

CA INTER: ADVANCED ACCOUNTING

MKG/ADVACC/NOV2024/003

AMALGAMATION OF COMPANIES

Maximum Marks: 30

Time Allowed– 1 hr

Ques. 1

The summarized Balance Sheet of M/s A Ltd. and M/s B Ltd. as on 31.03.2024 were is as under:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital:			Freehold Property	3,00,000	2,40,000
40,000 Equity Shares of ₹ 10 each, fully paid	4,00,000	-	Plant & Machinery	60,000	40,000
30,000 Equity Shares of ₹ 10 each, fully paid	-	3,00,000	Motor Vehicle	30,000	20,000
General Reserve	2,40,000	-	Trade Receivables	2,00,000	80,000
Profit & Loss Account	50,000	50,000	Inventory	2,30,000	1,80,000
Trade Payables	2,10,000	1,30,000	Cash at Bank	80,000	40,000
6% Debentures (₹ 100)	-	1,20,000			
	9,00,000	6,00,000		9,00,000	6,00,000

M/s A Ltd. and M/s B Ltd. carry on business of similar nature and they agreed to amalgamate. A new Company, M/s AB Ltd. is formed to take over the Assets and Liabilities of M/s A Ltd. and M/s B Ltd. on the following basis:

Assets and Liabilities are to be taken at Book Value, with the following exceptions:

- Goodwill of M/s A Ltd. and M/s B Ltd. is to be valued at ₹1,40,000 and ₹ 40,000 respectively.
- Plant & Machinery of M/s A Ltd. are to be valued at ₹ 1,00,000.
- The Debentures of M/s B Ltd. are to be discharged at premium of 5% by the issue of 10% Debentures of M/s AB Ltd. at par (₹ 100 each).

You are required to:

- Compute the basis on which shares in M/s AB Ltd. will be issued to Shareholders of the existing Companies assuming nominal value of each share of M/s AB Ltd. is ₹ 10.
- Draw up a Balance Sheet of M/s AB Ltd. as on 1st April, 2024, when Amalgamation is completed.
- Pass acquisition Journal entries in Books of M/s. AB Ltd. (15 Marks)

Ques. 2

Anjana Ltd. is absorbed by Sanjana Ltd.; the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding ₹ 10,000 (actual cost ₹ 9,000) the payment of the 9% debentures of ₹ 50,000 at a premium of 20% in 8% debentures issued at a premium of 25% at face value and the payment of ₹ 15 per share in cash and allotment of three 11% preference share of ₹ 10 each at a discount of 10% and four equity share of ₹ 10 each at a premium of 20% fully paid for every five shares in Anjana Ltd. The number of share of the vendor company are 1,50,000 of ₹ 10 each fully paid. Calculate purchase consideration as per Accounting Standard 14. (5 Marks)

Ques. 3**Balance Sheets as on 31st March****(in ₹)**

Liabilities	Gee Ltd	Pee Ltd	Assets	Gee Ltd	Pee Ltd
Equity Share Capital (₹ 10 per Share)	25,00,000	15,00,000	Buildings	12,50,000	7,75,000
14% Preference Share Capital (₹ 100 each)	11,00,000	8,50,000	Plant and Machinery	16,25,000	8,50,000
General Reserve	2,50,000	2,50,000	Furniture and Fixtures	2,87,500	1,75,000
Export Profit Reserve	1,50,000	1,00,000	Investments	3,50,000	2,50,000
Investment Allowance Reserve	-	50,000	Stock	6,25,000	4,75,000
Profit and Loss Account	3,75,000	1,25,000	Debtors	4,00,000	4,60,000
15% Debentures (₹ 100 each)	2,50,000	1,75,000	Bills Receivable	50,000	55,000
Trade Creditors	1,50,000	75,000	Cash at Bank	3,62,500	2,60,000
Bills Payable	75,000	1,00,000			
Other Current Liabilities	1,00,000	75,000			
Total	49,50,000	33,00,000	Total	49,50,000	33,00,000

All the Bills Receivable of Pee Ltd were having Gee Ltd's acceptances. Gee Ltd takes over Pee Ltd on the above date. The Purchase Consideration is discharged as follows -

- Issued 1,65,000 Equity Shares of ₹ 10 each at par to the Equity Shareholders of Pee Ltd.
- Issued 15% Preference Shares of ₹ 100 each to discharge the Preference Shareholders of Pee Ltd at 10% Premium.
- The Debentures of Pee Ltd will be converted into equivalent number of Debentures of Gee Ltd.
- The Statutory Reserves of Pee Ltd is to be maintained for two more years.
- Expenses of Amalgamation amounting to ₹ 10,000 will be borne by Gee Ltd.

Show the opening Journal Entries in the books of Gee Ltd on the assumption that the amalgamation is in the nature of Merger. **(10 Marks)**