

Question No. 7**Answer:**

Calculation of PC (Net Asset Method)

Particulars	Rs.
Sundry assets	
75% of assets $\{(1800000 \times 75\%) + 12\%$	1512000
25% of assets $\{(1800000 \times 25\%) - 8\%$	414000
Total assets (A)	1926000
Trade payables	240000
10% Debentures	200000
Bank overdraft	50000
Unrecorded liabilities (given)	25000
Total liabilities taken over (B)	515000
Net Assets method (Purchase Consideration) (A – B)	1411000

Question No. 12**Answer:**

Calculation of Purchase consideration (Net Payment Method)

35 lakhs Preference shares of 10 each fully paid up	350
No. of equity shares to be issued = $80 \text{ lakhs} \times \frac{4}{5} = 64 \text{ lakh}$	
64 lakhs Equity shares of 10 each issued at premium of Rs.2.5	<u>800</u>
Total Purchase Consideration	1150

In the books of V Ltd.**REALISATION ACCOUNT**

Particulars	Rs.	Particulars	Rs.
To Land & Building	445	By 10% Cumulative debentures	600
To Plant & Machinery	593	By o/s Debenture interest	30
To Furniture, Fixtures & Fittings	114	By Trade payables	170
To Inventories	380	By P Ltd. (PC due)	1150
To Trade receivables	256		
To Cash in hand	6		
To Cash in bank	69		
To Equity shareholders (bal.)	87		
Total	1950	Total	1950

In the books of P Ltd. (transferee)

Sr.no	Particulars	Debit	Credit
1	Business purchase a/c Dr. To liquidator of V Ltd. (being PC due as per agreement)	1150	1150
2	Land & Building a/c Dr.	445 593	

	Plant & Machinery a/c Dr. Furniture, Fixtures & Fittings a/c Dr. Inventory a/c Dr. Trade receivables a/c Dr. Bank a/c Dr. Cash a/c Dr. Profit & Loss a/c (bal.) Dr. To Trade payables To 10% Secured Cumulative Debentures a/c To Outstanding Debenture interest a/c To Business purchase a/c (being assets & liabilities taken over)	114 380 256 69 6 87	170 600 30 1150
	# in amalgamation in the nature of merger the balancing figure is transferred to P & L a/c		
3	Liquidator of V Ltd. a/c Dr. To Equity share capital a/c (64 lakhs x 10) To Securities Premium a/c (64 lakhs x 2.5) To 13% Preference share capital a/c (35 lakhs x 10) (being PC settled by issue of 64 lakhs Equity shares of 10 each & 35 lakhs 13% Preference shares of 10 each)	1150	640 160 350
4	10% Secured cumulative debentures a/c Dr. To 10.5% Secured Cumulative debentures a/c (being debenture holders of V Ltd. discharged by issue of own debentures)	600	600
5	Profit & loss a/c Dr. To Bank a/c (being amalgamation expenses paid)	2	2
6	Bills payables a/c Dr. To Bills receivables a/c (being mutual owing's setoff)	7	7

7	Profit & Loss a/c Dr. To inventory a/c (5 lakhs x 20%) (being unrealized profit realised)	1	1
8	Outstanding Debenture Interest a/c Dr. To Bank a/c (being debenture interest paid in cash)	30	30

Question No. 14

Answer:

Calculation of Goodwill

Particulars	Abhay Ltd.	Asha Ltd.
Average profit	275000	175000
(-) Normal rate of return	(177500)	(112500)
Super profit	97500	62500
Goodwill after multiplying with 2 years of purchase	195000	125000

NRR for Abhay Ltd. = $(1500000 + 275000) \times 10\% = 177500$

NRR for Asha Ltd. = $(1000000 + 125000) \times 10\% = 112500$

Calculation of PC (Net Asset Method)

Particulars	Abhay Ltd.	Asha Ltd.
Goodwill	195000	125000
Land & Building (850000 + 10%) (575000 + 10%)	935000	632500
Plant & Machinery(345000 + 10%) (225000 + 10%)	379500	247500
Inventory (420000 + 10%) (240000 + 10%)	462000	264000
Trade receivables (305000 – 10%) (285000 – 10%)	274500	256500
Cash at bank (180000 – 40000) (45000 – 20000)	140000	25000
Total assets (A)	2386000	1550500
12% Debentures (250000 + 10%)	-	275000
Trade payables (book value)	55000	35000
Unrecorded liability	-	15500
Total liabilities taken over (B)	55000	325500
Net Assets method (Purchase Consideration) (A – B)	2331000	1225000
No. of shares to be issued at 100 each by Abhilasha Ltd.	23310	12250

BALANCE SHEET OF ABHILASHA LTD. As on 1st April 2015

	Particulars	Notes	Rs.
A	Equity and liabilities		
1	Shareholders fund		
a	Share capital	1	3831000
2	Current liabilities		

a	Trade payables (55000 + 35000 + 15500)		105500
	Total		3936500
B	Assets		
1	Non-current assets		
a	Fixed assets		
	Tangible assets	2	2194500
	Intangible assets	3	320000
2	Current assets		
a	Inventories (462000 + 264000)		726000
b	Trade receivables (274500 + 256500)		531000
c	Cash & Bank (140000 + 25000)		165000
	Total		3936500

Notes to accounts

	Particulars	Rs.
1	Share capital	
	Issued & subscribed	
	35560 Equity shares of 100 each (23310 + 12250) (the above shares are issued for consideration other than cash)	3556000
	2750 12% Preference shares of 100 (issued to pay 12% debentures)	275000
	Total	3831000
2	Tangible assets	
	Land & Building (935000 + 632500)	1567500
	Plant & Machinery (379500 + 247500)	627000
	Total	2194500
3	Intangible assets	
	Goodwill (195000 + 125000)	320000
	Total	320000