

21.8.20

Specialised Accounts

B. Com. Part II

Chapter - Amalgamation of Companies
Numerical Example - (14) Dr. S.M. Shah

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Question.

A limited and B limited agree to amalgamate and formed a new company A B limited with an authorised capital of Rs 200,000 in Rs 10 shares. The new company takes over all the Assets & liabilities ~~and~~ both the Company the consideration being Rs 1,20,000 in fully paid to A Company and to B Company 40000 is fully paid share and 10000 is cash. The new Company also pays liquidation expenses of A Co limited 600 and of B Co limited 400 and also gets 2000 for formation expenses against share Rs 20000 for these shares balances at the date of amalgamation were:

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Balance Sheet

| Particulars | Note No. | A Co. | B Co. |
|---|----------|--------|-------|
| I. Equity & Liabilities: | | | |
| Shareholders Fund: | | | |
| Share Capital | | 80000 | 40000 |
| General Reserve | | 40000 | 8000 |
| Statement of Profit & Loss ac. | | 5000 | — |
| Non-current Liabilities: | | | |
| Long term Borrowings (7% Debentures) | | 10000 | 1000 |
| | | 135000 | 58000 |
| II Assets:- | | | |
| Non-current Assets | | | |
| Fixed Assets | | 100000 | 55000 |
| Current Assets | | | |
| Cash & Cash equivalents | | 35000 | 3000 |
| | | 135000 | 58000 |

Pass the Journal entries in the book of Company & Prepare Balance sheet.

Ans.

Purchase Price
 A Co. Limited: 120000 in fully paid share.
 B Company Limited: 40000 in fully paid share & 10000 cash = 50000

Ans.

In the books of A.B. Co Limited

| | | |
|--|---------|---------|
| Business Purchase A/c Dr | 170 000 | |
| TO Liquidator of A Co | | 120 000 |
| " Liquidator of B Co. | | 50 000 |
| (Buyer purchase price due to liquidator of A Co and B Co.) | | |

| | | |
|---|---------|---------|
| Assets A/c Dr | 100 000 | |
| Bank A/c Dr | 35 000 | |
| TO 7% Debenture A/c | | 10 000 |
| " Business purchase. | | 120 000 |
| " Capital Reserve (Bal figure) | | 5 000 |
| (Buyer Assets & liabilities of A Co incorporated) | | |

| | | |
|--|--------|--------|
| Assets A/c Dr | 55 000 | |
| Goodwill A/c Dr | 3 000 | |
| TO 7% Debenture | | 10 000 |
| " Business purchase. | | 50 000 |
| (Buyer Assets & liabilities of B Co. incorporated) | | |

| | | |
|---|---------|---------|
| Liquidator of A Co Dr | 170 000 | |
| Liquidator of B Co Dr | 50 000 | |
| TO equity share Capital | | 160 000 |
| (Buyer purchase price paid to A Co and B Co.) | | 10 000 |

| | | |
|-----------------------------|--------|--------|
| Goodwill A/c Dr | 10 000 | |
| TO Buyer | | 10 000 |
| (Buyer payment of Goodwill) | | |

| | | |
|------------------------------|-------|-------|
| Preliminary expenses A/c Dr | 2 000 | |
| TO Buyer | | 2 000 |
| (Buyer preliminary expenses) | | |

| | | |
|-----------------------------------|-------|-------|
| Capital Reserve A/c Dr | 5 000 | |
| TO Buyer | | 5 000 |
| (Buyer preliminary expenses paid) | | |

| | | |
|---|-------|-------|
| Bank A/c Dr | 3 000 | |
| TO Buyer | | 2 000 |
| (Buyer writing off goodwill and preliminary expenses) | | |

| | | |
|-------------------------------|--------|--------|
| Bank A/c Dr | 20 000 | |
| TO equity share Capital | | 20 000 |
| (Buyer share issued for cash) | | |

Balance sheet of AB Limited

| Particulars | Notes | Amount |
|-------------------------------------|-------|---------|
| 1. Equity & Liabilities: | | |
| Shareholder Fund | | |
| Share Capital | | 180,000 |
| Non-current Liabilities: | | |
| long term Borrowings | | |
| 7% Debentures | | 20,000 |
| 10% 10,000 | | |
| | | 200,000 |
| Assets | | |
| Non-current Assets | | 155,000 |
| (100,000 + 55,000) | | |
| Current Assets | | 45,000 |
| Cash & Cash equivalents | | |
| | | 200,000 |