

7. The Balance Sheets of P Ltd. and Q Ltd. as on 31st March, 2006 were as follows :-

	<i>P Ltd.</i> Rs.	<i>Q Ltd.</i> Rs.		<i>P Ltd.</i> Rs.	<i>Q Ltd.</i> Rs.
Share Capital :			Goodwill	—	70,000
Equity Shares (Rs. 10 each)	15,00,000	5,00,000	Patents	2,00,000	—
Preference Shares (Rs. 100 each)	5,00,000	—	Land & Buildings	14,00,000	—
General Reserve	8,00,000	—	Plant & Machinery	15,00,000	—
Profit & Loss A/c	7,00,000	2,00,000	Motor Vehicles	1,50,000	2,50,000
Creditors	2,50,000	1,40,000	Furniture	70,000	25,000
			Investments	1,10,000	—
			Stock	2,00,000	2,70,000
			Debtors	80,000	1,65,000
			Bank	40,000	60,000
	<u><u>37,50,000</u></u>	<u><u>8,40,000</u></u>		<u><u>37,50,000</u></u>	<u><u>8,40,000</u></u>

A new company PQ Ltd. was formed to acquire the assets and liabilities of P Ltd. and Q Ltd. The terms of acquisition of business were as under :

- (i) PQ Ltd. to have an authorised capital of Rs. 50,00,000 divided into 4,00,000 Equity Shares of Rs. 20 each and 10,000; 12% Preference Shares of Rs. 100 each.

234 PROBLEMS ON CORPORATE ACCOUNTING

- (ii) Business of P Ltd. was valued on the basis of net assets and settlements were made by issue of 5,000 preference shares in PQ Ltd. at par to the preference shareholders and sufficient number of equity shares in PQ Ltd. to the equity shareholders at Rs. 20 each.
- (iii) Business of Q Ltd. was valued on the basis of net worth to be satisfied by equity shares in PQ Ltd. at Rs. 20 each

Give Journal Entries in the books of P Ltd. and PQ Ltd. and prepare the Balance Sheet of PQ Ltd. assuming the amalgamation was in the nature of merger.

8. A new company Crisil Ltd. was formed to take over the assets and liabilities of Amar Ltd. and Bidhan Ltd. the Balance Sheets of which are as follows :-

Problem - 2 (Problem - 7 Sey & Dutta Page 233)

Calculation for Purchase Consideration

	P Ltd Rs	Q Ltd Rs
Goodwill	-	70,000
Patents	200,000	-
L/B	14,00,000	-
P/M	15,00,000	-
M/V	1,50,000	2,50,000
Furniture	70,000	25,000
Investments	1,10,000	-
Stock	2,00,000	2,70,000
Debtors	80,000	1,65,000
Bank	40,000	60,000
	<u>37,50,000</u>	<u>8,40,000</u>

Less:- current liabilities
- Creditors 2,50,000 1,40,000

Purchase Consideration 35,00,000 7,00,000

The Purchase Consideration is discharged by

- 50,000 Pref. shares in P Ltd @ Rs 100 = Rs 50,00,000

- Equity Shares in P Ltd @ Rs 20

35,00,000 - 50,000
= 30,00,000 ÷ 20 = 1,50,000 Eq. sh @ Rs 20 each

7,00,000 ÷ 20 = 35,000 Eq. sh @ Rs 20 each

Amount to be adjusted in Reserves

Amount payable as purchase consideration

- P Ltd	35,00,000
- Q Ltd	7,00,000
	<u>42,00,000</u>

Less:- Share Capital

- P Ltd	20,00,000
- Q Ltd	5,00,000
	<u>25,00,000</u>

Amount to be adjusted = 17,00,000

Adjustment will be made as under

	P Ltd	Q Ltd	Total Rs	Adjustment Rs	Balance Rs
General Reserve	80,000	-	80,000	80,000	-
P/L	70,000	20,000	90,000	90,000	-
	<u>1,50,000</u>	<u>20,000</u>	<u>1,70,000</u>	<u>1,70,000</u>	<u>-</u>

In the books of P Ltd
Journal

Realisation A/c -- Dr 37,50,000

To Patents	200,000
To L/B	14,00,000
To P/M	15,00,000
To M/V	1,50,000
To Furniture	70,000
To Investments	1,10,000
To Stock	2,00,000
To Debtors	80,000
To Bank	40,000

Creditors A/c -- Dr 2,50,000

To Realisation A/c	2,50,000
--------------------	----------

P Ltd A/c -- Dr 35,00,000

To Realisation A/c	35,00,000
--------------------	-----------

Pref. sh. in Paid -- Dr 50,00,000

Eq. sh. in P Ltd -- Dr 30,00,000	
To P Ltd A/c	35,00,000

Eq. Share Capital A/c -- Dr 15,00,000

General Reserve A/c -- Dr 80,000	
Profit & Loss A/c -- Dr 70,000	
To Equity Shareholders A/c	31,00,000

Pref Share Capital A/c -- Dr 50,00,000

To Preference Shareholders A/c	50,00,000
--------------------------------	-----------

Preference Shareholders A/c -- Dr 50,00,000

To Preference Shares in P Ltd.	50,00,000
--------------------------------	-----------

Equity Shareholders A/c — Dr 30 00 000
 To Equity Shares in P&R Ltd A/c 30 00 000

In the books of P&R Ltd

Goodwill — Dr 70 000
 Patents — Dr 2 00 000
 L/B — Dr 14 00 000
 P/M — Dr 15 00 000
 M/Vehicles — Dr 4 00 000
 Furniture — Dr 95 000
 Investment — Dr 1 10 000
 Stock — Dr 4 70 000
 Debtors — Dr 2 45 000
 Bank — Dr 1 00 000

To Sundry Creditors A/c 3 90 000
 To Liquidator of P Ltd 3 50 000
 To Liquidator of R Ltd 7 00 000

Liquidator of P Ltd — Dr 3 50 000
 Liquidator of R Ltd — Dr 7 00 000
 To Equity Share Capital A/c 3 70 000
 To 12% Preference Share Capital A/c 5 00 000

Balance Sheet of P&R Ltd as at

Liabilities	Rs	Assets	Rs
<u>Share Capital</u>		<u>Fixed Assets</u>	
Authorized —		Goodwill	70 000
- 400 000 Eq. Sh @ Rs 20	8 00 000	Patents	2 00 000
- 10 000 12% Pref. Sh @ Rs 100	10 00 000	L/B	14 00 000
		P/M	15 00 000
<u>Issued & Subscribed</u>		M/Vehicles	4 00 000
185 000 Eq. Sh @ Rs 20 each	3 70 000	Furniture	95 000
5 000 12% Pref. Sh @ Rs 100 each	5 00 000	<u>Investments</u>	1 10 000
		<u>Current Assets, loans and advances</u>	
<u>Reserves & Surplus</u>		Stock	4 70 000
Secured loan		Debtors	2 45 000
Unsecured loan		Bank	1 00 000
<u>Current Liabilities</u>	3 90 000	Misc. exp	
	4 59 000		4 59 000

Problem-3 (Key & Data Problem 13, Page - 236)

Calculation for purchase consideration

	X Ltd (Rs)	Y Ltd (Rs)
Land & Building	30 000	—
Plant & Machinery	99 000	50 000
Stock	14 400	8 000
Debtors	12 600	9 000
Cash	3 000	1 000
	<u>159 000</u>	<u>68 000</u>
<u>Less-current liabilities</u>		
- Creditors	10 000	8 000
- Employees Provident Fund	3 000	—
	<u>13 000</u>	<u>8 000</u>
	146 000	60 000
Less 6% Debentures net Assets	20 000	—
	<u>126 000</u>	<u>60 000</u>
Goodwill (126 000 x 5%)	6 300	60 000 x $\frac{5}{100}$ = 3 000
<u>Purchase Consideration</u>	<u>132 300</u>	<u>63 000</u>