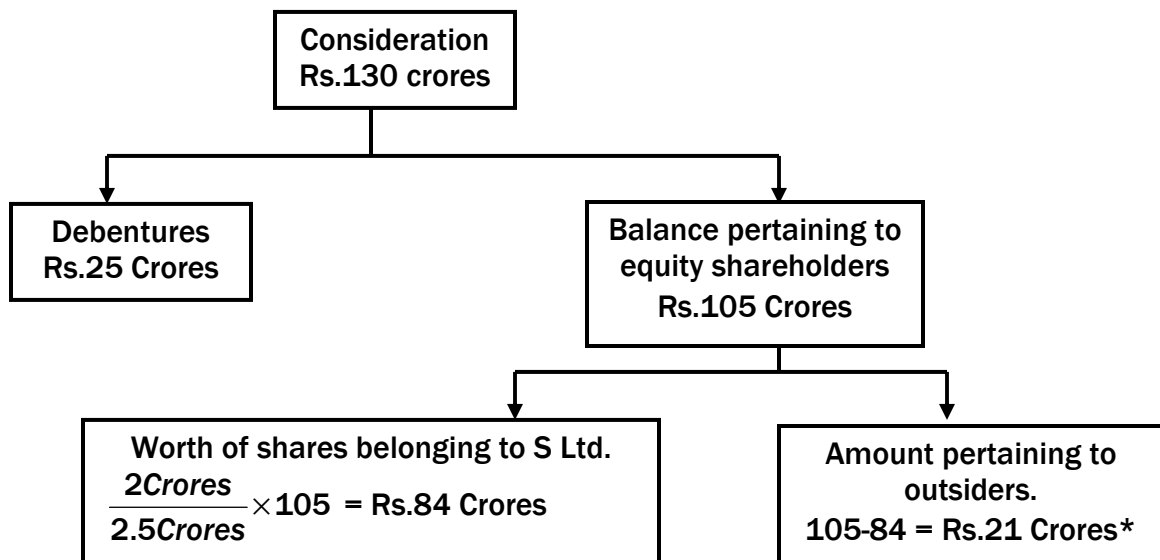


- ◆ VILE PARLE
- ◆ GOREGAON
- ◆ BHAYANDAR
- ◆ VIRAR
- ◆ BOISAR
- ◆ DOMBIVALI
- ◆ CHINCHWAD
- ◆ CHIPLUN
- ◆ KUDAL
- ◆ KANKAVALI
- ◆ AHMADNAGAR
- ◆ KOLHAPUR
- ◆ SANGLI
- ◆ JALGAON
- ◆ JAMSHEDPUR

FINAL C.A. ACCOUNTS (SOLUTION) HOMEWORK ASSIGNMENT-6

AMALGAMATION

Sol.1. WN # 1: Purchase consideration of shares to be issued



Number of shares to be issued to outside shareholders @ Rs.10/- each at a premium of Rs.90/- = $\frac{Rs.21,00,00,000}{100} = 21,00,000$ Shares.

(a) Journal entry in the books of S Ltd.

Nature of amalgamation - Purchase
Method of accounting - Purchase method

		(in crores)	
	Particulars	Debit	Credit
(i)	Business purchase A/c Dr. To Liquidator for H Ltd. (Being the purchase consideration payable to liquidator of H. Ltd. for business purchased)	21	21

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(ii)	Fixed Assets	Dr.	40	
	Current Assets	Dr.	300	
	To Current Liabilities			200
	To 10% Debentures			25
	To Business purchase			21
	To Investment in H Ltd. A/c			32
	To Capital reserve (balancing figure)			62
	(Being the assets and liabilities taken over from H. Ltd.)			
(iii)	Liquidator of H Ltd.		21	
	To Equity share Capital A/c			2.10
	To Share premium A/c			18.90
	(Being the allotment of 21 lakhs equity shares of Rs.10 each to outside shareholders of H Ltd. at a premium of Rs.90 per share)			
(iv)	10% Debentures A/c	Dr.	25	-
	To Investments in debentures A/c			24
	To Capital reserve A/c			1
	(Being the cancellation of debentures of H Ltd.)			

(b) Balance Sheet of S Ltd. as at 1st July, 1997

(in Crores)

Liabilities	Amount	Assets	Amount
Share Capital :		Fixed Assets	
(821 lakhs eq. shares of Rs.10 each)	82.10	(100 + 40)	140.00
(Of the above shares, 21 lakhs equity share are allotted as fully paid up for consideration other than cash)		Current Assets, Loans and advances	
Reserves and Surplus		Current assets	
As per last balance sheet	400.00	(800 + 300)	1100.00
Capital Reserve (62 + 1)	63.00		
Share Premium A/c	18.90		
Other liabilities	120.00		
Current liabilities and provisions :			
Current liabilities			
(356 + 200)	556.00		
	1,240.00		1,240.00

Note : It has been assumed that current assets have been taken over by S Ltd. at their book value.

Sol.2.

Balance Sheet of A Ltd. as on 1st April, 2001

(Rs. in lakhs)

Liabilities	Amount	Assets	Amount
Share Capital : Equity shares of Rs.10 each)	100.00	Fixed Assets (120 + 33.25)	153.24
Reserves and Surplus :		Current Assets,	
Capital Reserve 42.05		Loans and advances :	
Other reserve <u>140.00</u>	182.05	Sundry Debtors 80	
Secured loans :	40.00	(70 + 10)	
Unsecured loans (WN # 2)	10.44	Less : Inter Company	
Current liabilities and provisions : (60 + 10 - 1.50)	78.50	Owings <u>(1.5)</u>	78.50
		Inventories (60 + 50)	110.00
		Cash and bank (WN # 4)	69.24
	410.99		410.99

Working Notes :

- Nature of amalgamation - Purchase
 Method of accounting - Purchase method

WN # 1 : Computation of purchase consideration :

- (a) Yield of B Ltd.
 = $\frac{(35 + 44 + 65)}{3} \times 40\% = \text{Rs.19.20 Lakhs}$
- (b) Price per share of B Ltd.

(Rs. in Lakhs)

	Particulars	Amount
(i)	Yield of B Ltd.	19.20
(ii)	Capitalisation rate	16%
(iii)	Value of B Ltd.	120.00
(iv)	No. of shares outstanding	2.00
(v)	Price per share	60/-

(c) **Purchase consideration :**

(Rs. in Lakhs)

	Particulars	Amount
(i)	Shares held by foreign collaborator (2,00,000 x 24%)	48,000 shares
(ii)	Price per share	Rs.60/-
(iii)	Purchase consideration [(i) x (ii)]	Rs.28,80,000

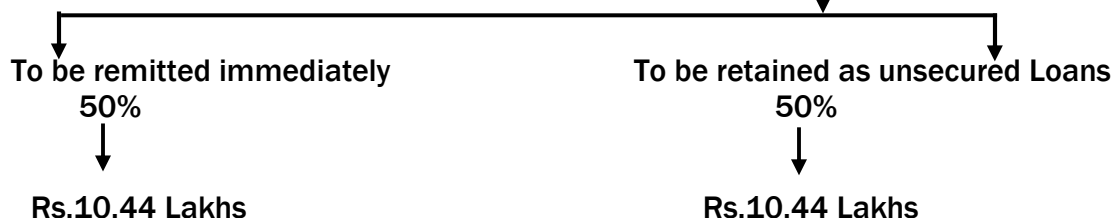
WN # 2 : Discharge of purchase consideration :

(a) **Tax payable :**

	Particulars	Rs. in Lakhs
(i)	Purchase consideration	28.80
(ii)	Less : Cost of acquisition	(2.40)
(iii)	Capital gain	26.40
(iv)	Tax payable @ 30%	7.92

(b) Mode of payment of purchase consideration

	Particulars	(Rs. in Lakhs)
(i)	Purchase consideration	28.80
(ii)	Less : Income tax payable	(7.92)
		20.88



WN # 3 : Calculation of goodwill / capital reserve on absorption :

(A) Calculation of assets :

	Particulars	Amount	Rs. in Lakhs
(a)	Assets taken over :		
	(i) Fixed assets	35	
	Less : 5% reduction in value	1.75)	33.25
	(ii) Sundry debtor		10.00
	(iii) Inventories		50.00
	(iv) Cash and Bank balances		5.00
	(v) Total		98.25
(b)	Less : Liabilities		
	(i) Current liability		20.00
(c)	Net assets taken over (A - b)		78.25

(B) Goodwill / Capital reserve :

	Particulars	Rs. in Lakhs
(i)	Net assets taken over	78.25
(ii)	Less: Purchase consideration	(28.80)
(iii)	Less: Investments in B Ltd	(7.40)
(iv)	Capital Reserve	42.05

WN # 4 : Computation of cash and bank balances after absorption

	Particulars	Rs. in Lakhs
(a)	Balance in A Ltd.	82.60
(b)	Cash and bank balance of B Ltd.	5.00
(c)	Less : Remittance to foreign collaborating company	(10.44)
(d)	Less: TDS paid	(7.92)
(e)	Cash and Bank balance	69.24