C.A I.P.C.C.

Time 1.5Hrs. ***Amalgamation*** ***Max.Marks:45***

Ques.1 The following are the Balance Sheets as at 31st December 2011 of X Ltd. and Y Ltd.

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
Share Capital:	4,00,000	3,00,000	Goodwill	30,000	10,000
Equity Shares of `10 each			Machinery	1,50,000	1,00,000
Reserve and Surplus	60,000	80,000	Stock	40,000	72,000
Creditors	40,000	30,000	Debtors	2,10,000	1,20,000
			Bank	60,000	90,000
			Preliminary Expenses	10,000	18,000
	5,00,000	4,10,000		5,00,000	4,10,000

Goodwill of the companies is to be valued at `50,000 & `40,000 respectively. Machinery of X is worth `3,00,000 and of Y `1,20,000. Stock of Y has been shown at 90% of its cost. It is decided that X will acquire Y by taking over its entire business by issue of shares at the intrinsic value.

You are required to calculate the P.C & draft the Balance Sheet of X Ltd. after acquisition of business of Y Ltd. [15]

Ques.2 On 31st March, 1998, the balance sheet of X Ltd stood as follows:

Liabilities	Amount	Assets	Amount
Share capital:		Plant and machinery	16,10,000
1,50,000 Equity shares of Rs.10 each fully paid	15,00,000	Furniture and fixtures	1,94,400
Shares premium	1,50,000	Stock	7,05,500
General reserve	6,25,000	Debtors	1,98,440
Profit and loss account	1,85,800	Cash at bank	1,13,200
Creditors	3,60,740		
	28,21,540		28,21,540

On this date, X Ltd took over the business of Y Ltd payable in the form of its 4 fully paid equity shares of Rs.10 each at Rs.12 for every 3 shares held in Y Ltd. The scheme of amalgamation also provides that 3,000 11% debentures of Y Ltd would be converted into equal number of 12% debentures of X Ltd of Rs.100 each. The balance sheet of Y Ltd on the date of amalgamation was as follows:

Liabilities	Amount	Assets	Amount
Share capital:		Machinery	5,50,000
60,000 Equity shares of Rs.10 each, fully paid	6,00,000	Furniture	1,35,200
Capital reserve	13,000	Stock	3,15,800
Foreign projects reserve	9,700	Debtors	1,29,300
General reserve	75,350	Cash at bank	74,360
Profit and loss account	24,130		
3,000 11% Debentures of Rs.100 each	3,00,000		
Creditors	1,82,480		
	12,04,660		12,04,660

You are required to –

(i) pass journal entries in the books of X Ltd. and prepare balance sheet.

(ii) prepare realization account and equity shareholders account in Y Ltd.'s ledger. [15]

Ques.3 The following were the Balance Sheets of A Ltd and B Ltd as on 31st March, 2004: (Rs. in Lakh)

Liabilities	*A Ltd*	*B Ltd*	*Assets*	*A Ltd*	*B Ltd*
Equity Share Capital (Shares of Rs.10 each)	15,000	6,000	Land & Buildings	6,000	
Securities Premium	3,000	---	Plant & Machinery	14,000	5,000
Foreign Project Reserve	---	310	Furniture	2,304	140
General Reserve	9,500	3,200	Investment	---	1,560
P & L A/c	2,870	825	Stock	7,862	4,041
12% Deb	---	1,000	Debtors	2,120	1,020
B/P	120	---	Cash at Bank	1,114	609
Creditors	1,080	463	B/R	---	80
Sundry Provisions	1,830	702	Cost of issue of Deb.	---	50
	33,400	12,500		33,400	12,500

All the B/R held by B Ltd was A Ltd acceptances.

On 1st April 2004, A Ltd. took over B Ltd. It was agreed that to discharge the consideration for the business, A Ltd. would allot three fully paid equity shares of Rs.10 each at Rs.15 for every two shares held in B Ltd. It was agreed that 12% debentures in B Ltd would be redeemed at a premium of 10% by converting into 13% debentures in A Ltd of the same denomination. Expenses of amalgamation amounting to Rs.3 lakh were borne by A Ltd. ***You are required to***:

(i) Pass journal entries in the books of A Ltd & B Ltd.

(ii) Prepare A Ltd. Balance Sheet immediately after the amalgamation. [15]