CHAPTER 1 : AMALGAMATION

Q.1 Following are the balance sheets of Satyam Ltd. and Shivam Ltd.as on 31-03-2010.

Liabilities	Satyam ₹	Shivam ₹	Assets	Satyam ₹	Shivam ₹
Equity shares capital (shares of ₹ 10 each fully paid up)	10,00,000	4,00,000	Building	8,00,000	3,00,000
Securities premium	2,00,000		Plant & machinery	5,10,000	1,70,000
General reserve	6,00,000	3,00,000	Furniture	3,20,000	1,60,000
Profit & Loss A/c	2,00,000	1,20,000	Computer	80,000	40,000
Loan from Shivam Ltd.	10,000	-----	Sundry Debtors	70,000	30,000
Creditors	40,000	60,000	Bills Receivable	30,000	40,000
Bills Payable	50,000	20,000	Stock	1,80,000	1,10,000
Proposed Dividend	1,00,000	40,000	Cash at bank	2,10,000	80,000
			Loan to Satyam Ltd.	----	10,000
	22,00,000	**9,40,000**		**22,00,000**	**9,40,000**

a. Satyam Ltd. absorbed Shivam Ltd. on the above date by issuing two equity shares of ₹ 10 each at a premium of ₹ 5 per share for every one share of Shivam Ltd.
b. Before Merger each company paid dividend @ 10% on the paid up equity share capital, to all its respective shareholders as proposed by its respective Board of directors for the year ended 31-03-2010.
c. Satyam Ltd. Bills Receivable included Bills of ₹ 10,000 accepted by Shivam Ltd.

You are required to give:-

i) 1. Journal entries in the books of Satyam Ltd.
   2. Balance sheet of Satyam Ltd. after amalgamation in the nature of merger.

ii) Show the following Ledger Accounts in the books of Shivam Ltd:
   1. Realization A/c
   2. Equity shareholders A/c **[Nov 2010]**

Q.2 Following are the Balance Sheet of M/s. SMS and M/s. MMS Ltd., as on 31-3-2005

Liabilities	SMS Ltd. ₹	MMS Ltd. ₹	Assets	SMS Ltd. ₹	MMS Ltd. ₹
Share capital			Land & Building	8,00,000	1,50,000
Authorised: [Equity Share of ₹10 each]	1,00,000	5,00,000	Plant & Machinery	3,00,000	2,30,000
Paid up:			Vehicles	39,000	21,000
Equity Shares of ₹10 each fully paid up	5,00,000	2,00,000	Stock	3,10,000	1,50,000
Security Premium	2,00,000	-	Sundry Debtors	1,00,000	50,000
General Reserve	5,00,000	2,50,000	Bills Receivable	45,000	22,000
Profit & Loss A/c.	1,00,000	60,000	Prepaid Expenses	40,000	30,000
Term Loan	2,00,000	-	Cash at Bank	1,60,000	45,000
Sundry Creditors	1,50,000	1,50,000	Cash on Hand	3,10,000	2,000
Bills Payable	30,000	10,000			
Outstanding Exp.	20,000	10,000			
Proposed Dividend	1,00,000	20,000			
Total	**18,00,000**	**7,00,000**	**Total**	**18,00,000**	**7,00,000**

Additional Information:

(a) SMS Ltd. absorbed MMS Ltd. on above date issuing 2 equity shares of ₹10 each fully paid at a premium of ₹5 per share for every one share in MMS Ltd.
(b) Before merger, each company declared and paid the dividend to all its respective shareholders as proposed by its respective Boards of Directors for the year ending 31-3 2005.
(c) SMS Ltd. paid ₹ 25, 000 being the cost of absorption.
(d) SMS Ltd's Bills Receivable included Bill of ₹10, 000 being accepted by MMS Ltd.
(e) Stock of MMS Ltd. included goods worth ₹50, 000 supplied by SMS Ltd. SMS Ltd. sold goods on the basis of profit margin @ 25% on its cost.

You are required to:

i. Pass journal entries in the books of SMS Ltd. and
ii. Balance Sheet of SMS Ltd. after absorption under the amalgamation in the nature of merger. **[April 2006]**

Q.3 Following are the Balance Sheet of Bold Ltd.and Beautiful Ltd, as on 31st March 2005

	Bold ₹	**Beautiful** ₹		**Bold** ₹	**Beautiful** ₹
Equity share cap. [₹10 each]	5,50,000	2,00,000	Land & Building	2,00,000	
			P & M	3,00,000	2,60,000
General Reserve	4,00,000	2,50,000	Furniture, Fixture	50,000	30,000
Profit & Loss A/c	1,00,000	48,000	Investment	1,00,000	
Statutory Res.	50,000	-	[Market value ₹1, 25,000]		
12% Debenture	-	1,00,000			
Current liabilities	3,00,000	1,52,000	Current assets	7,40,000	4,55,000
			Preliminary exp.	10,000	5,000
Total	**1,400,000**	**7,50,000**	**Total**	**1,400,000**	**7,50,000**

The two companies agreed to amalgamate and form a new Company called "Bold and Beautiful Ltd." with an authorized capital of ₹20,00,000 consisting of 2,00,000 equity shares of ₹10 each. The terms of agreement were as under:

a) All the assets and liabilities of both companies were taken over at their book value except Land and Building at book value plus 10%, Plant & Machinery at book value less 5%, and investment at its market value.
b) Both the Companies received 5% of the net valuation of their respective business as goodwill.
c) The entire purchase consideration was paid in the form of equity shares of ₹10 each fully paid at a premium of ₹5 per share.
d) 12% Debenture were redeemed at par by issue of equity shares of ₹10 each fully paid by the amalgamated Co. at par.

You are required to:

i. Prepare a statement of computation of purchase consideration as per AS 13.
ii. Prepare Balance Sheet of Bold and Beautiful Ltd. after amalgamation in the nature of purchase method. **[Nov 2005]**

Q.4 On 31st March. 2006 Diamond Ltd was absorbed by Panna Ltd the later taking over all the assets and liabilities of the former at book values.

The consideration for the business fixed at ₹6,00,000 t be discharged by the Panna Ltd in the form of its fully paid equity shares of ₹ 10/- each, to be distributed among the shareholders of the Diamond Ltd.

The Balance Sheet of the two companies as on 31st March, 2006 stood as under given below.

Liabilities	Panna Ltd.	Diamond Ltd.	Assets	Panna Ltd.	Diamond Ltd.
Share capital					
Authorized:	2,000,000	1,000,000	Goodwill	200,000	100,000
Issued Subscribed			Furniture	412,000	200,000
Equity Shares of ₹10 each			Computer	208,000	50,000
fully paid	1,000,000	500,000	Stock in Trade	420,000	100,000
Statutory Reserves	30,000	20,000	Sundry Debtors	280,000	180,000
General Reserve	400,000	80,000	Cash in Hand	20,000	30,000
Profit & Loss A/c.	20,000	10,000	Cash at bank	90,000	60,000
Sundry Creditors	60,000	60,000			
Bills Payable	80,000	20,000			
Provision for Taxation	40,000	30,000			
Total	1,630,000	720,000	**Total**	1,630,000	720,000

Amalgamation expenses amounting to ₹ 12,000/- were paid by Panna Ltd. in cash. You are required to:

a. Show the necessary journal entries in the books of Panna Ltd.
b. Prepare the balance sheet of Panna Ltd. after the amalgamation in the nature of merger.
c. Show following Ledger accounts in the books of Diamond Ltd:
   i. Realisation A/c
   ii. Equity Shareholders A/c. **[Nov 2006]**

Q.5 Following are the Balance Sheet of Wada Ltd. and Sambar Ltd.

Liabilities	Wada Ltd. ₹	Sambar Ltd. ₹	Assets	Wada Ltd.₹	Sambar Ltd. ₹
Share Capital (₹10 each)	10,00,000	5,00,000	Fixed Assets	7,00,000	4,60,000
General Reserve	4,00,000	2,00,000	Debtors	6,60,000	4,80,000
Export Project Reserve (to be maintain for next 3 years)	1,50,000	50,000	Loan to Sambar Ltd.	2,00,000	_
			Stock	2,40,000	2,60,000
			Cash at Bank	80,000	60,000
Loan from Wada Ltd.		2,00,000	Bills Receivable	1,20,000	1,30,000
Creditors	3,40,000	2,60,000	Preliminary Exp.	-	10,000
Bills Payable	1,10,000	1,90,000			
Total	20,00,000	14,00,000	**Total**	20,00,000	14,00,000

Wada Ltd. agreed to absorb Sambar Ltd. on the following terms:

(1) Wada Ltd will give 3 shares of ₹10 each for every 5 shares held in Sambar Ltd. Each share of Wada Ltd. is to be valued at ₹ 20 each.
(2) Debtors of Wada Ltd. include ₹ 12,000 being amount due from Sambar Ltd. but creditors of Sambar include ₹10,000 only being amount due to Wada Ltd. The difference between the debtors and Creditors is due to cash in transit.
(3) Stock of Wada Ltd. includes Goods ₹ 12,000 purchased from Sambar Ltd. which has a profit margin of 20% on cost.
(4) Included in Bills payable of Wada Ltd bills amounting ₹40,000 accepted in favour of Sambar Ltd but of the above mentioned bills mentioned bills ₹10,000 only still remain outstanding on the date of date of absorption in hands of Sambar Ltd. The rest having been endorsed in favour of creditors and got discounted with the Bank.

Prepare:

(1) Journal entries in the Books of Wada Ltd. in respect of amalgamation.
Balance sheet after amalgamation in the Books of Wada Ltd. assuming amalgamation is in nature of purchase. **[Nov 2007]**

Q.6 Following are the Balance sheet of Sachin Ltd. & Lara Ltd. as on 31st March,08

Liabilities	Sachin Ltd. ₹	Lara Ltd. ₹	Assets	Sachin Ltd. ₹	Lara Ltd. ₹
Share Capital			Fixed Assets	15,60,000	7,00,000
[Shares of ₹10]	20,00,000	10,00,000	Loan to Lara	40,000	---
General Reserve	5,00,000	2,00,000	Investments	9,80,000	6,40,000
Capital Reserve	2,00,000	60,000	Debtors	6,20,000	1,80,000
Statutory Reserve	3,00,000	2,00,000	Stock	2,60,000	1,20,000
Profit/Loss A/c	2,40,000	1,20,000	Cash/Bank	1,40,000	2,10,000
Creditors	3,60,000	2,40,000	Preliminary	---	10,000
Loan from Sachin	---	40,000			
Total	36,00,000	18,60,000	**Total**	36,00,000	18,60,000

Sachin Ltd Agreed to absorb Lara Ltd. On the following terms.
Sachin Ltd. Shall give one share of ₹10 each at ₹40 per share for every three shares held in Lara Ltd. the amounts for fraction of shares shall be paid in cash as per market price of share of Sachin Ltd.

The shares of Sachin Ltd. are quoted in the market at ₹60 per share.

Stock of Lara Ltd. Includes goods worth ₹10,000 purchased from Sachin Ltd., Which has profit margin of 25% on cost.

a. Show necessary Journal Entries in the Books of Sachin Ltd.
b. Prepare Balance sheet of Sachin Ltd. After Amalgamation.
c. Show following ledger accounts in the Books of Lara Ltd.
   i. Realisation A/c
   ii. Equity Shareholders A/c

Assume that the Amalgamation is in the nature of Purchase. **[Nov 2008]**

Q.7 Giant Ltd. agreed to acquire the business of Big Ltd. as on 31.03.2009. The Balance Sheet of Big Ltd. is as follows:-

Liabilities	₹	Assets	₹
Share capital 80,000		Land And Building	6,00,000
Equity shares of ₹10	8,00,000	Computers	3,20,000
Capital Reserve	20,000	Furniture	68,000
Statutory Reserve	25,000	Mobile Phones	34,000
General Reserve	2,40,000	Stock	1,42,000
Profit & Loss A/c	82,000	Sundry Debtors	1,20,000
100% Debentures		Cash	24,000
1000 Debentures of ₹100 each	1,00,000	Bank	92,000
Sundry Creditors	83,000		
Bills Payable	50,000		
Total	**14,00,000**	**Total**	**14,00,000**

The consideration payable to Big Ltd. was agreed as follows:-

a) Issue of 1,00,000 equity shares of ₹10 each in Giant Ltd. having agreed value of ₹12 per share.
b) A cash payment of ₹3 per share in Big Ltd.
c) Giant Ltd. also agreed to discharge the Debentures of Big Ltd. at a premium of 20% by allotment of its 12% Debentures at 96%

The Directors of Giant Ltd. valued the above Land and Building at ₹8,00,000, Computers at ₹3,00,000 Furniture at ₹70,000, Mobile Phones at ₹20,000, Stock at book Value and Debtors at their book value subject to an allowance of 5% to cover Doubtful Debts.

You are required to show:
a) Statement of purchase Consideration
b) Realization A/c in the books of Big Ltd.
c) Equity Shareholders A/c in the books of Big Ltd.
d) Give Journal Entries required for amalgamation in the books of Giant Ltd. Amalgamation is in the nature of Purchase. **[Nov 2009]**

Q.8 Following are the balance sheets of Tal Ltd. and Sur Ltd. as at 31st March, 2006. **(15)**

Liabilities	Tal Ltd. ₹	Sur Ltd. ₹	Assets	Tal Ltd. ₹	Sur Ltd. ₹
Equity share capital	1,000,000	500,000	Building	1,400,000	800,000
General reserve	500,000	400,000	Furniture	100,000	200,000
Profit and loss A/c	160,000	240,000	Computer	50,000	20,000
Statutory reserves	20,000	10,000	Stock	120,000	180,000
Loans from Tal Ltd.		10,000	Debtors	240,000	300,000
Bills payable	40,000	40,000	Bills receivable	40,000	60,000
Creditors	280,000	400,000	Loan to Sur Ltd.	10,000	
			Cast	40,000	40,000
Total:	**2,000,000**	**1,600,000**	**Total:**	**2,000,000**	**1,600,000**

Tal Ltd. taken over business of Sur Ltd. for ₹ 12,00,000 in the form of equity shares of ₹ 10 each allotted at par.
Included in Bills Payable of Tal Ltd. bills amounting to ₹ 25,000 accepted in favors of Sur Ltd. for goods purchased. Of the above mentioned bills of ₹ 25,000, Bill for ₹ 8,000 only

still remain on the date of absorption in the hands of Sur Ltd. The rest having been endorsed in favour of creditors or got discounted with the bank.

On the date of amalgamation the stock of Tal Ltd. include goods purchased from Sur Ltd. at the invoice price of ₹ 10,000. Sur Ltd. charging profit at 25% cost.

Expenses of liquidation of Sur Ltd. ₹ 12,000 were met by Tal Ltd.

Prepare:

1. Realisation accounts in the books of Sur Ltd.
2. Equity shareholders account in the books of Sur Ltd.
3. Journal entries in the books of Tal Ltd.
   Balance sheet after amalgamation in the books of Tal Ltd. assuming amalgamation is in the nature of purchase.[April 2007]

Q.9 You are given the Balance Sheets of Ganga Ltd. and Yamuna Ltd. as at 31-3-07.

Liabilities	**Ganga Ltd. ₹**	**Yamuna Ltd. ₹**	**Assets**	**Ganga Ltd. ₹**	**Yamuna Ltd. ₹**
Equity Share Capital of ₹ 100 each ,	400,000	200,000	Building	120,000	
			Furniture	220,000	120,000
15% Preference Shares of ₹ 100 each.	100,000	60,000	Computers	220,000	140,000
			Mobile Phones	140,000	60,000
Reserve and Surplus			Stock	260,000	140,000
Capital Reserve	50,000	30,000	Debtors	320,000	260,000
Statutory Reserve	60,000	40,000	Cash at Bank	210,000	130,000
General Reserve	100,000	200,000	Preliminery Expenses	-	50,000
Profit and Loss A/c	460,000	120,000			
Creditors	120,000	210,000			
Bills Payable	200,000	40,000			
Total	**1,490,000**	**900,000**	**Total**	**1,490,000**	**900,000**

Ganga Ltd. absorbs Yamuna Ltd. on 31/03/2007 on the following terms and conditions.

(1) Ganga Ltd. issued 20,000 Equity Shares of ₹ 10 each at ₹ 12.5 per Equity Share to Equity Shareholders of Yamuna Ltd.

(2) Ganga Ltd. issued 12% Preference Shares of ₹ 100 each at par to discharge the Preference Shareholders of Yamuna Ltd at 10% premium.

(3) Yamuna Ltd. followed weighted average method for valuing inventories whereas Ganga Ltd. followed FIFO basis. Had Yamuna Ltd. followed FIFO basis the value of stock as on 31-03-2007 would have been more by ₹ 10,000.

(4) Yamuna Ltd. includes ₹ 50,000 Debtors being amount due from Ganga Ltd.

(5) The amalgamation is considered as amalgamation in the nature of merger.

You are required to give

(i) Journal Entries and Balance Sheet in the books of Ganga Ltd. giving effect to above scheme of amalgamation. **[Nov 2008]**

Q.10 Following is the Balance Sheet of W. Limited as on 31-03-2009: **[April 2009]**

Liabilities	(₹)	Assets	(₹)
Share Capital		Goodwill	25,000
20,000 shares of ₹ 10 each	200,000	Land and Building	100,000
General Reserve	20,000	Plant and Machinery	145,000
10% Debentures	100,000	Stock	55,000
Loan from Bank	40,000	Debtors	65,000
Sundry Creditors	80,000	Bank	34,000
		Preliminary Expenses	16,000
Total	**440,000**	**Total**	**440,000**

The business of W. Limited is taken by S. Limited as on that date on the following terms:

(a) All assets except Bank Balance are taken over. These Assets taken over are valued at 10% below their book value except for goodwill.
(b) Goodwill is to be valued at ₹ 52,000.
(c) Creditors are to be taken over subject to a discount of 5%.
(d) Loan from bank is to be repaid by W. Limited.
(e) The purchase consideration is to be discharged in cash to the extent of ₹ 50,000 and the balance in fully paid equity shares of ₹ 10 each valued at ₹ 12.5 per share.
(f) The liquidation expenses amounted to ₹ 2,000 and were paid by W. Limited.

You are required to show Realisation Account, Bank Account, and Equity Shareholders Account in the books of W. Limited giving effect to the entire aforesaid scheme.

Q.11 Following are the balance sheets of Satyam Ltd. and Shivam Ltd.as on 31-03-2010.

Liabilities	Satyam ₹	Shivam ₹	Assets	Satyam ₹	Shivam ₹
Equity shares capital (shares of ₹ 10 each fully paid up)	10,00,000	4,00,000	Building	8,00,000	3,00,000
			Plant & machinery	5,10,000	1,70,000
			Furniture	3,20,000	1,60,000
Securities premium	2,00,000		Computer	80,000	40,000
General reserve	6,00,000	3,00,000	Sundry Debtors	70,000	30,000
Profit & Loss A/c	2,00,000	1,20,000	Bills Receivable	30,000	40,000
Loan from Shivam Ltd.	10,000	-----	Stock	1,80,000	1,10,000
Creditors	40,000	60,000	Cash at bank	2,10,000	80,000
Bills Payable	50,000	20,000	Loan to Satyam Ltd.	----	10,000
Proposed Dividend	1,00,000	40,000			
Total	**22,00,000**	**9,40,000**	**Total**	**22,00,000**	**9,40,000**

a. Satyam Ltd. absorbed Shivam Ltd. on the above date by issuing two equity shares of ₹ 10 each at a premium of ₹ 5 per share for every one share of Shivam Ltd.
b. Before Merger each company paid dividend @ 10% on the paid up equity share capital, to all its respective shareholders as proposed by its respective Board of directors for the year ended 31-03-2010.
c. Satyam Ltd. Bills Receivable included Bills of ₹ 10,000 accepted by Shivam Ltd.

You are required to give:-

i. 1. Journal entries in the books of Satyam Ltd.
   2. Balance sheet of Satyam Ltd. after amalgamation in the nature of merger.

ii. Show the following Ledger Accounts in the books of Shivam Ltd:
   1. Realization A/c
   2. Equity shareholders A/c [Nov 2010]

Q.12 The balance sheet of west Indian Ltd. And Shrilankans Ltd.as on 31st March, 2011 and 31st March 2012.were as follows.

Liabilities	West Indian Ltd(₹)	Shrilankans Ltd.(₹)	Assets	West Indian Ltd(₹)	Shrilankans Ltd.(₹)
Equity share capital (₹100)	15,00,000	4,50,000	Building	4,00,000	1,55,000
General Reserve	50,000	50,000	Computers	7,50,000	1,70,000
Profit and Loss A/c	1,40,000	55,000	Inventory	6,00,000	1,00,000
Export profit Reserve	60,000	20,000	Trade receivables	1,30,000	1,85,000
Statutory reserve		10,000	Cash and bank	1,00,000	50,000
12% debentures	1,00,000		Preliminary Exp.		10,000
13% debentures		35,000			
Trade Payable	1,30,000	50,000			
Total	**19,80,000**	**6,70,000**	**Total**	**19,80,000**	**6,70,000**

A new company twenty-twenty Ltd. Was formed to acquire all the assets and liabilities of West Indian Ltd.and Shri Lankans ltd. On following terms.

a. Twenty-twenty Ltd. To have an authorized capital ₹ 5 cores divided into equity shares of ₹ 10 each.
b. The business of both the companies taken over for a total price of ₹ 10 at 10% premium.
c. The shareholders of West Indian Ltd. And shrilankans Ltd. To get shares in twenty-twenty Ltd. In the ratio of 3:1 respectively.
d. The debentures of both the companies to be converted into equal number of 14% debentures in twenty-twenty Ltd.
e. Export profit reserve and statutory reserve maintained for 4 more years.
f. The assets of both the companies to be revalued as-

	West Indian Ltd(₹)	Shrilankans Ltd.(₹)
Building	5,60,000	1,90,000
Computers	6,40,000	1,60,000

Show:

a. Journal entries in the books of twenty-twenty Ltd. Assuming that amalgamation is in the nature of purchase
b. Balance sheet of twenty-twenty Ltd. **[Nov 2011]**

Q.13 Mumbai Ltd Having Capital Of ₹ 9,00,000 was divided into 18,000 shares of ₹ 50each (on which ₹ 40 per share paid up) and general Reserve of ₹ 1,80,000 and statutory reserve ₹ 1,00,000 was absorbed by London Ltd. having capital of ₹ 24,00,000 divided into 80,000 equity shares of ₹ 30 each (on Which ₹ 25 per Shares was paid up) and general reserve of ₹ 8,00,000 and statutory reserve ₹ 2,00,000. On the terms that for every three shares in Mumbai Ltd, Landon Ltd. was to give five shares (party paid up as original one)

Give the general entries in the books of London Ltd. and show balance sheet after absorption assuming:-

1. Amalgamation in nature of Purchase.
2. Amalgamation in nature of merger.[Nov 2012]

CHAPTER 2 : INTERNAL RECONSTRUCTION

Q.14 The balance sheet of Asian cup Ltd. as at 31-03-2010 is as under

Liabilities	₹	Assets	₹
Share capital		Land and Building	2,40,000
12,000 Equity shares of ₹ 60		Furniture	1,60,000
each ₹ 30 paid up	3,60,000	Debtors	2,20,000
10 % Debentures ‘A’ class	6,00,000	Stock	1,60,000
15% Debentures ‘B’ class	12,00,000	Cash at bank	5,40,000
Sundry creditors	9,00,000	Profit and Loss A/c	17,40,000
Total	**30,60,000**	**Total**	**30,60,000**

Shri Bindra holds 10% debentures of ‘A’ class of ₹ 6,00,000 and 15 % debentures of ‘B’ class of ₹ 6,00,000. He is also unsecured creditor for ₹ 1,80,000.
Shri Kashyap holds’ B’ class 15% debentures for ₹ 6,00,000 and unsecured creditors for ₹ 1,20,000.

The following scheme of reconstruction is proposed:

a. Shri Bindra is to cancel ₹ 4,20,000 of Total debt owing to him; to advance ₹ 60,000 in cash and to take new 12% debentures in cancellation of those already issued, for ₹ 10,20,000 in satisfaction of all his claims.
b. Shri kashyap to accept ₹ 1,80,000 in cash in satisfaction of all his claims.
c. Unsecured creditors (other than Bindra and Kashyap) are to accept the allotment of 40,000 Equity shares of ₹ 7.50 each in satisfaction of 75% of their claims and the balance 25% is to postponed and to be payable at the end of four years. The nominal share capital is to be increased accordingly.
d. Uncalled capital is to be called up in full and ₹ 52.50 per share cancelled thus making the share of ₹ 7.50 each.

You are required to give:

i. Necessary journal entries in the books of Asian cup Ltd. regarding the above Scheme.
ii. Revised balance sheet after Scheme has been implemented.
iii. Capital reduction A/c
iv. Bank A/C. **[Nov 2010]**

Q.15 The following is the balance sheet of SMS ltd. As at march 31st, 2012.

Liabilities	₹ In lacs
Fully paid equity shares of ₹ 10 each	500
Capital Reserve	6
12% debentures	400
Debentures interest outstanding	48
Creditors	165
Directors remuneration Outstanding	10
Other outstanding expenses	20
Provisions	24
	1173
Assets	**₹**
Goodwill	15
Land and Building	184
Plant and Machinery	286
Furniture and fixtures	41
Stock	142
Debtors	80
Cash and bank	27
Discount on issue of debentures	8
Profit and Loss A/C	390
Total	**1173**

The following scheme of internal reconstruction was framed, approved by the court, all the concerned parties and implemented.

i. All the equity shares be converted in to the same number of fully paid equity shares of ₹ 2.50 each.
ii. Directors agree to forego their outstanding remuneration.
iii. The debenture holders also agree to forego outstanding interest in return of their 12% debentures being converted into 13% debentures.
iv. The existing shareholders agree to subscribe for cash, fully paid equity shares of ₹ 2.50 each for ₹ 125 lacs.
v. Trade creditors are given the option of their to accept fully –paid equity shares of ₹ 2.50 each for the amount due to them or to accept 80% of the amount due in cash. Creditors for ₹65 lacs accept equity shares of ₹ 65 Lakhs whereas those for ₹ 100 lacs accept ₹ 80 lacs in cash in the settlement.
vi. The assets are revalued as under:-

particulars	₹ In Lacs
Land and Building	230
Plant and Machinery	220
Stock	120
Debtors.	76

vii. Capital reserve is to be used for reconstruction.
viii. Goodwill, profit Loss Account and discount on issue of debentures to be written off.

Pass journal entries for all the above mentioned transaction and draft the company's balance sheet immediately after the reconstruction. **[Nov 2011]**

Q.16 Balance sheet of Lokpal Ltd. as at 31st march 2011.

Liabilities	₹	Assets	₹
10% preference share capital (₹10)	1,000,000	Fixed Assets	3,860,000
Equity shares capital (₹10)	5,000,000	Goodwill	1,800,000
10% Debentures (₹100)	400,000	Discount on debentures	40,000
Unsecured Loans	400,000	Profit and loss	2,500,000
Bank overdraft	600,000		
Creditors	800,000		
Total	**8,200,000**	**Total**	**8,200,000**

The scheme of reorganization as passed and sanctioned by court is as follows:-

1. ₹ 100, 10% debentures are to be exchanged for ₹ 50, 12% Debentures and for remaining ₹ 50, 10% preference shares of ₹10 each
2. 10% preference shares of ₹ 10including those to be issued to debenture holders under clause i)above are to be reduced to ₹ 6 and dividend to be raised to 12%
3. Equity share are to be reduced to ₹ 2 and then they are to be consolidated into shares of ₹ 10each.
4. Equity shares were are to be subscribed at per and money received is ₹10,00,000
5. Overdraft is paid off.
6. Loss, Goodwill and debenture discount are to be written off first, any balance with reserve is to be utilised for writing down fixed assets.

Show balance sheet after scheme is carried out and also prepare following ledger Account:-

1. 10% Debenture account.
2. 10% preference share capital account,
3. Capital Reduction A/C.,
4. Bank Account. **[Nov 2012]**

Q.17 Following are the assets and liabilities of Badtime Ltd as on 31.03.2014:-

Particulars	Rs.
Liabilities	
Share Capital	
12% Cumulative preference share of Rs. 100 each	7,00,000
Equity shares of Rs. 10 each fully paid	10,00,000
10% Debentures	3,00,000
Creditors	36,00,000
Provision for taxation	4,00,000
	60,00,000
Assets	
Fixed assets	21,00,000
Debtors	15,00,000
Inventories	20,00,000
Cash	10,000
Preliminary Expenses	40,000
Profit & Loss A/c	3,50,000
	60,00,000

Note: Preference dividend for 3 years are in arrears following scheme of reconstruction was approved.

(a) To write down fixed assets by 20%, to write off bad debts by 15% of debtors and to reduce value of stock to 55% of its book value.
(b) Cumulative preference shareholders to forego arrears of preference dividend.
(c) Directors to give temporary loan Rs. 5,00,000 to company and then company to settke tax liability at Rs. 4,40,000 and to meet expenses of reconstruction Rs. 10,000
(d) Creditors to give a remission of 10% of their claims and company to allot 11% preference shares of Rs. 100 each fully paid in settlement of the balance amount.
(e) 10% Debentures to be converted into 13% mortgage Debenture of Rs. 1,60,000 in full settlement of their claims.
(f) Equity shares to be reduced to Rs. 1 each fully paid up and 12% cumulative preference shares of Rs. 1 each fully paid up in full settlement of their claims.

Pass necessary Journal entries in the books of Badtime Ltd in order to effect to the scheme of reconstruction. **[Nov 2014]**

CHAPTER 3: BUY BACK OF EQUITY SHARES

Q.18 Following is the Balance sheet of Sensex Ltd. as on 31.3.2007 **[Nov, 2007]**

Liabilities	₹	Assets	₹
Share Capital Authorised 1,00,000		Fixed Assets	80,00,000
Equity Shares of ₹100 each.	1,00,00,000	Current Assets	70,00,000
Issued subscribed Called up 80,000		Bank Balance	50,00,000
Equity Shares of ₹100 each ₹80 paid up	64,00,000		
Reserve and Surplus			
Security Premium			
Profit & Loss	30,00,000		
General Reserves	20,00,000		
Secured Loan	30,00,000		
15% Debentures			
Current Liabilities	20,00,000		
	36,00,000		
Total	**2,00,00,000**	**Total**	**2,00,00,000**

Keeping in view the legal requirements ascertain the maximum numbers of Equity Shares Sensex Ltd can buyback @ ₹400 per share.

Pass Journal Entries to record the buyback and prepare Balance sheet thereafter**.**

Q.19 The Balance sheet of Cinderella Ltd. as on 31st march 2010was as below. **[Nov, 2010]**

Liabilities	₹	Assets	₹
Equity share capital		Fixed Assets	4,05,200
(shares of ₹ 10 each)	2,40,000	Investment	
Securities premium	35,000	Stock	14,800
General reserve	93,000	Debtors	1,20,000
Profit and loss account	34,000	Cash and bank Balance	52,000
9% debentures	1,50,000		74,000
Sundry creditors	75,000		
Provision for taxation	39,000		
Total	**6,66,000**	**Total**	**6,66,000**

After completing the legal formalities:-
On 1st April 2010, the company announced buy-back of 25% of its equity shares @ ₹ 15 per share. For the purpose, it sold all of its investment for ₹ 15,000 and issued 200, 9% preference shares of ₹ 100?- each at par, the entire amount was received with application.

Pass the Journal entries for all the transaction including those for cash, presuming that buy-back was completed and prepare balance sheet thereafter**.**

Q.20 From the following balance sheet of RAM Ltd. As on 31st March 2011.

Liabilities	₹	Assets	₹
Share capital:		Fixed Assets	7,00,000
50,000 equity share Of ₹10 each	5,00,000	Investment	4,00,000
Security premium	50,000	Current assets	6,00,000
General Reserve	2,00,000		
Profit and loss Account	2,50,000		
10% Debenture A/c	4,00,000		
Creditors	3,00,000		
Total	**17,00,000**	**Total**	**17,00,000**

Required

a. Calculate the maximum number of equity shares that can be brought back.
b. Find out the maximum price it can offer.
c. Pass journal entries
d. Prepare Balance sheet after buy back. **[Nov 2011]**

Q.21 Following is the balance sheet of Manjiri Company as on March, 2011.

Liabilities	₹	Assets	₹
Equity shares		Fixed Assets	1,20,00,000
₹ 10 each fully paid up	1,00,00,000	Investment	1,00,00,000
Reserve and surplus:		Current assets	1,60,00,000
General Reserve	40,00,000	**Miscellaneous expenditures note written off**	
Securities premium	10,00,000		
Profit and loss a/c	52,00,000	Discount on issue of shares	2,00,000
Secure loans			
12% debentures	1,00,00,000		
Current liabilities	80,00,000		
Total	**3,82,00,000**	**Total**	**3,82,00,000**

Keeping in view all the legal requirements, ascertain:
(a) The maximum no. of equity shares that company can buy back.
(b) The maximum price it can offer.

Assume that the buy- back is carried out as provisions of companies Act, 1956. Record the entries the entries in the journal of the company and prepare its balance sheet thereafter. **[Nov 2012]**

Q.22 The balance sheet of Munabhai Ltd. as at 31-3-2006 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital:		**Fixed Assets:**	
Issued and subscribed		Land and building	2,000,000
8,00,000 Equity Shares of ₹ 10 each		Office equipments	2,200,000
fully paid	8,000,000	Furniture	1,000,000
Reserve and Surplus:		Computer	800,000
General reserves	4,500,000	Motor car	1,000,000
Security premium	1,000,000	**Current Assets:**	
Profit and loss A/c	2,500,000	Stock	4,200,000
Loans	2,000,000	Sundry debtors	2,800,000
Current Liabilities and Provisions:		Cash	1,200,000
Bills payable	1,000,000	Bank	4,800,000
Sundry creditors	1,000,000		
Total	**20,000,000**	**Total**	**20,000,000**

Keeping in view all the legal requirements ascertain:
(1) Maximum number of equity shares that Munabhai Ltd. can buy-back.
(2) The maximum price it can offer.

Your are required to:
(1) Journal entries in the books of Munabhai Ltd.
(2) Balance sheet after buy-back.
(3) Assume that the buy-back is carried out as per law. **[April 2007]**

Q.23 Godavari Ltd. has issued 10,000 12% Debenture of ₹ 100 each on 01/04/2004.

These debentures are redeemable at par after 3 years. Interest is payable annually on 31st March.

On 01/01/2005 it buys 1,000 own Debentures from the market at ₹ 99 ex-interest.
On 30/09/2005 company sold 1,000 own debentures at ₹ 104 ex-interest purchased on 01/01/2005.
On 1st October, 2006 it buys 1,000 own debentures at ₹ 102 cum-interest and cancelled the same immediately.
Company redeemed all Debentures on 31/03/2007.

Give Journal Entries in the books of Godavari Ltd. in respect of above transaction for
(1) 2004-2005; (2) 2005-2006, (3) 2006-2007.
Financial year is the Accounting Year. **[April 2008]**

CHAPTER 4: LIQUIDATION OF COMPANY

Q.24 The Balance sheet of Abundant Ltd on 31st March, 2010 is as follows

Liabilities	₹	Assets	₹
2,00,000 Ordinary Shares of ₹10 each	20,00,000	Plant	20,00,000
1,20,000 10% Preference shares of ₹10 Each	12,00,000	Stock	10,00,000
5% Debentures having floating charge on all assets	6,00,000	Debtors	15,00,000
Creditors	10,30,000	Cash at bank	30,000
		Profit and loss Account	3,00,000
Total	**48,30,000**		**48,30,000**

The company went into liquidation on above data. The following information is available:

1. The dividends on the Preference Shares had been paid up to 31st March, 2009.
2. The liquidator sold the plant and stock for ₹ 27,50,000 and realized all the debts excepts one of ₹ 2,50,000 which proved to be irrecoverable.
3. The claim of all creditors were settled of which ₹ 50,000 were preferential.
4. Expenses of liquidation amounted to ₹ 16,000.
5. The debentures were repaid on 30th September, 2010. **[April 2011]**

Q.25 Steady ltd went in to voluntary liquidation on 1st April, 2012. The following balances are extracted from its books on that date:

Liabilities	₹	Assets	₹
10,000 Equity share of ₹ 100 Each	10,00,000	Land and building	8,00,000
5 % debenture (having floating charge on all assets)	6,00,000	Plant and machinery	8,00,000
Interest due on debentures	30,000	Stock	5,00,000
Loan from banks (secured against stock)	4,00,000	Other current assets	6,00,000
Bank Overdraft(secured against stock)	6,00,000	Bank	1,80,000
Creditors	1,00,000	Cash	20,000
Owing to government for taxes	1,70,000		
Total	**29,00,000**	**Total**	**29,00,000**

A liquidation was appointed to carry out the same , the following other information was provided.

1. Liquidation expenses amounted to ₹ 20,000 and legal charges ₹10,000
2. Liquidator is entitled to a commission of 3% on the assets realized except Cash and 2% on the amount distributed to equity shareholders.
3. Creditors are paid @ 2% discount.
4. The assets were realized as follow.

Land and building	125% of book value
Plant and machinery	60%of book value
Stock	₹ 3,00,000
Other current assets	₹ 5,20,795

All the payment were made on 31st December, 2012
You are required to prepare Liquidators Statement of account **[April 2013]**

Q.26 The Balance sheet of Infinity Ltd. on 31st March,2010 is as follows

Liabilities	₹	Assets	₹
60,000 5% Preference shares of ₹100 each, fully paid	60,00,000	Land & Building	58,00,000
		Machinery & Plant	28,90,000
5,00,000 Equity shares of ₹10 Each 50,00,000		Motor Vehicles	5,70,000
		Stock	18,60,000
Less: Calls in Arrear (2,50,000)	47,50,000	Sundry Debtors	7,40,000
Securities Premium	5,00,000	Profit & Loss A/c	21,45,000
5% Debentures having floating Charge on all assets	10,00,000		
Interest due on Debentures	25,000		
Creditors	17,30,000		
	1,40,05,000		**1,40,05,000**

The company went into liquidation on the above data and the following information is available.

1. The Preference dividends were in arrears for four years.
2. The company's articles provided that on liquidation, out of the surplus assets remaining after payment of liquidation cost and outside liabilities, preference dividend arrears should be paid off firstly, secondly the amount paid up on the preference shares and finally the balance amount be paid to the equity shareholders.
3. The assets were realised as follows:

Land and Building	70,00,000
Machinery and Plant	24,00,000
Motor vehicles	5,90,000
Stock	15,00,000
Sundry Debtors	6,00,000
Calls in Arrears	2,50,000

4. The Debentures and accrued interest were repaid on 30th June,2010.
5. Liquidation costs were ₹38,200 and the liquidator is entitled to a remuneration of 2% on the amount realised.

You are required to prepare Liquidator's Final Statement of Account. **[Oct 2011]**

Q.27 Fortuner Ltd went into voluntary liquidation on 31st March,2011 when their balance sheet was as follows:

Liabilities	(₹)	Assets	(₹)
Issue and subscribed capital:		Goodwill	3,36,000
3,000 8% Preference share of ₹100each, fully paid	3,00,000	Land & Building	6,54,000
		Plant & machinery	2,70,000
6,000Equity shares of ₹100 each, ₹80 paid up	4,80,000	Computer	30,000
		Office Equipment	60,000
9,000 Equity shares of ₹100 each ₹70 paid	6,30,000	Stock	2,97,000
		Debtors	2,55,000
8% Debenture secured by a floating charge on all assets	3,00,000	Bills receivable	66,000
		Cash at bank	24,000
Interest outstanding on debenture	12,000	Profit and Loss Account	2,10,000
Creditors	4,80,000		
	22,02,000		**22,02,000**

Additional information

1. Preference dividend were in arrears for last one year.
2. Creditors included a bank loan of ₹1,20,000 which was secured against Plant & Machinery and preferential creditors of ₹30,00.
3. The following assets were realized by the liquidator:

Land & Building	₹ 6,45,000
Plant & Machinery	₹ 1,50,000
Office equipment	₹ 39,000
Computers	₹ 24,000
Stock	₹ 2,10,000
Debtors	₹ 1,80,000
Bills Receivable	₹ 42,000

4. Expenses of liquidation amounted to ₹5,800
5. Legal expenses on liquidation amounted ₹3000
6. The liquidator is entitled to a remuneration of ₹3500 and commission of 3% on assets realized expects cash.

The final payment included those on debenture is made on 30th September2011

Prepare Liquidator's Final Statement of Account **[April 2012]**

OBJECTIVES

(I) Match the columns

Group A	Group B
• Debit balance of profit and loss A/c in amalgamation • Amount owned by one amalgamation company to another amalgamation company • 10 Equity shares of ₹ 10 each is converted into 1 equity shares of 100 each. • Internal reconstruction • In amalgamation there is a revaluation of assets and liabilities	• u/s 100 of companies Act, 1956 • Sub division • Purchase type • Debited to equity shareholders A/C • Credited to equity shareholders A/C • consolidation • Profit & Loss A/C • AS-14 • u/s 80 of companies Act, 1956 • Mutual indebtedness

(II) Give one word for and rewrite the entire statement :-

1. A scheme of writing off accumulated losses and fictitious assets out of the sacrifice of different claimants is known as.
2. Excess purchase consideration over net assets.
3. When A Ltd. takes over all assets and liabilities for consideration is case of.
4. The price payable by the transferee company to Transferor Company for taking over transferor Company's business.

(III) Rewrite the statement stating whether it is true or false.

a. A person can sell partly paid shares in the market.
b. After all adjustment are made capital reduction account must show debit balance.
c. In merger, method the difference between purchase consideration and share capital is adjusted against general reserve.
d. In case of export when there is an increase in the rate of exchange when amount is received there is a foreign exchange gain.

e. In case of amalgamation in nature of merger all assets including fictitious assets are transferred from old company to new company.

(IV) Rewrite the sentence by selecting the correct alternative.

1. In case of pooling of interest method, Transferee Company should record assets at____.
   a. Cost
   b. Market value
   c. Agreed value
   d. Book value

2. The preference shareholders agree to forego arrears of preference dividend of ₹72,000. The amount transferred to capital reduction account is___.
   a. Nil
   b. ₹ 36,000
   c. ₹ 72,000
   d. ₹ 70,000

3. In Internal reconstruction, increase in value of an assets____.
   a. Debited to asset account
   b. Credited to profit and loss A/c
   c. Credited to assets account
   d. Debited to capital Reduction account.

4. Amalgamation adjustment account is opened in the books of Transferee Company to incorporate____.
   a. The assets of the transferor company.
   b. The liabilities of the transferor company
   c. The statutory reserve of the transferor company.
   d. Securities premium of Transferor Company.

5. Amalgamation adjustment account in the books of Transferee Company is prepared to incorporate___________.
   a. Assets of transferor company
   b. Liabilities of transferor company
   c. Investment of transferor company
   d. Statutory reserve of Transferor Company.

6. Existing 2000 shares of ₹ 2 each are altered to 200 shares of 20 each this is known as___________.
   a. Conversion of stock into shares
   b. Sub division of shares
   c. Consolidation of shares
   d. Surrender of shares.

7. Kamini Ltd. Agrees to issue 3 shares of ₹ 10 each, ₹9 paid up at market value of ₹ 15 per share for every 5 shares in IPL limited. If IPL limited has 2,00,000 equity shares of ₹ 10

each. ₹5 paid up and market value of ₹ 8 per share, the amount of purchase consideration is___________.

a. ₹14 Lakhs
b. ₹ 16 Lakhs
c. ₹ 18 Lakhs
d. ₹ 20 Lakhs.

8. Under purchase method of amalgamation if the net asset taken over is more than purchase consideration it is known as_____________.

a. Goodwill
b. Capital Reserve
c. General Reserve
d. Capital Redemption Reserve

9. Decrease in value of liability in internal reconstruction is_____________.

a. Credited to capital reduction Account
b. Debited to capital Reduction Account
c. Credited to Liability Account
d. Credited to realization Account

THEORY QUESTION

NOVEMBER, 2010

1. Write a short note on amalgamation in the nature of merger.

NOVEMBER, 2012

2. Distinguish between amalgamation in the nature of merger and amalgamation in the nature of purchase.