

Accounting for Amalgamation as per AS-14

1. Do as directed:

(a) A Ltd. took over B Ltd. and agreed to discharge purchase consideration as under:

- i. To issue 3 equity shares of Rs. 10 each at Rs.15 for every 4 preference shares of B Ltd.
- ii. To pay Rs.3 per equity share and preference share of B Ltd.
- iii. To issue 4 preference shares of Rs. 10 each at Rs. 17 for every 5 Equity shares of B Ltd.

Calculate purchase consideration for B Ltd. if B Ltd. having 1,00,000 equity shares and 50,000 preference shares.

(b) Creditors of Rs.75,000 are not taken by purchasing company but vendor company paid it by Rs.67,500 as fully paid. Machinery of Rs.1,20,000 not taken by Purchasing co. but realised by vendor co. for Rs.90,000. Pass necessary entry for above transactions in the books of vendor company.(Nov.-16)

(c) The following balances are taken from the balance sheet of Doshi Ltd.

- i. 2500, 6% preference shares of Rs.20 each, Rs.50,000
- ii. 3000 equity shares of Rs.20 each fully paid, 60,000
- iii. Debentures Rs.12,000 and creditors Rs.8000

Bright Ltd. to be formed to take over the business and the following scheme was passed:

- a. 1 share of Rs.10 each fully paid in the new company to be issued for every 3 shares in the old company.
 - b. 3 share of Rs.10 each fully paid in the new company to be issued for every 5 preference shares in the old company.
 - c. Debenture holders are to be discharged in full by Bright Ltd.
 - d. The creditors to receive 80% of the sums due to them in fully paid share of Rs.10 in the new company in full settlement.
 - e. Arrears of preference dividend to be cleared by issuing 1 equity share of Rs.10 each fully paid of new company against every 20 shares held.
- Calculate purchase consideration.

2. The following were the balance sheets of Ram Ltd. & Shyam Ltd. as on 31/03/2023: (Purchase)

Particulars	Ram Ltd.	Shyam Ltd.
I. Equity and Liabilities		
1. Share Holders' Fund		
a. Share Capital		
Equity Shares of Rs.100 each fully paid	10,00,000	5,00,000
6% Preference shares of Rs.100 each fully paid	5,00,000	-----
b. Reserve & Surplus		
Workers Accident Compensation fund	----	80,000
General Reserve	-----	1,20,000
Profit & Loss Account	(1,50,000)	----
2. Non-Current Liabilities		
a. Long term borrowings		
10% Debentures	2,00,000	----
b. Other long term borrowings		
Bank loan	1,50,000	-----
3. Current Liabilities		
a. Trade payable- Creditors	1,50,000	1,00,000
Total	18,50,000	8,00,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets- Tangible Assets-		
Land & Building	3,00,000	1,00,000
Plant & Machineries	6,00,000	3,00,000
b. Intangible Assets- Goodwill	1,00,000	-----
c. Non-current Investments	1,00,000	20,000
d. Other Non-Current Assets		
Preliminary Expenses	30,000	----
2. Current Assets		
a. Inventories- Stock	2,50,000	1,50,000
b. Trade Receivables- Debtors	3,00,000	2,00,000
c. Cash & Cash Equivalentents- Cash balance	1,70,000	30,000

Total	18,50,000	8,00,000
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On the above date, both the companies decided to amalgamate and form a new company Ram-Shyam Ltd. with an authorised capital of Rs.25,00,000 divided into 20,000 equity shares and 5000, 10% Preference shares of Rs.100 each. Assets & Liabilities of both the companies are to be taken over except investments of Ram Ltd. and cash balance of Rs.10,000 of Shyam Ltd.

The Market value of fixed assets of both the companies are to be taken at 20% more than the book value. Payment terms are as follows:

- (1) The equity shares of both the companies will be given 6 fully paid equity shares of Ram-Shyam Ltd. For every 5 equity shares held by them at premium of 10%.
- (2) The preference shareholders of Ram Ltd. Will be given 4 fully paid preference shares of Ram-Shyam Ltd. For every 5 preference shares held by them and Rs. 50,000 cash.
- (3) The debenture - holders of Ram Ltd. will be given 12% debentures of Rs. 100 each of Ram-Shyam Ltd. At a discount of 10% to discharge their liability at 8% premium.
- (4) Rs. 14,000 cash to Ram Ltd.

Ram-Shyam Ltd. Issued the remaining equity shares to the public at a premium of Rs. 20 per share, which were fully paid up. Preliminary expenses amounted to 10,000 Rs. Pass necessary entries in the books of Ram-Shyam Ltd. And prepare its Balance Sheet as per companies Act 2013.

3. Vodafone Ltd. and Idea Ltd. were amalgamated on 1/04/24. A new company VI Ltd. was formed to take over the business of both the companies. The balance sheet of both the companies as on 31-3-24 are given as under:

Particulars	Vodafone Ltd.	Idea Ltd.
I. Equity and Liabilities		
1. Share Holders' Fund		
a. Share Capital		
Equity Shares of Rs.10 each fully paid	8,50,000 (85,000)	7,25,000 (72,500)
14% Preference shares of Rs.100 each fully paid	3,20,000(3200)	1,75,000(1750)

b. Reserve & Surplus		
Revaluation Reserve	1,25,000	80,000
General Reserve	2,40,000	1,60,000
Investment allowance reserve (SR)	50,000	30,000
Profit & Loss A/c	75,000	52,000
II. Non-Current Liabilities		
a. Long term Liabilities		
12% Debentures of Rs, 100 each	50,000	28,000
Public Deposits	25,000	-----
III. Current Liabilities		
b. Trade payable- Creditors	1,45,000	75,000
c. Bill payables	20,000	-----
Total	19,00,000	13,25,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets- Tangible Assets-		
Land & Building	4,60,000	2,75,000
Plant & Machineries	3,25,000	2,10,000
b. Non-current Investments	75,000	50,000
2. Current Assets		
a. Inventories- Stock	3,25,000	2,69,000
b. Trade Receivables- Debtors	3,05,000	2,70,000
Bills Receivables	25,000	-----
c. Cash & Cash Equivalents- Cash balance	3,85,000	2,51,000
Total	19,00,000	13,25,000

Other Information:

- (1) 12% Debenture of Vodafone Ltd. and Idea Ltd. are discharged by VI Ltd. by issuing such number of its 15% Debentures of Rs. 100 each so as to maintain the same amount of interest.
- (2) Preference shareholders of both the companies are issued equivalent number of 15% preference shares VI Ltd. at a price of Rs 125 per share (Face value Rs.100).
- (3) VI Ltd. will issue 2 equity shares for each 5 equity shares of Vodafone Ltd and 3 equity shares for each 10 equity shares of Idea Ltd. The shares are to be issued at Rs 35 each, having a face value of Rs. 10 per share.
- (4) Investment allowance reserve is to be maintained for 4 more years.

Prepare the Balance sheet of VI Ltd. as on 1-4-24, after the amalgamation had been carried out on following basis: 1. Amalgamation is in nature of purchase
2. Amalgamation is in nature of merger

Ans.

Calculation of PC

particulars	V	I
15% preference shares VI Ltd.	4,00,000	2,18,750
	(3200*100=3,20,000 3200*25=80,000)	(1750*100=1,75,000 1750*25=43,750)
Equity Shares of VI Ltd.	11,90,000	7,61,250
	(5-2 85,000-?= 34,000*10=3,40,000 34,000*25=8,50,000)	(10-3 72,500-?= 21,750*10=2,17,500 21,750*25=5,43,750)
	15,90,000	9,80,000

New Debentures

particulars	V	I
12% Debentures of Rs, 100 each	50,000	28,000
Interest	6000	3360
New 15% Debentures	40,000	22,400
	6000*100/15	3360*100/15
profit	10,000	5600

1. Amalgamation is in nature of purchase

particulars	V	I
Total Assets	19,00,000	13,25,000
Less: Total Liabilities	(2,30,000)	(97,400)
	40,000+25,000+1,45,000+20,000	22,400+75,000
Net Assets	16,70,000	12,27,600

Difference between PC & NA

particulars	V	I
PC	15,90,000	9,80,000
Less: Net Assets	(16,70,000)	(12,27,600)
Capital Reserve- 3,27,600	(80,000)	(2,47,600)

Balance sheet as on 1-04-2024

Particulars	VI Ltd.
I. Equity and Liabilities	
1.Share Holders' Fund	
a. Share Capital	
Equity Shares of Rs.10 each fully paid	5,57,500
15% Preference shares of Rs.100 each fully paid	4,95,000
b. Reserve & Surplus	
Investment allowance reserve (SR)	80,000
Capital Reserve	3,27,600
Security Premium(80,000+43,750+8,50,000+5,43,750)	15,17,500
2. Non-Current Liabilities	
a. Long term Liabilities	
15% Debentures of Rs, 100 each	62,400
Public Deposits	25,000
3.Current Liabilities	
d. Trade payable- Creditors	2,20,000
e. Bill payables	20,000
Total	33,05,000
II. Assets	
1. Non-Current Assets	
a. Fixed Assets- Tangible Assets-	7,35,000
Land & Building	
Plant & Machineries	5,35,000
b.Non-current Investments	1,25,000
c. Other Non-current Assets-Amalgamation Adjustment A/c	80,000
2. Current Assets	
a. Inventories- Stock	5,94,000
b. Trade Receivables- Debtors	5,75,000
Bills Receivables	25000
c. Cash & Cash Equivalentents- Cash balance	6,36,000
Total	33,05,000

Amalgamation is in nature of merger

Difference between PC & NA

particulars	V	I
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PC	15,90,000	9,80,000
Less: Share capital	11,70,000	9,00,000
	(8,50,000+3,20,000)	(7,25,000+1,75,000)
	4,20,000	80,000
(4,00,000+1,42,600)	5,42,600-	
	5,00,000=42,600	

Balance sheet as on 1-04-2024

Particulars	VI Ltd.
I. Equity and Liabilities	
1.Share Holders' Fund	
a. Share Capital	
Equity Shares of Rs.10 each fully paid	5,57,500
15% Preference shares of Rs.100 each fully paid	4,95,000
b. Reserve & Surplus	
Revaluation Reserve	2,05,000
Investment allowance reserve	80,000
Profit & Loss A/c	42,600
Security Premium	15,17,500
II. Non-Current Liabilities	
a. Long term Liabilities	
15% Debentures of Rs, 100 each	62,400
Public Deposits	25,000
III. Current Liabilities	
a. Trade payable- Creditors	2,20,000
b. Bill payables	20,000
Total	32,25,000
II. Assets	
1.Non-Current Assets	
a. Fixed Assets- Tangible Assets- Land & Building	7,35,000
Plant & Machineries	5,35,000
b. Non-current Investments	1,25,000
2. Current Assets	
a. Inventories- Stock	5,94,000
b. Trade Receivables- Debtors	5,75,000
Bills Receivables	25000
c. Cash & Cash Equivalent- Cash balance	6,36,000
Total	32,25,000

4. The balance sheets of Raj Ltd. and Rahi Ltd. as on 31-03-2024 were as under:

Particulars	Raj Ltd.	Rahi Ltd.
I. Equity and Liabilities		
1.Share Holders' Fund		
a. Share Capital		
75,000Equity Shares of Rs.10 each fully paid	7,50,000	
20,000Equity Shares of Rs.10 each fully paid		2,00,000
2500 Preference shares of Rs.100 each fully paid	2,50,000	
b. Reserve & Surplus		
General Reserve	4,00,000	-----
Profit & Loss A/c	45,000	16,000
2. Current Liabilities		
a. Trade payable- Creditors	25,000	10,500
Total	14,70,000	2,26,500
II. Assets		
1. Non-Current Assets		
a. Fixed Assets-	3,00,000	
i) Tangible Assets-		
Land & Building		
Plant & Machineries	7,75,000	
Motorcar		20,000
Furniture		12,500
ii) Intangible Assets		
Goodwill	-----	35,000
Patents	1,00,000	-----
b. Non-current Investments	57,500	-----
2. Current Assets		
a. Inventories- Stock	1,75,000	1,19,500
b. Trade Receivables- Debtors	40,000	31,000
c. Cash & Cash Equivalent- Cash balance	22,500	8500
Total	14,70,000	2,26,500

A new company Rohit Ltd. was formed to take over the assets and liabilities of both the companies. The terms of acquisition of business were as under:

1. The authorised capital of Rohit Ltd. is Rs.17,50,000 divided into 2500 6% preference shares of Rs.100 each and 1,50,000 equity shares of Rs.10 each.
2. Business of Raj Ltd. was valued at Rs.15,00,000, settlement being Rs.3,00,000 cash and balance by issue of fully-paid equity shares at Rs.12.
3. Business of Rahi Ltd. was valued at Rs.2,40,000, to be satisfied by issue of fully-paid equity shares at Rs.12.
 $12,00,000:2,40,000=10:2=5:1$
4. Preference shares of Raj Ltd. were redeemed (paid).
5. Rohit Ltd. made a public issue of 1500 preference shares at par and 15,000 equity shares at Rs.12. The issue was underwritten at the commission allowed by law and was fully subscribed. All obligations were met.
6. Mr. X who proposed the scheme, was allotted 2000 fully paid equity shares at Rs. 12 in consideration of his services.

Write entries in the books of Rohit Ltd. and prepare balance sheet of Rohit Ltd. when---1. Amalgamation is in the nature of Merger 2. Amalgamation is in the nature of Purchase.

5. Sagar Ltd. and Sarita Ltd. were amalgamated on and from 1-4-2024. A new company Sangam Ltd. was formed to take over the business of the existing companies:

Particulars	Sagar Ltd.	Sarita Ltd.
I. Equity and Liabilities		
1.Share Holders' Fund		
a. Share Capital		
Equity Shares of Rs.100 each fully paid	6,00,000	5,00,000
12% Preference shares of Rs.100 each fully paid	2,00,000	1,50,000
b.Reserve & Surplus		
Export profit Reserve	80,000	40,000
General Reserve	1,50,000	1,00,000
Investment allowance reserve	50,000	30,000
Profit & Loss A/c	60,000	40,500
2. Non-Current Liabilities		
a. Long Term Borrowings:		
12% Debentures	50,000	35,000
3. Current Liabilities		
a. Trade payable- Creditors	90,000	40,000
Bills payable	15,000	10,000

Total	12,95,000	9,45,500
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
Land & Building	5,00,000	3,00,000
Plant & Machineries	3,00,000	2,00,000
b. Non-current Investments	2,00,000	1,00,000
2. Current Assets		
a. Inventories- Stock	1,30,000	70,000
b. Trade Receivables- Debtors	1,00,000	1,50,000
c. Cash & Cash equivalents- Bank	65,000	1,25,500
Total	12,95,000	9,45,500

Additional Information:

(1) 12% debentures of Sagar Ltd. and Sarita Ltd, are discharged by Sangam Ltd. by issuing such number of its 15% debentures of Rs. 100 each so as to maintain the same amount of interest.

(2) Sangam Ltd. will issue 4 equity shares for each 3 equity shares of Sagar Ltd. and 3 equity shares for each equity shares of Sarita Ltd. The shares are to be issued at Rs. 110 each, having face value of Rs. 100 each.

(3) Preference shareholders of the two companies are issued equivalent number of 15% preference shares of Sangam Ltd. each of Rs. 100 at a price of Rs. 120 per share,

(4) Statutory reserves are to be maintained for 2 more years.

You are required to prepare the Balance Sheet of Sangam Ltd. after the amalgamation has been carried out on the basis of following assumptions:

(A) Amalgamation is in the nature of merger,

(B) Amalgamation is in the nature of purchase.

6. The balances of assets and liabilities of Kewal Ltd. and Inder Ltd. as at 31-03-2024 were as follows:

Particulars	Kewal Ltd.	Inder Ltd.
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I. Equity and Liabilities		
1. Share Holders' Fund		
a. Share Capital		
Equity Shares of Rs.100 each fully paid	20,00,000	15,00,000
b. Reserve & Surplus		
General Reserve	5,00,000	2,50,000
Statutory Reserve	3,00,000	1,00,000
2. Current Liabilities		
a. Trade payable- Creditors	2,00,000	1,50,000
Total	30,00,000	20,00,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets- Tangible Assets-Land & Building	20,00,000	10,00,000
Plant & Machineries	4,00,000	5,00,000
2. Current Assets		
a. Inventories- Stock	2,20,000	3,00,000
b. Trade Receivables- Debtors	1,80,000	1,50,000
c. Cash & Cash Equivalents-Bank balance	2,00,000	50,000
Total	30,00,000	20,00,000

On 1-04-2024, a new company Kelwin Ltd. was formed to amalgamate both the companies on the following terms:

1. The Assets of two companies are valued as follows:

	Kewal Ltd.	Inder Ltd.
Land & building	23,00,000	12,00,000
Plant & Machineries	3,00,000	4,50,000

The values of remaining assets and liabilities is agreed to be equal to their book values.

2. The new company has issued 35,000 equity shares of Rs.100 each at par to the shareholders of both companies, in the ratio of net asset value of their respective companies. Prepare balance sheet in the books of Kelwin Ltd.