

Registered value / Nominal value / Face value

Initial Public Offering - IPO  
← value of 2 share @ 1000..

Date

Page No.

## Company Accounting

### Share capital

Total amount collected from several individuals to start a business is known as a share capital. These individuals in a company are known as share holder (owner).

Smallest unit of share capital of the company is known as share.

### Category of shares

Authorized share capital (Amount of share capital which a company is authorized to issue by It is also called registered capital or nominal capital.)

#### Issued share capital

That part of authorized share capital that has been actually issued to public for subscription.

#### Unissued share capital

That part of authorized share capital which has not been offered for public subscription

From this ← Subscribed share capital → It may be noted that ultimately stage journal Part of issued capital which entry starts has been subscribed by public.

subscribed capital and issued capital are same because if shares are under-subscribed then company will issued and allot only those number of share actually subscribed and in case of over subscription of shares company can allot only maximum of only issued capital.

**Subscribed**

**Called capital**

Part of the subscribed share capital which has been called up for payment from share capital.

**Uncalled capital**

Part of subscribed share capital which has not been called up.

**Paid-up share capital**

That part of called up capital that has been paid by the shareholder.

**Unpaid share capital**

That part of share capital which has not yet been paid by the shareholder.

Example:- XYZ Ltd issues has authorized share capital of Rs 10,00,000 provided divided into 10,000 shares of 100 each. It issued

No. of share.      Face value  
4000 shares to the public and the share were subscribed by the public out of the subscribed capital total amount was collected in 3 installments of Rs 50, 20 and 30. As on the date of balance sheet, two installments were already called and collected. Prepare extract or balance sheet in following

2 case.

- (I) If Public subscribed 5000 shares
- (II) If " " 3000 shares.

(I) If public subscribed 5000 shares.

**Extract of Balance Sheet.**

	Amount
<b>Authorized share capital</b> 10,000 shares of Rs 100 each	10,00,000
-	
<b>Issued share capital</b> 4000 shares of Rs 100 each.	4,00,000
<b>Subscribed share capital</b> 4000 shares of Rs 100 each	4,00,000
<b>Called up share capital</b> 4000 share of Rs 100 each, 70 called up (4000 x 70)	2,80,000
<b>Paid up share capital</b> 4000 shares of Rs 100 each, 70 paid up	2,80,000

case II If Public subscribed 3000 shares.

**Extract of Balance Sheet**

	Amount
<b>Authorized share capital</b> 10,000 shares of Rs 100 each	10,00,000
<b>Issued share capital</b> 3000 shares of Rs 100 each.	3,00,000.
<b>Subscribed share capital</b> 3000 shares of Rs 100 each	3,00,000

2 → 40,000  
15 → 2,00,000  
60 → 1,50,000  
Bank = 10,00,000  
Category per unit  
listed com = 1,00,000

Particulars	Amount	Date	Particulars	Debit	Credit
Called up share capital 3000 shares of 100 each, 70 called up	2,10,000	(5)	First and Final call A/C Dr (₹400,000 X 50%)	50,00,000	
Paid up share capital 3000 share of Rs 100 each, 70 paid up	2,10,000.	(6)	To equity share A/C		50,00,000
			Bank A/C Dr	50,00,000	
			To first and final call A/C (Being first and final call money received)	50,00,000	50,00,000

Accounting for shares

- (a) Public issue / Fresh Issue of shares.
- (b) Issue of right shares
- (c) Issue of bonus shares.

Sagornatha Ltd  
Journal

Illustration 1 Bharawa mills (Journal entries)

Date	Particulars	Debit	Credit	Date	Particulars	lf	Dr (Rs)	Cr (Rs)
(1)	Bank A/C Dr (400,000 X 20) To share application A/C (Being share application money received).	20,00,000	20,00,000	(1)	Bank A/C Dr To application money A/C (9,000 X 4)		36,000	36,000
(2)	Share application money A/C To Equity share capital A/C (Being share application money transferred to share capital)	20,00,000	20,00,000	(2)	Share application A/C Dr To <sup>equity</sup> Share (capital) A/C (Being the share application money transferred to share capital)		36,000	36,000
(3)	Share allotment A/C Dr (400,000 X 70) To Equity share capital A/C (Being share allotment money due)	30,00,000	30,00,000	(3)	Share Allotment A/C Dr To equity share capital A/C (9,000 X 3) (Being share allotment money received)		27,000	27,000
(4)	Bank A/C Dr To Share allotment A/C (Being share allotment money received).	30,00,000	30,00,000	(4)	Bank A/C Dr To Share Allotment A/C (Being share allotment money received)		27,000	27,000

Date	Particulars	AmF	Dr	Cr
5.	First call A/C Dr To Share Capital A/C (9,000 x 2) (Being the 1st call money being due)		18,000	18,000
6.	Bank A/C Dr To First call A/C (Being the 1st call money received)		18,000	18,000
7.	Second and Final call A/C Dr To Share Capital A/C (Being the Second and Final call money due)		9,000	9,000
8.	Bank A/C Dr To Share Second and Final call A/C (Being the Second and Final call money received)		9,000	9,000

Q no 3  
In the books of Bhrikoti Ltd  
Journal Entries.

Date	Particulars	LF	Dr (Rs)	Cr (Rs)
20th Bhadra	Bank A/C Dr To Share application money A/C (70,000 x 2) (Being share application money received)		1,40,000	1,40,000
1st Ashoj	Share application money A/C To Bank A/C (20,000 x 2) To equity share capital A/C (40,000 x 2) To share allotment A/C (20,000 x 2) (Being share allotted and excess amt t/f to share allotment)		1,40,000	20,000 80,000 40,000
1st Ashoj 2072	Share allotment A/C Dr To equity share capital A/C (Being share allotment amount due)		1,20,000	1,20,000

Ratio  
4:6  
2:3  
80,000  
120,000  
4:6

Share allotment	
To share allotment A/C	40,000
By balance	80,000
	1,20,000

Illustration no 5

Date Particulars LF Dr Cr

15<sup>th</sup> Ashoj 2072 Bank A/C Dr 80,000  
To share allotment A/C 80,000  
(Being share allotment A/C received at adjustment of excess on application)

1<sup>st</sup> Pash. Share First Call A/C Dr 1,20,000  
To Share Capital A/C 1,20,000  
[40,000 x 3]

20<sup>th</sup> Pash. Bank A/C Dr 1,20,000  
To First Call A/C 1,20,000

Second Call A/C Dr. 80,000  
To Share Capital A/C 80,000  
(Being the second and final call money due on 91,000 shares)

② 25,000 → Issue.  
37,500 → taken / application  
To be 50,000 i.e. (7500 x 5) refund  
On allotment

$(30,000 - 25,000) \times 5 = 25,000$

In the books of Kalpan Trading Limited  
Journal 1.

Soln:-

Date	Particulars	LF	Debit	Credit
①	Bank A/C Dr To share application money A/C (37,500 x 5) (Being money received on application)		1,87,500	1,87,500
②	Equity Share Application A/C Dr To share capital A/C To share allotment A/C To Bank A/C (Being application money transferred to share capital and excess being rejected and rest transferred to allotment)		1,87,500	1,25,000 25,000 37,500
③	Equity Share Allotment A/C Dr (25,000 x 6) Discount on issue of share A/C Dr To equity share capital A/C (Being allotment money due and discount being adjusted)		1,50,000 50,000	2,00,000
④	Bank A/C Dr To Equity Share Allotment A/C (Being money received consequent upon allotment)		1,25,000	1,25,000

Date	Particulars	L.F.	Dr	Cr
(5)	First and Final call A/C Dr To Equity Share Capital A/C (25,000 x 7) (Being first and final call money due).		1,75,000	1,75,000
(6)	Bank A/C Dr To first and final call A/C (Being the final money received).		1,75,000	1,75,000

Gautam Equipment Ltd.  
Journal entries.

Date	Particulars	L.F.	Dr	Cr
	Share Bank application A/C Dr To Equity Share application A/C		6,25,000	6,25,000
	Share Application A/C Dr To Equity Share Capital		6,25,000	6,25,000
[75 x 25,000] [50% x 25,000] [25 x 25,000]	Equity share allotted A/C Dr To Equity Share Capital To Securities Premium A/C (Being due on the allotment of 25,000 shares @ 75 per share.)		18,75,000	18,50,000 25,000

Particulars	Dr	Cr
Bank A/C Dr To Equity Share Allotment A/C (Allotment money being received).	18,75,000	18,75,000
Final call A/C Dr To Equity Share Capital. In the books of. Global IME Ltd		

Journal Entries.

Date	Particular	Dr	Cr
(1)	Bank A/C Dr To Share application A/C [13,000 x 2] (Being share application money received)	26,000	26,000
(2)	Share application A/C Dr To equity share capital A/C. [10,000 x 2] To Bank A/C (3000 x 2) (Being share application money transferred to share application A/C)	26,000	20,000 6,000
(3)	Share allotment A/C Dr [10,000 x 3] To equity share capital A/C [10,000 x 2] To security premium A/C [10,000 x 1]	30,000	20,000 10,000

किसम :- हमी allotment la calls in anear ma transfer gardainoo.

30000 29910 30  
 Date  
 Page No

Date  
 Page No.

Date	Particular	Dr	Cr.
	(Being share allotment money due).		
(4)	Bank A/C Dr To Share allotment A/C [30,000 - 90]. To calls in advance	30030	29910 120
(5)	First and final call A/C Dr To Share (capital A/C [10,000 x 6])	60,000	60,000.
(6)	Bank A/C Dr call in advance A/C Dr To first and final call To calls in advance To share allotment A/C	59970 60,000 120	60,000 90.

Working note :- (1)

Calculation of amt received on allotment.

Receivable → 30,000.

less :- not received → 90.

[30 x 3]

Add :- Calls in advance → 120

[20 x 6]

Amount received on allotment 30030.

Note :-

Amount not received on allotment Rs. 90. will not be transferred to calls in aners as it has not been mentioned in the question.

Only transfer if asked in the question.

Illustration no 8

In the Books of Vyas Co. Ltd  
 Journal entries

Working Note no 2

Calculation of amt Received on Final call.

Receivable → 60,000.

(-) Previous call in advance (120)

(+) Amount receivable on share allotment.

Bank 59970

Date	Particulars	Dr	Cr
(1)	Goodwill A/C Dr [10,000 x 10] To equity share captl A/C (Being share issued to promoters)	1,00,000	1,00,000
(2)	Building A/C Dr To Sital Co. Ltd. (Being land and building purchased)	4,00,000	4,00,000.
(3)	Sital Co. Ltd A/C Dr To equity share capital	4,00,000	4,00,000
(4)	Bank A/C Dr To equity share capital A/C (Being share issued to public or cash).	5,00,000	5,00,000

Illustration 9

Date	Particulars	Dr	Cr
	<u>Assets</u>		
(a)	Purchase AIC Dr To Hetauda Traders AIC	3,80,000	3,80,000
(b)	Hetauda Traders AIC Dr To Equity share capital AIC	3,80,000	3,80,000
	<u>Premium as %</u>		
	Hetauda Traders AIC Dr To equity share capital AIC To security premium AIC	3,80,000	3,04,000 76,000
(d)	Discount Hetauda Traders AIC Dr Discount AIC Dr $\left(\frac{380,000}{35} \times 5\right)$ To equity share capital AIC	380,000 20,000	4,00,000

Surendra

(30x10)	Equity share capital AIC Dr	
(30x20+2)	To share forfeited AIC	
(30x2)	To share premium AIC	110
(30x4)		

Note :- In forfeiture of Surendra's share security premium cannot be reversed since it has already been received. If we don't reverse security premium then share forfeiture AIC where amount received for security premium is kept is also reduced by amount of security premium.

Soln:-

In the books of Parasar Ltd

Share Capital AIC Dr (500x10)	5000
Share Premium AIC Dr (500x2)	1000
To share allotment AIC (500x5)	1000
To forfeited share AIC (500x2)	2,500
To first and final call AIC (500x5)	2,500

Application of sec 53

(a) If share is allotted.  
$$\text{For } F = \frac{1000}{10} = 100$$

Share forfeited AIC Dr	1000
To share capital AIC	1000



(b) If cash is paid  
Share forfeited A/C Dr 1000  
To cash/bank 1000.

Qno 14 Journal entries in the book of  
Hamro Co. Ltd.

Bank A/C Dr 9,000  
To Share application money A/C 9,000  
(Being share application money received).

Share application A/C Dr 9,000  
To equity share capital 9,000  
(Being application money transferred).

Share allotment A/C Dr 15,000  
To equity share capital A/C 9000  
To security premium A/C 6000  
(Being the allotment of shares).

Bank A/C Dr 14,750  
[3000 - 50] x 5  
To share allotment A/C 14,750

First call A/C Dr 12,000  
To equity share <sup>capital</sup> A/C 12,000

Bank A/C Dr 11,400  
[3000 - 100 - 50]  
To share call A/C 11,400

[150 x 10]  
Equity share capital A/C Dr 1500  
Sec. Prem A/C Dr 100

[150 x 2]  
[50 x 5] To share allotment A/C  
[150 x 4] To share call A/C  
To share forfeiture A/C  
[50 x 3 + 100 x (3 + 3)] 750

Bank A/C Dr [125 x 8]  
Share forfeiture A/C [125 x 2]  
To equity share capital A/C  
50 x 3 = 150      75 x 6 =  
less Discant = 100      less Discant  
Gr. re issue (50 x 2) 50      [75 x 2] 300

Share forfeiture A/C Dr 350  
To capital Reserve A/C 350  
(Being share forfeited to capital reserve A/C)

To eqy/cap 250 (125 x 2)	By eqy/cap 750
To capt 350	
To balanc 150 Re. (25 x 3)	

Q no 12

Bank A/C Dr 28,000  
To share application A/C [14,000 x 2] 28,000

Share application A/C Dr 28,000  
To equity share capital A/C [10,000 x 2] 20,000  
To share bank --- A/C 8,000

Share allotment A/C Dr 50,000 [5 x 10,000]  
(3 x 10,000) To equity share capital A/C 30,000  
To security premium A/C [2 x 10,000] 20,000

Bank A/C Dr 42,000 [50,000 - 8,000]  
To share allotment A/C 42,000

First call A/C Dr 30,000  
To <sup>equity</sup> share capital A/C 30,000

Bank A/C Dr [10,000 - 300] x 3] 29,100  
To first call A/C 29,100

Final call A/C Dr [2 x 10,000] 20,000  
To equity share capital A/C 20,000

Bank A/C Dr [10,000 - 30,000] x 2 19,400  
To final call A/C 19,400

Equity share capital A/C 3000 [10 x 300]  
To final call A/C [300 x 2] 600  
To first call [300 x 3] 900  
To forfeited share A/C [30 x (3 + 2)] 1500

Bank A/C Dr 1800 [9 x 200]  
Forfeit share A/C Dr [1 x 200] 200  
To equity share capital A/C [10 x 200] 2,000

Q no 8 Equity Share Capital A/C Dr 60,000  
To share allotment A/C 3,000  
[1000 x 3 + 2000 x 3] To share first call A/C 9,000  
[1000 x 3 + 2000 x 3 + 3,000 x 2] To share final call A/C 12,000  
To forfeited shares A/C 36,000  
[(1000 x 2) + (2000 x 5) + (3000 x 8)]

[6,000 x 8] Bank A/C Dr 48,000  
[6000 x 2] To share forfeited A/C Dr 12,000  
[6,000 x 10] To equity share capital 60,000

Share forfeited A/C Dr 24,000  
To capital reserve A/C 24,000

Q no 13 In the books of M/S Biswas Ltd  
Journal entries

① Bank A/c Dr 120  
To Share application money A/c  
[8,00,000 x 15]

② Share application money A/c Dr <sup>8,00,000 x 15</sup>  
[4,00,000 x 15] To equity share capital A/c  
[4,00,000 x 15] To share allotment A/c  
(Being excess application money transferred to share allotment A/c)

③ Share allotment A/c Dr <sup>4,00,000 x 25</sup>  
[4,00,000 x 20] To share capital A/c  
[4,00,000 x 5] To security premium A/c

④ Bank A/c Dr [4,00,000 x 25] <sup>WN-1</sup>  
To share allotment A/c  
(Being share allotment money received)

⑤ Equity share capital A/c Dr 20,000 14,000  
[400 x 50] [400 x 35]  
Security Premium A/c Dr 2,000  
[400 x 5]  
To share allotment 4,000  
To share forfeited A/c  
[2,000 x 15] 12,000

⑥ Bank A/c Dr 16,000  
[400 x 40]  
To equity share capital  
[400 x 35] 14,000  
To security premium  
[400 x 5] 2,000.

⑦ Share forfeiture A/c Dr 16,000  
To Capital reserve A/c 16,000

⑧ Share first and final call A/c Dr [4,00,000 x 15]  
To equity share capital A/c  
(Being final call due)

Working note no ①

① Amount received on allotment  
Amount Receivable 1,00,00,000  
[4,00,000 x 25]  
(-) Amount received on application (60,00,000).  
[4,00,000 x 15]  
(-) Amit Balance on allotment 4,000  
[400 x 25 - 400 x 15]  
<sup>(Amt received on application)</sup>  
39,96,000

Working note no ②

② Calculation of amount received on first and final call.  
Receivable 60,00,000  
less:- Deput by shareholders (1500)  
[100 x 15] 59,98,500

⑨ Bank A/c Dr 59,98,500  
To equity share capital A/c 59,98,500.

⑨ Equity share capital A/C Dr 5000  
     £100 x 50 J  
     To first and final call A/C 1500  
     £100 x 15 J  
     To share premium A/C 3500  
     £100 x 35 J

⑩ Bank A/C Dr 6000  
     To equity share capital A/C 5000  
     To security premium 1000

⑪ Share forfeiture A/C Dr 3500  
     To capital reserve A/C 3500

⑫ Share expenditure A/C Dr 12,000  
     To Bank 12,000

Note:- Share expenditure will be written off over the period partially.

HLW

Q no 1

In the Books of Shree Ram Ltd  
 Journal

① Bank A/C Dr 4,00,000  
     To Share application A/C 4,00,000  
     £1,00,000 x 4)

(Being application money received)

② Share application A/C Dr 40,000  
     To share capital A/C 40,000

(Being application money transferred to share capital)

③ Share allotment A/C Dr 20,000  
     Discount A/C Dr (10,000 x 1) 10,000

    To share capital A/C 30,000

(Being discount and allotment done)

④ Share capital A/C Dr 20,000  
     To share allotment A/C 20,000

(Being allotment money transferred to share capital)

⑤ First call A/C Dr (10,000 x 2) 20,000  
     To Share capital A/C 20,000

(Being first called)

⑥ Bank A/C Dr 20,000  
     To share first call A/C 20,000

(Being first call money received)

⑦ Share second and final call A/C Dr 10,000  
     To Share capital A/C 10,000

(Being the second call money due)

⑧ Bank A/C Dr 10,000  
     To Share Second and Final call A/C 10,000

(Being second and final call money received)

Q no 2

- ① Bank A/C Dr 60,000  
    To share application A/C 60,000  
    [30,000 x 2]
- ② Share application A/C Dr 60,000  
    [20,000 x 2] To share capital A/C 40,000  
    [6000 x 2] To bank A/C 12000  
    [4000 x 2] To share allotment A/C 8000
- ③ Share allotment A/C Dr 1,00,000  
    [20,000 x 5] To share capital A/C 60,000  
    [20,000 x 2] To security premium A/C 40,000
- ④ Bank A/C Dr 92,000  
    [1,00,000 - 8,00,000] To share allotment A/C 92,000
- ⑤ Share 1st call A/C Dr 60,000  
    [20,000 x 3] To share capital A/C 60,000
- ⑥ Bank A/C Dr 57,000  
    [50,000 - 40,000] To share 1st call A/C 57,000  
    [19,000 x 3]
- ⑦ Share final call A/C Dr 40,000  
    To share capital A/C 40,000
- ⑧ Bank A/C Dr 38,000  
    [19,000 x 2] To share 2nd call A/C 38,000
- ⑨ Share 2nd call A/C Dr  
    To

Q no 3

- Bank A/C Dr [65,000 x 6] 3,90,000  
    To Share application A/C Dr 3,90,000  
    To share
- Share application A/C Dr 3,90,000  
    [40,000 x 5] To share capital A/C 2,00,000  
    [15,000 x 6] To bank A/C 90,000  
    [40,000 x 1] To securities premium A/C 40,000  
    [10,000 x 6] To share allotment A/C 60,000
- [40,000 x 5] Share allotment A/C Dr 2,40,000  
    [40,000 x 5] To share capital A/C 2,00,000  
    [40,000 x 1] To securities premium 40,000

Bank A/C Dr 1,44,000  
    To share allotment A/C 1,44,000

③ Calculation of Allotment Money received later on.

- A:- Total allotment money due (40,000 x Rs 6) 2,40,000  
B:- Less:- Allotment Money already received on application stage 60,000  
    C 10,000 x Rs 6  
C:- Less:- Allotment Money not received (as per Note 2) (36,000)  
    1,44,000

Total number of share applied by Mohan =  
    = 8,000 x 40,000  
    = 59000.

79000

Qno 4 (1) Bank A/C Dr 12,00,000  
To share application A/C 12,00,000  
[60,000 x 2]

(2) Share application A/C Dr 12,00,000  
[40,000 x 2] To share capital A/C 80,000  
[12000 x 2] To bank A/C 24,000  
[8000 x 2] To share allotment A/C 16,000

(3) Share allotment A/C Dr 80,000  
[40,000 x 2] Discount A/C Dr 90,000  
To share capital A/C 120,000

(4) ~~Bank~~ Bank A/C Dr 71,140  
[16,000 x 48,000] Calls in Arrears A/C Dr 2560  
~~(1920 - 1600) x 2~~ <sup>40,000</sup> To share allotment A/C 64,000  
~~(1920 - 1600) x 2~~ To calls in advance A/C 10,000

(5) Share 1st call A/C 80,000  
To Share Capital A/C 80,000

6) Bank A/C 92800  
Calls in Arrears A/C 3200  
Calls in Advance A/C 4000  
To share 1st call A/C 80,000

7) Share Final Call A/C Dr. 120,000  
To Share Capital A/C 120,000

8) Bank A/C (b/f) Dr. 309200  
Calls in Arrears A/C Dr. 4800  
Calls in Advance A/C Dr. 6000  
To Share Final call A/C 120,000

Qno 5 (1) Bank A/C Dr 20,000  
To share application A/C 20,000  
[2000 x 10]

(2) Share application A/C Dr 20,000  
To equity share capital 20,000

(3) Share allotment A/C Dr 20,000  
[2000 - 30 - 10] x 10 To share capital A/C 20,000

(4) Bank A/C Dr 19600  
To Share allotment A/C 19600

(5) Share 1st call A/C Dr 30,000  
To Share Capital A/C 30,000  
(Being the final call money received)

Q no 18  
WN-1

Category	(A) No of share applied	Amount received on application (A x 3)	(B) No of share allotted	(B x 3) Amount that should have been received
I	40,000	1,20,000	20,000	60,000
II	20,000	60,000	20,000	60,000
III	1,40,000	4,20,000	60,000	1,80,000
IV	20,000	60,000	-	-
(IV Refund Retained)	2,20,000	6,60,000	1,00,000	3,00,000

Excess :-  $\frac{600}{140,000} \times 1,40,000$   
 $\frac{60,000}{140,000} \times 1,40,000 = 60,000$   
 $\frac{600}{140,000} \times 1,40,000 = 600$   
 $\frac{600}{140,000} \times 1,40,000 = 600$   
 Allotment =  $(1200)$   
 $\frac{600}{140,000} \times 1,40,000 = 600$

Excess to be utilized	Excess to be refunded	(B x 2) Amount required for allotment	(B x 5) Amount required for call
60,000	-	40,000	1,00,000
-	-	40,000	1,00,000
2,40,000	-	1,20,000	3,00,000
-	60,000	-	-
-	60,000	2,00,000	5,00,000

① Bank A/C Dr 6,60,000  
 To share application money A/C 6,60,000  
 (Being share application money received)

② Share application money A/C Dr 6,60,000  
 To Bank 60,000  
 To equity share capital A/C 3,00,000  
 To share allotment A/C 1,60,000  
 To share final call A/C 1,40,000  
 (Being shares allotted)

③ Share allotment A/C Dr 2,00,000  
 To equity share capital A/C 2,00,000  
 (Being allotment money due)

④ Bank A/C Dr 40,000  
 To share allotment A/C 40,000  
 (Being allotment money received after excess of 1,60,000).

⑤ First and Final Call A/C Dr 5,00,000  
 To equity share capital A/C 5,00,000  
 (Being called money due).

⑥

WN-2 (Calculation of amount received on call.)

Receivable → 5,00,000  
 less:- Excess received on application 1,40,000  
 less:- Defaulted (1800)  
 [Amount payable = 600 x 5 = 3000]  
 (-) Excess 1200  
 3,98,200

Q no 11 Table :-

Shareholder	Nos share	Money received on			Money receivable			
		Application	Allotment	First Final	Allotment	First Final	Allotment	
A	200	200	-	-	-	600	600	400
B	400	800	1200	-	-	-	1200	800
C	300	600	900	900	-	-	-	600
		1800	2100	900				

Entries

Forfeiture of Share

- Equity share capital A/C Dr 9000  
 $[(200 + 400 + 300) \times 100]$   
 To share forfeiture A/C 4800  
 To share allotment A/C 600  
 To share first call A/C 1800  
 To share final call A/C 1800
- Bank A/C Dr  $(900 \times 12)$  10800  
 To equity share capital A/C  $(900 \times 10)$  9000  
 To security premium A/C  $(900 \times 2)$  1800
- Share forfeiture A/C Dr 4800  
 To capital reserve 4,800

Working note - 1

Pawan's  
 Money received  $\rightarrow 40 \times 24 = 960$   
 Money forfeited  $= 2 \times 48 = 96$   
 Money kept as allotment  $16$   
 Money to be received on allotment  $40 \times 5 = 200$   
 (-) Money on allotment (Res)  $16$   
 Money default  $1804$

- Bank A/C Dr 6000  $[300 \times 2]$   
 To Share Application 6000
  - Share application A/C Dr 6000  
 $[2000 \times 2]$  To share capital A/C 4000  
 $[600 \times 2]$  To bank A/C 12000  
 $[400 \times 2]$  To share allotment A/C 800  
 $[2000 \times 5]$
  - Share allotment A/C Dr 10,000  
 $[2000 \times 3]$  To share capital A/C 6000  
 $[2000 \times 2]$  To security premium A/C 4000
  - Bank A/C Dr  $[(9200 - 184) - 10,000]$  9016  
 To Share allotment A/C 10,000 9016
  - Equity share capital A/C Dr 200  
 $[40 \times 5]$   
 Security Premium A/C Dr ~~100~~ 80  
 $[40 \times 2]$   
 To share allotment A/C  
 To share forfeiture A/C  
 $[40 \times 2]$  80
- \*  
 First call A/C Dr 6000  
 To equity share capital A/C 6000 -  
 Bank A/C Dr  $[6000 - (40 \times 3) - (60 \times 2)]$  5700  
 To first call A/C 5700



(7) Share final call A/C Dr 3920  
    To equity share capital A/C 3920

(8) Bank A/C Dr [3920 - 1000] 3720  
    To share final call A/C 3720

Equity share capital A/C Dr [40x8+60x10] 920  
Security premium A/C Dr [40x2] 80  
    To share allotment A/C [20x5-16] 184  
    To share first call A/C [100x5] 300  
    To share final call A/C [60x2] 120  
    To share forfeited A/C  
    [100x2+60x3+16] 396  
    (5-2)

Bank A/C Dr [80x11] 880  
    To equity share capital A/C [80x10] 800  
    To security premium 80

Share forfeited A/C Dr [40x2+16+40x5] 296  
    To Capital reserve 296

Calculation of additional amount paid on allotment  
Amt receivable [1000x5] 10,000  
less:- Amt received on application 800  
less:- De fault 184  
9016

No of share allotted to Rwan = 40  
No of share applied = 48  
Excess number of shares = 48-40  
= 8  
Excess amount = 8x2 = 16

Calculation of amount paid on allotment.  
Amount receivable [1000x5] 10,000  
less:- Amount received on application 800  
less:- Excess amount

No of share allotted to Rwan = 40  
No of share applied

Q no 19

In the books of A Ltd  
Journal Entries.

(1)	Building A/C Dr [600x10] To B Ltd A/C	60,000	60,000
(2)	B Ltd A/C Dr To Eq. Share capital (Being share issued for purchase of building)	60,000	60,000
(3)	Bank A/C Dr [8000x2] To share application money (A) (Being share A.M received)	16,000	16,000
(4)	Share application money A/C Dr To equity share capital (Being S.A.M transferred to share capital.)	16,000	16,000

⑤ Share allotment A/C Dr [8000 x 1] 8,000  
To equity share capital 8,000  
(Being share allotment money due)

⑥ Bank A/C Dr 7750  
[8000 - 250] x 1  
To share allotment A/C 7750  
(Being share allotment money received)

⑦ Share first call A/C Dr 8000  
To equity share capital A/C 8000  
(Being share first call due)

⑧ Bank A/C Dr 7250  
[8000 - 750] x 1  
To share first call A/C 7250

⑨ Share second call A/C Dr 8000  
To equity share capital A/C 8000

⑩ Bank A/C Dr 6000  
[6000 x 1]  
To share second call A/C 6000

⑪ Equity share capital A/C Dr 3750  
[750 x 5]  
To share allotment A/C 250  
[250 x 1]  
To share first call A/C 750  
[750 x 1]  
To share second call A/C 750  
[750 x 1]  
To share forfeited A/C 2000

	(A) No of Shareholders	Amount received application (Axs)	(B) No of share allotted	(B x 5) Amount that should have been received	Excess amount utilized
A	40,000	120,000	30,000	90,000	30,000
B	40,000	120,000	20,000	40,000	60,000
C	12,000	36,000	-	-	-
	92,000		50,000	1,50,000	90,000

	Repund	Amount required on allotment
A		1,50,000
B		40,000
C	36,000	-
		2,50,000

Journal Entries

① Bank A/C Dr 2,75,000  
To Share application money 2,75,000  
(Being SAM received)

② Share application money A/C Dr 2,76,000  
To equity share capital A/C 1,50,000  
To bank A/C 36,000  
To share allotment A/C 90,000  
(Being share application money transferred)

③ Share allotment A/C Dr 2,50,000  
[3,15,000 - 600] To equity share capital A/C 2,50,000  
[2,50,000] To share premium A/C 1,00,000  
(Being share allotment money due)

④ Bank A/C Dr 1,54,000  
[1,54,000 - 600] To share allotment A/C 1,50,000  
To calls in advance 3200

(5) [4 x 50,000].  
Share paid A/C Dr 4,00,000  
To equity share capital A/C 4,00,000

(6) Bank A/C Dr  
Call ~~in~~ in Advance A/C Dr 1600  
Call in arrears A/C Dr 300  
To share capital A/C 1000

(1) Working note

(1) Amount received on allotment.

Receivable → 2,50,000  
less:- Received on application → 90,000  
less:- less by default Suresh → 6,000  
Category A 1,54,000  
Add:- called [WN-2] money 3200  
[800 x 4] 1,50,800 1,57,200

(2) Amount default by Suresh.

Receivable share allotted =  $\frac{40,000}{30,000} \times 2000$   
= 1500  
Receivable = 1500 x 5 = 7500  
less:- Excess paid on application = 500 x 2 = 1500  
6000

(3) Amount received on first call

Receivable → 1,00,000  
[50,000 x 2]  
less:- Already received → ..  
Calls in advance [1000 x 2] → ~~2000~~ 1600  
less:- Calls in arrears  
[1500 x 2] → 3000  
93800 95400

Bonus shares

$$\text{Bonus} = \frac{1,000,000 \times 1}{10} = 1,00,000$$

Entry

- (1) General reserve A/C Dr 1,00,000  
 To Bonus Issued to equity shareholder A/C 1,00,000  
 (Being bonus declared)
- (2) Bonus issued to equity shareholder A/C Dr 1,00,000  
 To equity shareholder / capital A/C 1,00,000

Unsolved question

Q no 1

- (i) 6% Preference Share <sup>(RS each)</sup> Capital A/C Dr 2,00,000  
 To 6% Pref S / Capital A/C 2,00,000  
 (Being share of RS 25 each consolidated to share of 100 each)
- (ii) Equity share capital A/C Dr <sup>(100 each)</sup> 10,00,000  
 To equity share capital A/C 10,00,000  
 (1 each)  
 (Being shares of 1 each divided into 1 each)
- (iii) Building A/C Dr 3,00,000  
 To revaluation reserve A/C 3,00,000  
 (Being building upward revalued)

- (iii) Capital Redemption reserve A/C Dr 1,00,000  
 Security Premium A/C Dr 2,00,000  
 General Reserve A/C Dr 2,00,000  
 To Bonus issued to Eq sh A/C 5,00,000
- (iv) Bonus Issued to eq share/h A/C Dr 5,00,000  
 To equity share capital A/C 5,00,000  
 (Being Bonus share Issued)

Q no 2

Journal Entries

$$\text{Bonus} = \frac{6,00,000 \times 1}{2} = 3,00,000$$

$$\text{Bonus} = \frac{8,00,000 \times 1}{2} = 4,00,000$$

- (1) Share final call A/C Dr 2,00,000  
 To equity share capital A/C 2,00,000
- (2) Bank A/C Dr 2,00,000  
 To share final call A/C 2,00,000
- (3) <sup>Capital</sup> Redemption Reserve A/C Dr 1,50,000  
 Share premium A/C 20,000 1,50,000  
 General reserve 2,30,000 1,00,000  
 To Bonus issued to Eq shareholder A/C 4,00,000
- (4) Bonus Issued to eq share holder A/C Dr 4,00,000  
 To equity share capital A/C 4,00,000

B) Sheet

Authorized Share Capital 1,50,000 eq. share of Rs 10 each	150,000		
Issued subscribed and paid-up (80,000 + 40,000) 120,000 Eq. share of Rs 10 each fully paid-up	12,00,000	Sundry assets	17,99,000 + 2,09,000
Reserves:-			
CRR	-		
Plant revaluation reserve	20,000		
Share Premium A/C	-		
Dev. rebate reserve	2,30,000		
Investment allowance reserve	2,50,000		
General reserve	2,00,000		

Q no 1

- ① ~~15,000~~ X 15,000 Share final call A/C Dr 99,000  
To equity share capital A/C 90,000  
(Being share call due)
- ② Bank A/C Dr 90,000  
To Share final call A/C 90,000
- ③ Capital Redemption Reserve A/C Dr 1,00,000  
Share Premium A/C Dr 20,000  
General Reserve A/C Dr 60,000  
To Bonus share A/C 1,80,000
- ④ Bonus issue A/C Dr 1,80,000  
To equity share capital A/C 1,80,000

Bonus share given =  $\frac{5}{8}$  share held  $\rightarrow$  3 fully paid  
 $\frac{1}{8}$  share held  $\rightarrow$   $\frac{3}{5} \times \frac{15,000}{\text{share}}$   
 $15,000 \times \frac{20}{5}$  each share  
 $= 1,80,000$

Q no 3

Journal Entries in the books of X Ltd.

- ① General Reserve A/C Dr 3,00,000  
To Bonus call A/C 3,00,000  
(Being bonus call made)
- ② Bonus call A/C Dr 3,00,000  
To equity share capital A/C 3,00,000  
(Being bonus call transferred to paid up capital)
- ③ P Bonus  $10,00,000 \times \frac{1}{5}$   
 $= 2,00,000$
- ④ Bonus premium A/C Dr 2,00,000  
To bonus issue to eq. share capital 2,00,000  
(Being bonus declared)
- ⑤ Bonus issue to eq. share holder A/C Dr 2,00,000  
To Equity share capital A/C 2,00,000  
(Being Bonus share issued)

Qno 3

In the Books of Himalayan Bank Ltd  
Journal entries.

- (1) [90,000 x 2]  
Share final call A/C Dr 180,000  
    To equity share capital 180,000  
(Being final call due)
- (2) Bank A/C Dr 180,000  
    To share final call A/C 180,000  
(Being final call money received)
- (3) Bonus =  $90,000 \times \frac{1}{4}$   
          = 22,500
- Security Premium A/C Dr 20,000  
Capital Reserve A/C Dr 40,000  
General Reserve A/C Dr 120,000  
Profit and loss A/C Dr 45,000  
    To bonus issue to equity share capital 22,500  
(Being bonus declared)

- (4) Bonus issued to equity s/h capital A/C Dr 22,500  
    To equity share capital A/C 22,500  
(Being bonus share issued)

Ba

## Balance Sheet

	Rs.
Authorized Capital	
10,000 12% Pref. Shares of 10 each	1,00,000
<del>1,00,000</del> Equity shares of Rs 10 each	<del>10,00,000</del>
125,000	11,00,000
Issued and subscribed capital:-	
8,000 12% Pref. share of Rs 10 each fully paid	80,000
11,25,000 Equity shares of Rs 10 each fully paid	11,25,000
Reserves and Surplus.	
Profit and Loss A/C	1,55,000
Capital Reserve	35,000
Securities Premium	5,000
Sec loan:	
12% Partly Convertible Debenture @ Rs 100 Each	5,00,000

W-N - no L

It is assumed that company has passed necessary resolution at its general meeting for increasing authorized share capital as follows.

Existing	90,000
(+) Bonus	22,500
(+) Conversion on karkit	10,000
[ $50,000 \times \frac{20\%}{10}$ ]	
(+) Bonus share converted to capital	2,500
[ $10,000 \times \frac{1}{4}$ ]	
	<u>1,25,000</u>

Convertible debentures are not entitled to bonus shares unless they are converted. Before conversion in order to issue bonus share to equity share holder, reserve and surplus should be

ear marked for ₹ convertible debenture in the same ratio of bonus issue. Then after the conversion debenture holders are entitled to bonus shares.

Qno 4

In the Books of KG Ltd

① Equity share capital A/C Dr 300  
[1200 × 25%]  
Premium on buyback A/C Dr 150  
To <sup>equity share holder A/C</sup> Bank [30 × 15] 450  
(Being buyback of equity share booked)

② Equity share holder A/C Dr 450  
To Bank 450  
(Being buyback amount paid)

③ Security Premium A/C Dr 150  
To premium on buyback 150  
(Being premium on buyback adjusted)

④ Bonus =  $\frac{(1200 - 300) \times 1}{4}$   
= 225

④ Profit and loss A/C Dr ~~170~~ 171  
General reserve A/C Dr ~~130~~ 129  
To CRR A/C 300  
(Being CRR created)

⑤ CRR A/C Dr 225  
To Bonus issue to equity shareholders A/C 225

⑥ Bonus Issue to eq sh A/C Dr 225  
To equity's/capital A/C 225.

Balance sheet

Eq. share capital [900 + 225]	1125	Machinery	1800
Sec. premium (175 - 150)	25	Furniture	226
General Reserve [265 - 120]	135	Investment	<del>74</del>
CRR [200 + 300 - 225]	275	Stock	600
P & L A/C	-	Debtors	260
12% Debenture	750	(and Bank)	<del>290</del>
SICreditors	745	[740 - 450 + 75]	365
Other Liab.	195		
	3250		3250

Qno 2

In the Books of M/s E-Sewa Ltd.

1. ①<sup>st</sup> April Share final call A/C Dr 450,000  
[1,80,000 × 2.5]  
To equity share capital A/C 450,000

2. ③<sup>rd</sup> April 2011 Bank A/C Dr 4,50,000  
To Share final call A/C 4,50,000  
(Being share final call money received)

Bonus  $180,000 \times \frac{1}{3}$   
= 60,000 × 10  
= 6,00,000

④ Security premium A/C Dr 30,000  
[50,000 - 20,000]  
Capital reserve A/C Dr 90,000  
[150,000 - 60,000]  
General reserve A/C Dr 240,000  
Profit and loss A/C 490,000  
To Bonus share <sup>issue</sup> to equity share A/C 6,00,000  
(Being bonus share declared)

⑤ Bonus Issue to eq shareholder A/C Dr 6,00,000  
To equity share/capital A/C 6,00,000  
Balance sheet extract of MISE - Sawa

as on 31st March 2011		Rs
<u>Authorized share capital</u>		
50,000 10% pref share of 10 each		5,00,000
240,000 equity share capital of Rs 10 each (Note no 1)		24,00,000
<u>Issued and subscribed capital</u>		
40,000, 10% pref share of Rs 10 each fully paid		4,00,000
240,000 equity share of Rs 10 each fully paid [1050,000 + 4,50,000 + 6,00,000]		24,00,000
<u>Reserve and Surplus</u>		
General Reserve		-
Capital Reserve		60,000
Security Premium		20,000
Profit and loss A/C		60,000
<u>Assets Side:-</u>		
Current assets		
- Bank		450,000

Note:- It is assumed that the company has passed necessary resolution to further add up the (equity) capital of 60,000 share of 10 fully paid up.  
∴ Now authorized capital = 400,000.

Q no 5 In the books of Jagadamba Ltd

- Date
- ① 1st July, 12 Equity share capital A/C Dr 3,00,000  
(FV = 10 each)  
To equity share capital A/C 3,00,000  
(FV = 2 each)  
(Being face value of equity share capital changed)
- ② 10th July Bank A/C Dr 5,55,000  
To investment A/C 490,000  
To profit and loss A/C 65,000  
(Being investment sold)
- ③ 10th July 8% <sup>redeemable</sup> preference share <sup>capital</sup> of Rs A/C Dr 5,00,000  
Premium on redemption A/C Dr 25,000  
To pref share holder A/C 5,25,000.
- ④ 10th July Pref. shareholder A/C Dr 5,25,000  
To Bank 5,25,000  
(Being pref. share redemption amount paid)
- ⑤ 10th July General reserve A/C Dr 5,00,000  
To capital redemption reserve A/C 5,00,000  
(Being CRR created)
- ⑥ 10th July Security premium A/C Dr 25,000  
To premium on redemption A/C 25,000  
(Being premium on redemption set off)  
→ normally P/L ma lagya but it is capital loss so we take



(7) 1st August 2012  
 9% Debenture A/C Dr ₹50,000  
 To Debenture holder A/C ₹50,000  
 (Being debenture redeemed)

(8) 1st August 2012  
 Debenture holder A/C Dr 2,50,000  
 To cash (40%) 1,00,000  
 To equity share capital A/C 1,50,000  
 (Being debenture holder settled)

(9) 1st August  
 Equity share capital A/C Dr 1,50,000  
 [FV = 10 each]  
 To equity share capital A/C 1,50,000  
 (Being FV of recently converted equity share split)

(10) 5th September 2012  

$$\text{Bonus} = \frac{3,00,000 + 1,50,000}{3} = 1,50,000$$

(11) 5th Sep  
 CRR A/C Dr 1,50,000  
 To Bonus issued to eqsh holder A/C 1,50,000  
 To equity share holder A/C  
 (Being bonus issued & declared)

(12)  
 Bonus issued to eqsh holder A/C Dr 1,50,000  
 To equity sh/capital A/C 1,50,000

Balance Sheet of Jagadamba Ltd as at 30th September 2012

	Rs.
<u>Source of funds</u>	
Authorized capital	
₹50,340,000 equity share of Rs 2 each	5,00,000
10,000 pref. share of Rs 100 each	3,00,00,000
<u>Issued, subscribed and paid up</u>	
₹ 3,00,000 equity share of Rs 2 each.	6,00,000
[ <del>3,00,000</del> + 75,000 + 75,000] [3,00,000 + 1,50,000 + 1,50,000]	
<u>Reserve and surplus</u>	
Securities Premium	57,50,000
General Reserve	1,50,000
Profit and loss A/C [1,80,000 + 65,000]	2,85,000
<u>Sundry creditors</u>	
CRR ₹50,00,000 - 1,50,000	3,50,000
<u>Application of fund</u>	
Fixed assets	7,80,000
Defer Tax Assets	3,40,000
Sundry Debtors	6,20,000
Cash and Bank [2,80,000 + 5,55,000 - 5,25,000 - 1,00,000]	
Preliminary Expenses	1,40,000

## Underwriting of Shares

Qno 9 Pref Share Account Dr 10,000  
 To cash A/C 10,000  
 (Being pref dividend paid)

PL A/C Dr 10,000  
~~10,000~~  
 Bank A/C Dr 90,000  
 To Investment Dr 100,000

10% redeemable pref. share A/C Dr 100,000  
 Premium on redemption A/C Dr 10,000  
 To pref shareholder A/C 1,10,000.

$$\begin{aligned} \text{Bonus} &= 10,000 \times 10 \\ &= 1,00,000 \end{aligned}$$

General Reser. A/C Dr 1,00,000  
 CRR A/C 1,00,000  
 To bonus issued to equity share holder 1,00,000  
 (Being bonus declared) (CRR created).

Bonus issued to equity shareholder A/C Dr  
 To

Capital Redemption Reserve A/C Dr 1,00,000  
 To Bonus issued to shareholder A/C 1,00,000  
 (Being bonus issued declared)

Bonus issue to shareholder A/C Dr 1,00,000  
 To equity share capital A/C 1,00,000  
 (Being bonus share issued)

## Underwriting of shares

Guras Bank Ltd issues 1 lakh equity shares of Rs 10 each at 20% premium and 5000, 12% debentures of Rs 10 each at a discount of 5%.  
Issue is underwritten by NMFL capital at a commission maximum allowed SEBI/N regulation.  
Calculate commission.

$$12 \times 10,00,000 = 12,00,000 \times 4\% = 48,000$$

$$\text{No of shares} \times \text{Issue price} = 5000 \times 9.5 = 47,500 \times 4\% = 1900$$

**49900**

(a) Marked application is not given,

	A/c capital	Unround portion
Gross liability	80,000	20,000
less:- Application (8:2)	(64,000)	16,000
Net liability	16,000	4,000

Since, marked application is not separately printed, application is divided in gross liability ratio.

(b) If marked application is 55,000

	A/c capital	VCP
Gross liability	80,000	20,000
less:- marked app	(55,000)	-
unmarked app	-	(25,000)
Balance	25,000	(5,000)
(-) Excess unround portion	(5,000)	5,000
U/W liability	20,000 shares	-

Q no 3

(a) Unmarked application is distributed in gross liability ratio.

	Karki	Pandey	Sharma	Bhusal	Total
(a) Gross liability	200,000	150,000	100,000	50,000	500,000
(-) Marked application (2:20,000)	(90,000)	(90,000)	(1,10,000)	(10,000)	(4,30,000)
Balance	(20,000)	60,000	(10,000)	40,000	70,000
less:- Credit	(8,000)	(6,000)	(4,000)	(2,000)	(20,000)
For unmarked application in gross liability ratio (4:3:2:1)	(28,000)	34,000	(14,000)	38,000	50,000
less:- Surplus if Karki and Sharma distributed to Pandey and Bhusal (3:1)	28,000	(31,500)	14,000	(10,500)	-
U/W liability	-	22,500	-	47,500	50,000

(b) Unmarked application is distributed in ratio of Gross Marked

	Karki	Pandey	Sharma	Bhusal	Total
(a) Gross liability	2,00,000	1,50,000	1,00,000	50,000	5,00,000
(-) Marked application (2:20,000)	(90,000)	(90,000)	(1,10,000)	(10,000)	(4,30,000)
Balance	(20,000)	60,000	(10,000)	40,000	70,000
less:- Surplus distributed in gross liability (1:3)	20,000	(22,500)	10,000	(7,500)	-
less:- Credit for U/W app (6:4)	-	(11,000)	(10,000)	(10,000)	(31,000)
Net liability	-	25,500	-	24,500	50,000
Balance ratio		26785.71		23214.28	
		25500		23214.28	
		26785.71		23214.28	

Statement of liability (Case I - distributed in Gross Receipt Ratio)

	Karki	Pandey	Sharma	Bhusal	Total
No of shares (liability)	-	22500	-	27500	
Issue price		11		11	
liability amt	-	247,500		302,500	
Commission $(\frac{100000 \times 11}{100}) \times 5\%$		$(\frac{159000 \times 11}{100}) \times 5\%$	$(\frac{100000 \times 11}{100}) \times 5\%$	$(\frac{50000 \times 11}{100}) \times 5\%$	
	(= 110,000)	(= 82,500)	(= 55,000)	(= 27,500)	
Net liability	(1,10,000)	1,65,000	(55,000)	275,000	
	कंठी का अंश अंश	पंडेय का अंश		शर्मा का अंश	
	अंश	अंश		अंश	

Journal Entry

- Bank A/C Dr 4,95,000  
    To Share application money A/C 4,95,000  
    [4,50,000 x 11]  
    [Being share application money received]
- Share application money A/C Dr 4,95,000  
    To equity share capital 4,30,000  
    To security premium 45,000  
    [Being share app money 1/2 to S Capital A/C]
- Pandey A/C Dr 2,47,500  
    Bhusal A/C Dr 3,02,500  
    To equity share capital A/C 5,30,000  
    To security premium A/C 50,000

- Underwriting commission A/C Dr 2,75,000  
    To Karki A/C 1,10,000  
    To Pandey A/C 1,65,000  
    To Sharma A/C 55,000  
    To Bhusal A/C 27,500  
    (Being underwriting commission paid by company)

- Bank A/C Dr 1,92,500  
    To Pandey A/C 1,65,000  
    To Bhusal A/C 27,500  
    (Being money received on the behalf of the unsold ones)
- Karki A/C Dr 1,10,000  
    Sharma A/C Dr 55,000  
    To Bank A/C 1,65,000

Q no 7

	A	B	C	Total
Gross liability	15,00,000	10,00,000	5,00,000	30,00,000
(3:2:1)				
less:- Marked application	(8,00,000)	(7,00,000)	(6,00,000)	(21,00,000)
less:- Unmarked application				
Note:- Distributed in gross liability ratio 3:2:1 (27 lakh - 21 lakh)	(3,00,000)	(2,00,000)	(1,00,000)	(6,00,000)
Balance	4,00,000	1,00,000	(2,00,000)	3,00,000
T/F of C's excess to A and B in the ratio of 3:2	1,20,000	80,000	2,00,000	
liability (No of share)	2,180,000	20,000	-	3,00,000
Issue price	15	15		
liability amount	42,00,000	300,000	-	45,00,000
Commission payable (calculated on 1/2 of gross liability x 5%)	11,75,000	(5,00,000)	(2,50,000)	(15,00,000)
Net amt payable / receivable	34,50,000	(2,00,000)	(2,50,000)	3

Journal Entries

{ ① Bank A/C Dr } → only related to  
To underwriters.

① A's underwriter A/C Dr 42,00,000  
B's underwriter A/C Dr 3,00,000  
[300,000 x 10] To equity share capital A/C 30,00,000  
[300,000 x 10] To equity share premium A/C 15,00,000  
[300,000 x 5]  
(Being U/W liability recorded).

② U/W Commission A/C Dr 15,00,000.  
To A - U/W A/C 7,50,000  
To B - U/W A/C 5,00,000  
To C - U/W A/C 2,50,000  
(Being U/W Commission recorded).

③ Bank A/C Dr 34,50,000  
To A's A/C 34,50,000

④ B's U/A A/C Dr 2,00,000  
C's U/A A/C Dr 2,15,000  
To Bank A/C 4,15,000.

② No 4

	Acce Capital	NMB Capital	Uncovered portions
Gross liability:-	40,000	30,000	30,000
(-) Marked liability	(45,000)	(15,000)	
(-) Unmarked application	(5,000)		120,000
T/F of excess of Acce capital to NMB Capital	5,000	(5,000)	10,000
Net liability	-	10,000	10,000

Illustration  
Q no 4

Treating "Firm Underwriting" as marked application

	A	B	C	D	Total
Gross liability (कमम)	30,000	30,000	20,000	20,000	1,00,000
(-) Marked application	(19,000)	(10,000)	(21,000)	(8,000)	(58,000)
(-) Unmarked application	(3,600)	(3,600)	(2,400)	(2,400)	12,000
[70,000 - 58,000]					
[3:2:2:2]					
less:- Firm underwriting	(3,000)	(2,000)	(1,000)	(1,000)	(7,000)
Balance	4,400	(1,400)	(4,400)	8,600	
C's excess transfer to A, B and C in the ratio of [3:3:2]	(1,650)	(1,650)	4,400	(1,100)	
liability	2,750	1,2750	-	7,500	23,000
Add:- Firm underwriting	3,000	2,000	1,000	1,000	
Total liability including firm liability	5,750	14,750	1,000	8,500	

HW Treating "Firm Underwriting" as unmarked application

Q no 1 Assuming firm share application to be 'unmarked' application

	A	B	C	D	Total
Gross liability [30:25:25:20]	37500	31250	31250	25000	125000
(-) Marked application	(24,000)	(20,000)	(2,000)	(24,000)	(80,000)
(-) Unmarked application					(35,000)
(W-N-1)	(10500)	(8750)	(8750)	(7000)	
Distributed on gross liability ratio [30:25:25:20]					
	3000	2500	10500	(6000)	10,000
T/F dis excess to A, B and C in the ratio of [30:25:25]	(2250)	(875)	(1875)	-	
Not liability	750	625	8625	-	10,000
(+) Firm shares	4,000	6000	-	15,000	
Total liability	4750	6625	8625	15,000	
Issue price (app money)	50	50	50	50	
Total liability (amount)	237500	331250	431250	750,000	
Commission [37500 x 100] x 2% (75,000)		[331250 x 100] x 2% (66250)	[431250 x 100] x 2% (86250)	[750,000 x 100] x 2% (1,50,000)	
Payable/Receivable	162,500	268,750	368,750	7,00,000	

Calculation of unmarked application :-

Total shares subscribed by public (except firm underwriting)	90,000
(-) Marked application	(80,000)
(+) Firm underwriting	10,000
(400000 + 0 + 15,000)	25,000
Total application	35,000

Journal entries

Bank A/C Dr 45,00,000  
To Share application A/C 45,00,000  
[ 90,000 x 50 ]

Total application ma firm chahina i.e. firm underwriting line ma basera paisa halena pachi 3000000

(2) Share application money A/C Dr 45,00,000  
To equity share capital A/C 45,00,000  
(Being application money t/f to equity share capital)

(3) A A/C Dr 237500  
B A/C Dr 331250  
C A/C Dr 431250  
D A/C Dr 750,000  
To equity share capital A/C 17,50,000

(4) U/W Commission A/C Dr 250,000  
To A's A/C 75,000  
To B's A/C 62,500  
To C's A/C 62,500  
To D's A/C 50,000

(5) Bank A/C Dr 15,00,000  
To A's A/C Dr 162,500  
To B's A/C Dr 268,750  
To C's A/C Dr 368,750  
To D's A/C Dr 7,00,000

(i) Statement showing underwriters liability

Particulars	X	Y	Z	Total
Gross liability (65% 25% 10%)	58,50,000	22,50,000	90,000	9,00,000
(10 lakh - 1 lak) →	1,19,500	57,800	10,500	1,87,800
less: Marked application				
less: Unmarked application				
Underwriting line incq based on [7,00,000 marked application includes firm U/W] [65:25:10]	4,53,000	1,75,000	70,000	7,00,000
Surplus of Y allocated to X & Z @ 5:10	10,500	(7,500)	9,500	12,500
	(6,500)	7,500	(10,000)	-
(+) Firm underwriting	4,000	-	8,500	12,500
	30,000	20,000	10,000	

Entry

(1) Bank A/C Dr 97,62,500  
 To Share application money A/C 97,62,500  
 (Being share application money received)  
 [C 119,500 + 57,500 + 10,500 + 7,00,000] X 11]

(2) Bank A/C Dr 11,00,000  
 To Share application money A/C 11,00,000  
 [1,00,000 X 11]  
 Being share app money received from directors)

(3) Share application money A/C Dr 10,86,250  
 To equity share capital A/C 10,00,000  
 To security premium A/C 86,250

(4) Underwriting X A/C Dr  
 (1000 X 1 L)

Underwriter 2 A/C Dr  
 (3500 X 11)

To eq 1s capital A/C  
 [12,500 X 10]  
 To sec. premium A/C  
 [12,500 X 1]

(Being underwriting liability recorded)

(5) U/W Commission A/C Dr 19,800

[58,50,000 X 11] X 2% To U/W X A/C 12,87,000

[22,50,000 X 11] X 2% To U/W Y A/C 49,500

[90,000 X 11] X 2% To U/W Z A/C 19,800

(6) X's A/C Dr  
 Y's A/C Dr

To Z's A/C

Statement showing underwriters liability

Q no 6

Particulars	A & Co	B & Co	C & Co	Total
Gross liability (1:1:1)	12,00,000	12,00,000	12,00,000	36,00,000
less: Marked application	(7,75,000)	(8,40,000)	(13,10,000)	(28,15,000)
less: Unmarked application	(1,75,000)	(1,75,000)	(1,75,000)	(5,25,000)
[1:1:1]	300,000	1,85,000	(2,85,000)	
	1,42,500	(1,42,500)		
	1,57,500	42,500		
(+) Firms Underwriting	1,00,000	1,00,000	1,00,000	
Total liability	2,73,500	1,42,500	1,00,000	



H/W 9

### WN-1 Unmarked Application.

Total application 31,00,000  
(-) Marked app → (28,75,000)

(+) Firm underwry 3,00,000  
Total unmarked application 5,25,000.

Statement showing amt payable to U/W

	A ₹ 10	B ₹ 10	C ₹ 10	Total
U/W liability Net (Shares)	2,57,500	142,500	1,00,000	
Liability (amt) (Shares X 12)	30,90,000	5,15,000		
Commission (Shares X 10) X 5%	(60,000)	(60,00,000)	(600,000)	

## Amalgamation of Companies

Amalgamation means combination of ~~two~~ two or more business. Business combination can be of following three types:-

### ① Amalgamation

Two or more than ~~two~~ two existing companies combine to form a new company.

$$\left[ \begin{array}{ccc} A + B = C \\ \text{old} \quad \text{old} \quad \text{New Co} \end{array} \right]$$

### ② Absorption

Two or more existing companies are taken over by another existing company.

$$\left[ \begin{array}{ccc} A + B = A \\ \text{old co} \quad \text{old co} \quad \text{Existing co} \end{array} \right]$$

### ③ External re-constitution

Any unit of existing entity is disposed off and gets combined with another entity.

For accounting purpose all the above will be treated as same.

### Purchase consideration

Purchase consideration means price, <sup>(amt)</sup> paid by shareholders of acquiring company (new company) to the shareholders of old company.

Here, price or amount can be paid in following modes.

- ① Cash / Bank
- ② Shares (Both preference and equity)
- ③ Debentures



Note:- Amount paid to debenture holders are not a part of purchase consideration.

Purchase consideration can be calculated using two methods:-

- (i) Net payment method (1<sup>st</sup> priority)
- (ii) Net asset method (2<sup>nd</sup> " " )

(i) Net payment method

Under net payment method, Any payment made by new company to the shareholders of old company is a purchase consideration. For exam purpose it will be calculated using following standard format.

Calculation of Purchase consideration  
(Net Payment Method)

Payment To	Payment In	Liability Working	Amount
Equity share holder	- Cash	$\left( \frac{\text{Shares in X Swap}}{\text{old comp Ratio}} \right) \times \frac{\text{Value of share of new company}}{\text{share in new Co.}}$	
	- Equity shares		
	- Pref. share		
	- Debenture		

Pref share holder	- Cash
	- Eq. share
	- Pref share
	- Debenture

Note 1:- Sometimes question do not provide swap ratio and net payment method is to be used. In such case deemed swap ratio will be calculated.

(1) 
$$\text{Deemed swap ratio} = \frac{\text{Value of old company's share}}{\text{Value of new company's share}}$$

For calculating deemed swap ratio following value will be used:-

- (a) Market value / Fair value ✓
- (b) Intrinsic value ✓
- (c) Par value

(2) Sometimes while calculating number of shares to be issued in new company.  $(\text{Share in Old company} \times \text{Swap Ratio})$ , resultant figure may arrive in decimal. In such case shares should be issued for non-decimal amount and for decimal amount cash should be provided.

Example no 1

B/Sheet of X Ltd

Liabilities	Amt	Assets	Amt
Equity share capitals 100 each	8,00,000	F. Assets	10,00,000
Pref share captl of Rs. 50 each	4,00,000	C. Assets	4,00,000
Debenture of Rs 10 each	30,000	Other assets	1,00,000

Z Ltd acquired X Ltd in following terms:-

- (a) Z Ltd will provide equity shares to equity share holder of X Ltd in the ratio of 1 equity share for 5 equity shares held.
- (b) Z Ltd will provide 3 pref. shares to the holder of each pref in X Ltd.

Debt value is the liability taken by the new company of old's  
 So this is not the purchase consideration as the new company  
 needs to pay it out in due course of time.

(c) Z Ltd will provide cash of Rs. 5 to each equity shares and debentures of X Ltd.  
 Calculate P.C if value of Z Ltd share is Rs 150; pref share 20.

Purchase consideration / calculation of PC  
 (Not payment method)

Payment To	Payment In	Working	Amount
Equity share holder	Equity shares	$\left[ \frac{8000 \times 2}{5} \right] \times 150$ <small>Shares in Z Ltd</small>	4,80,000
Pref. shares	Pref. shares	$\left[ 8000 \times \frac{3}{1} \right] \times 20$	4,80,000
Equity share	Cash	$[8000 \times 5]$	40,000
Total PC			<u>1,00,000</u>

Example 2

B/S of K Ltd

Eq. share of Rs 10 each	10,00,000	S.A.s sets	20,00,000
Pref. share of Rs 100 each	2,00,000		
Debtors	5,00,000		
C. Liability	<u>3,00,000</u>		
	<u>20,00,000</u>		<u>20,00,000</u>

A. Ltd took over K Ltd in following terms.

(a) For Issue of equity shares in A Ltd per shares held in K Ltd. Value of K Ltd share and R Ltd share

was 15 and 12 respectively.

(b) For issue of equity shares for amount required to settle pref share cap at 20% premium.  
 (c) Payment of cash of Rs 100 for each 10 shares held in K Ltd.  
 Calculate PC.

Calc of PIC

Payment To	Payment In	Working	Amount
Eq. shareholder	Equity share	$\left[ \frac{4,00,000 \times \frac{12}{15}}{80,000} \right] \times 15$ <small>No of shares in A Ltd</small>	1,20,000
Eq. shareholder	Cash	$\left[ 4,00,000 \times \frac{1}{10} \right] \times 100$	1,00,000
Pref. shareholder	Equity shares	$2,00,000 \times 120\%$	2,40,000
Total			<u>2,44,000</u>

Never cancel 15 in denominator and 15 outside the bracket

Intrinsic value

Intrinsic value is the amount attributable to equity share holder's per share if all the assets are realized and liabilities are settled on imaginary winding up of the company.

It is calculated as follows:-

Intrinsic value =

Sundry Assets (Except losses and primary expenses)	XXXX (New value / Market Value)
(-) Sundry liabilities [Excludes reserves]	(XXXX) (New value / Market value)
(-) Pref share capital	(XXXX)
Amount available for equity share holder	_____
∴ No. of equity shares	<u>XXX</u>
Intrinsic value per share	<u>_____</u>

Note: Intrinsic value is calculated for equity shareholders only.

# Books of accounts of new company

When new company purchases or acquires old company then following entries are passed :-

① Business purchase A/C Dr PIC  
To liquidator of old company A/C PIC  
(Being business purchased)

② Sundry Assets A/C Dr xxx CMI  
Goodwill A/C Dr (BIF)  
To Sundry liability A/C xxx (M.V)  
To Business Purchase A/C xxx (PIC)  
To Debenture holder A/C (M.V)  
To capital reserve (BIF)  
(Being S/Assets & liab recorded)

③ liquidator of old company A/C Dr xxx  
To cash xxx  
To debenture xxx  
To share (Pref/Equity) xxx  
To sec prem A/C xxx  
(Being liquidator's liability settled)

Other Question Based Entry

④ Payment of amalgamation expenses  
Goodwill A/C Dr xxx  
To Cash A/C xxx  
(Being expenses paid)

⑤ Settlement of debenture holder's liability  
Debenture holder's liability A/C Dr xxx  
To cash xxx  
To new liability A/C xxx  
(Being old liability settled)

Qn No 2 (Calculation of Purchase Consideration (Net Payment Method))

Payment To	Payment IN	Working	Amt
Equity shareholder	Equity share	$\left[ \frac{15000 \times 20}{15} \right] \times 15$	3,00,000
		<small>New shares in Ram Ltd</small>	

Book of Ram Ltd  
Journal Entries

① Business purchase A/C Dr 3,00,000  
To liquidator of Sham Ltd 3,00,000  
(Being business purchased)

② Goodwill A/C Dr 1,00,000  
Sundry Assets A/C Dr 2,00,000  
To current liabilities 2,00,000  
To debenture-holder A/C 1,00,000  
To business purchase A/C 3,00,000  
(Being sundry Assets and liab recorded)

③ liquidator of sham Co. A/C Dr 3,00,000  
④ To equity share capital A/C 2,00,000  
⑤ To security premium A/C 1,00,000  
(20,000 shares @ 5/-)

15 Oct Sham Ltd (10) 15 Jul 15

Case III:- Pick game ~~settlement~~ of liability to lagi deko chaina but settlement of liability ko information deko cha. 11% debenture of 10. Tei chaina vane pa. 10 ma vako

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

(a) Debenture holder A/C Dr 1,20,000  
 To 11% debenture A/C 10,000  
 To sec premium A/C  $\frac{10,000 \times 10}{100} = 10,000 \times 2 = 20,000$   
 (Being debenture issued, new 11% debenture)

Q no 3 Purchase Consideration

Payment To	Payment IN	working Amt	Amt
Preference share	9% Prof share	$[2000 \times \frac{3}{4}] \times 100$	1,50,000
Equity share holder	Cash	$5000 \times 20$	1,00,000
Equity shh	Equity share	$[5000 \times \frac{6}{5}] \times 12.5$	7,50,000
			<u>1,00,000</u>

In the books of P. Ltd

Journal Entries

(1) Business Purchase A/C Dr 1,00,000  
 To liquidator of S Ltd 1,00,000  
 (Being business purchased)  
 Goodwill A/C Dr 40,000  
 (2) Sundry Assets A/C Dr 13,00,000  
 To trade creditors A/C 1,00,000  
 To debenture holder A/C 2,40,000  
 $(2,00,000 \times 120\%)$   
 To business purchase A/C 10,00,000  
 (Being sundry assets and liabilities recorded).

Case IV Settlement of liability of at 20% prem

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

(3) Liq. of S, A/C Dr 10,00,000  
 To 9% Prof share capital A/C 1,50,000  
 To Cash 1,00,000  
 (5000 x 100) To equity share capital A/C 600,000  
 (5000 x 25) To security premium A/C 1,50,000.

(d) Debenture holder A/C Dr 2,40,000 <sup>96</sup>  
 Discat on issue on debenture A/C Dr 10,000 <sup>(4% x 25m)</sup>  
 To 8% Mortgage Lenture 2,50,000 <sup>(100)</sup>

Q no 5 Calculation of PC

Payment To	Payment IN	working Amt
Equity shareholder	Equity share.	$[5000 \times \frac{18.6}{11}] \times 11$
		8454.55
Eq shareholder	Cash	$0.59 \times 11$
		<u>6</u>
		92994

WN-1 Calculation of intrinsic value → Company liquidate vayo vane assets behera liability khorca bucheko achi ko value.

	Ram Ltd	Shyam Ltd
S/A	75,000	20,000
Bank debts	30,000	40,000
Stock.	25,000	12,000
Cash	10,000	5,000
less:- Sundry creditors	(10,000)	
Debenture holder	(20,000)	(40,000)
Amt available for equity share holder	<u>1,10,000</u>	
÷ No of eq. shs	10,000	5,000
I. value per share	11	18.6

In the books of Ram Ltd.

(a) Business purchase A/C Dr 93,000  
 To liquidators of Sham Ltd 93,000  
 Goodwill A/C Dr

(b) Sundry Assets A/C Dr 80,000  
 Book Debts A/C Dr 40,000  
 Stock A/C Dr 120,000  
 Cash A/C Dr 5,000

To Sundry Credits A/C 10,000  
 To debenture holder A/C 44,000  
 To business purchase A/C 93,000

(c) Liquidator of Sham Ltd A/C Dr 93,000  
 8454 x 10 To equity share capital 84540  
 8454 x 2 To security premium A/C 8454  
 To cash 6

Q no 6 Purchase Consideration

Payment To	Payment In	Working	Am't
Equity share	Equity share	$[3000 \times \frac{100}{70}]$	3,600,000
		$\times 20$	2,10,000
Pref. shareholder	Cash	60,000	60,000
			4,20,000

In the books of X Ltd.

(a) Business purchase A/C Dr 4,20,000 2,70,000  
 To liquidators of X Ltd 4,20,000 2,70,000

Liquidator of X Ltd 2,70,000  
 175,000 1750 x 100 Equity  
 35,000 1750 x 20 sec premium  
 60,000 cash

~~W/B~~ Calculation of intrinsic value

Goodwill A/C Dr 1,30,000  
 Sundry Assets A/C Dr 2,90,000  
 To Business purchase A/C 4,20,000 2,70,000  
 To Purchase consideration 4,20,000 2,70,000  
 To capital reserve A/C 20,000

(c) Liquidator of X Ltd A/C Dr 4,20,000 2,70,000  
 To equity share A/C 3,60,000 3,50,000 150,000  
 To cash A/C 60,000 60,000  
 To sec prem. 60,000

Q no 10 Purchase Consideration

Payment To	Payment In	Working	Amount
Pref. share	Cash	$[8000 \times 10]$	80,000
Pref. share	Pref. share	$[8000 \times 1000]$	8,00,000
Equity share	Equity Cash	$[15000 \times 20]$	3,00,000
"	Equity share	$[15000 \times 1] \times 140$	2,10,000
			32,80,000
			59,80,000

In the books of

(a) Business purchase A/C Dr 32,80,000  
 To liquidators of Sham 32,80,000

(b) Liquidator of AXE Ltd liquidator Goodwill A/C Dr 10,000  
 To Cash A/C 10,000

(c) Goodwill A/C Dr 35,80,000  
 To Debenture holder A/C 3,00,000  
 To Business purchase A/C 32,80,000

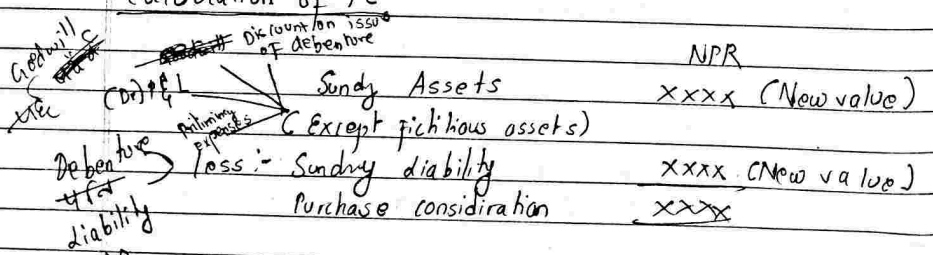
(d) Liquidator of AXE Ltd A/c Dr	32,80,000
To 9% Preference	8,00,000
To equity share capital	15,00,000
[15,000 x 100]	
To security premium	6,00,000
(15,000 x 40)	5,80,000
To Cash A/c	

Net Asset Method

Purchase consideration may be calculated using net asset method in following cases:-

- (a) If swap ratio is not given and information for deemed swap ratio not available
- (b) If question specifies to use NAM method.

Calculation of PC



Note:- If question ask number of shares to be issued as purchase consideration then total P.C should be divided by value <sup>per</sup> share.

Qno1 Calculation of purchase consideration (Net Assets Method)

	Amount
Sundry Assets	
- (18,00,000 x 75%) x 1.12	1512000
- (18,00,000 x 25%) x 0.92	414000
less:-	
Debenture	(200,000)
SI creditors	(2,00,000)
Bank Over ID	(50,000)
Bills payable	(40,000)
<u>PL</u>	<u>1436,000</u>

Qno4 Calculation of purchase consideration (Net Assets Method).

	Amount	
	A	B
Sundry Assets		
Fixed Assets (77500 + 115000)	77500	115,000
Investment	25,000	
Stock	20,000	25,000
Debtor	15,500	32,500
Cash at Bank	2500	21500
less:-		
Debenture	25,000	25,000
Creditors	10,000	5,000
Provisions	22,500	25,000
	<u>83000</u>	<u>120,000</u>

Exchange ratio:-

Number of shares to be issued:-	83000	120,000
	10	10
	= 8300	= 12000

Exchange ratio/swap ratio = 83 shares in AB Ltd for 50 share in A Ltd = 2 shares in AB Ltd for each share in B Ltd.

Q no 7 Calculation of Purchase Consideration (Net Payment Method)

Payment To	Payment In	Working (1000)	Amt (2000)
14% Pref Shareholder	15% Pref share	(2500 x 120%)	3000
Equity shareholder	Equity share	$(750 \times \frac{20}{30}) \times 10$	5000
Purchase consideration			<u>8000</u>

In the books of Y Ltd.

(i) Business Purchase A/c Dr (Amt in '000)  
8000  
To Liquidator of X Ltd 8000  
(Being business purchased)

(ii) Land and Building A/c Dr 5000  
Plant and M A/c Dr 4500  
Furniture A/c Dr 1050  
Investment A/c Dr 500  
Stock A/c Dr 23000  
Debtors A/c Dr 2400  
Cash and Bank A/c Dr 1500

To Sundry Credit and other Liab<sup>y</sup> 2000  
To Debenture holder (4000 x 110%) 4400  
To Purchase <sup>Business Purchase</sup> consideration 8000  
To Capital Reserve A/c 2850

(iii) Liquidator of X Ltd A/c Dr 8000  
To 15% Pref share capital A/c 3000  
To Equity share capital A/c 5000  
(Being liquidator of X Ltd paid)

Security premium pref ~~5000~~ only equity  
amt of 15000 10k ↓

(4)

Debenture holder A/c Dr 4400  
To 5% own debenture A/c 4400  
(Being fresh debenture issued for settlement of debenture holder of X Ltd).

Balance Sheet of Y Ltd (after Amalgamation)

Sundry Creditors	2000	Land and Building	5000
5% Own debenture	4400	Plant and Machinery	4500
Capital 15% pref share cap 3000 Equity share cap 5000	8000	Furniture	1050
Capital Reserve	2850	Investment	500
	<u>35250</u>	Stock	23000
	17250	Debtors	2400
		Cash and Bank	1500
			<u>17250</u>

Q no 9

Calculation of Purchase Consideration (Net Assets Method)

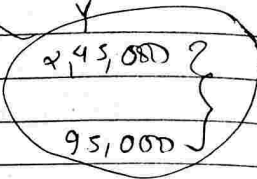
Assets	Amount X	Amount Y
Premises	150,000	-
Goodwill	-	160,000
Stock-in-trade	315,000	75,000
Debtor	72,000	150,000
Bank	85,000	75,000
less:-		
Sun	720,000	120,000
	<u>550,000</u>	<u>340,000</u>
Total PL →	890,000	
Paid by :-		
Equity share →	490,000	
Pref shares →	400,000	

Distributed as:-

	X
Equity shares	2,45,000
Prefer shares	95,000
Prefer shares	2,10,000

	X	Y
Equity shares	2,45,000	2,45,000
Prefer shares	305,000	95,000

Equally distribute gareko k



Qno 18 Calculation of purchase consideration (Net payment method)

Payment To	Payment In	Working	Amount
<u>Anand Ltd</u>			
Equity shareholder	equity share	$(1,50,000 \times \frac{6}{5}) \times 10$	18,00,000
Equity shareholder	Cash	-	10,000
			<u>18,10,000</u>
<u>Bhanu Ltd</u>			
Equity shareholder	equity shares	$(39,000 \times \frac{1}{3}) \times 10$	1,30,000
Eq. shareholder	Cash	-	5,000
			<u>1,35,000</u>
Total	P/C		<u>19,45,000</u>

In the books of Anand - Bhanu Ltd (Journal Entries)

- Business Purchase A/c Dr 19,45,000  
To liquidator of Anand Ltd 18,10,000  
To liquidator of Bhanu Ltd 1,35,000  
(Being business purchased)
- Freehold property A/c Dr 5,80,000  
Plant and Machinery A/c Dr 4,50,000  
Stock A/c Dr 8,94,000  
Trade debtors A/c Dr 3,53,500  
Cash and bank A/c Dr 3,37,500  
Goodwill A/c Dr 2,00,850  
To sundry creditors 3,14,850  
To bank overdraft 60,000  
To debenture holder A/c 5,00,000  
(WN no-1)  
To Business purchase 19,45,000  
(Being sundry assets and liability taken over)
- Liquidator of Anand Ltd A/c Dr 18,10,000  
Liq of Bhanu " " " 1,35,000  
To Equity Share Capital A/c 19,30,000  
To Cash 15,000  
(Being amt paid to liquidator)
- Debenture holder A/c Dr 5,00,000  
To Debenture A/c 5,00,000  
(Being liability of old debenture holder settled)



Working Note no 1 → (a) of Debenture

$$\begin{aligned} \text{Existing interest} &= 350,000 \times 8\% \\ &= 28,000 \end{aligned}$$

$$\text{New debenture} = \frac{281,000}{7\%} = 400,000$$

Bharu

$$\begin{aligned} \text{Existing interest} &= 70,000 \times 10\% \\ &= 7,000 \end{aligned}$$

$$\text{New debenture} = \frac{71,000}{7\%} = 1,00,000$$

$$\text{Total debenture} = 5,00,000$$

Balance Sheet of Ananda Dhanu Ltd  
After amalgamation.

Equity and Liability.	Am
Shareholder's fund	2,51,00,000
Equity share capital (Shares of Rs 10 each fully paid)	19,30,000
Reserve and surplus	-
<u>Non-current liability</u>	
7% debenture	5,00,000
<u>Current liability</u>	
S/c creditor (57,850 + 25,70,000)	3,14,850
Banks OD	6,000
	<u>2,75,08,50</u>
<u>Assets</u>	
Non-current assets	
Goodwill	
Freehold property	2,00,850
P&M	5,89,000
Stock	4,50,000
	<u>8,44,10,000</u>

Trade Debtor	353,500
Cash and Bank. (3,37,500 - 15,000)	<del>337,500</del> 322,500
	<u>2,76,5850</u>
	<u>2,75,0850</u>

Books of old company

Note:-

Whenever two or more than two companies are amalgamated books of accounts of old company must be closed in the following steps:-

Step no 1 Transfer [all] the items of balance sheet [at book] value to it's [respective account].

Here, respective account means

- (a) Equity share capital → Transferred to equity shareholder A/c
- (b) All reserves/losses and gains, P/L A/c → Transferred to equity shareholder's A/c
- (c) All assets and liability (except cash) → Transferred to realization A/c
- (d) Cash → (i) If taken over → Transferred to realization A/c  
(ii) If not taken over → Transferred to cash A/c
- (e) Preference share capital → Transf. to pref. shareholder A/c

Step no 2 Raise purchase consideration.

New company A/c Dr xxx  
To Realization A/c xxx

Step no 3 Winding up expenses paid by old company

Realisation A/C Dr  
To Cash A/C

Step no 4 Realisation of assets and settlement of liability if not taken over.

(a) Bank A/C Dr  
To Realisation A/C  
(Being assets not taken over realized)

(b) Realisation A/C Dr  
To Cash A/C  
(Being liabilities not taken over settled)

Step no 5 Realise and distribute purchase consideration.

(a) Cash A/C Dr  
Equity shares in new company A/C Dr  
Pref. share in new company A/C Dr  
To new company A/C  
(Being PC realized)

(b) Equity shareholder A/C Dr  
Pref. shareholder A/C Dr  
To cash  
To equity share in new company A/C  
To pref. share in new company A/C

⇒ Net entry

Equity shareholder A/C Dr  
Pref. shareholder A/C  
To new company A/C.

Step no 6 Close all the ledger Accounts.

(a) Always close pref. shareholder A/C at first.

Any difference in pref. shareholder's A/C should be transferred to realization A/C.

(b) Then close cash A/C as follows:-

(i) If there is positive balance → transfer to equity shareholder's A/C

(ii) If negative balance → transfer to realization A/C

(c) Close realization A/C

→ Any profit or loss on realization should be transferred to equity shareholder A/C.

(d) Equity shareholder account

Equity shareholder account should automatically tally.

Q no 1 Calculation of Purchase consideration (Net Assets Method)

Payment To	Payment In	Working	Amount
			<u>Amount</u>
	Sundry Assets		
	Fixed Assets		12,80,000
	Stock		7,70,000
	Bills receivable		30,000
	Sundry Debtors		1,50,000
	less:- Bills payable		38,000
	(To Purchase consideration)		<u>20,20,000</u>

(a) Settled by :- (20,20,000 - 5,10,000)

(1) Issue of equity share = 15,70,000

No of share =  $\frac{15,70,000}{100} = 1,57,000$

Issue of equity share of RS 10 each, 8 paid up

(2) Issue of 10% pref share → RS 5,10,000 → No share  $\frac{5,10,000}{100} = 5,100$  fully paid up.

Assets & Liabilities  
In terms of transfer game.

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

In the Books of Exe Ltd:-

Realization A/C			
To fixed assets	964,000	By provision for doubtful debt	8,000
To stock	7,75,000	By bills payable	40,000
To sundry Debtor	1,60,000	By sundry creditors	2,26,000
To bills receivable	30,000	By provision for income tax	2,20,000
To cash (expenses)	8,000	By Wye Ltd (P.C)	20,80,000
- bills payable	38,000	By cash/bank	
- Provision for income tax	2,22,000	- S-Debtor	1,50,000
- Credit 2,21,000	→ 2,21,000		
To realization profit	3,16,000		
+ 1/4 to equl shareholder			

Equity shareholder A/C			
To equity share in WYE Ltd	15,70,000	By equity share capital A/C	12,00,000
To 10% pref share in WYE Ltd	5,10,000	By reserve and surplus	
		By profit prior to incorporation	42,000
		By contingency reserve	2,70,000
		By P/L A/C	4,52,000
		By realization A/C	3,16,000

WYE Ltd A/C			
To realization A/C	20,80,000	By Equity share in WYE Ltd	5,10,000
		By 10% Pref share in WYE Ltd	15,70,000
	20,80,000		20,80,000

(Cash) Bank A/C

To balance b/d	3,29,000	To realization A/C	
To realization A/C		- Expense-	8,000
- S-Debtor	1,50,000	- bills payable	38,000
		- Provision for income tax	2,22,000
		- (creditor) (B.F.)	2,21,000

In the books of WYE Ltd

- ① Business Purchase A/C Dr 20,80,000  
To Liquidator of Exe Ltd 20,80,000
- ② Fixed Assets A/C Dr 12,80,000  
Stock A/C Dr 7,70,000  
B/R A/C Dr 30,000  
To Business Purchase A/C 20,80,000
- ③ Liquidator of Exe Ltd 20,80,000  
To equity share 15,70,000  
To pref share 5,10,000

Q no 19 Calculation of purchase consideration (Not Payment method)

Payment To	Payment In	Working	Amount
Preference share	Cash	4000 x 10	40,000
9% pref share	9% pref share	4000 x 100	4,00,000
Equity share	Cash	8000 x 20	1,60,000
Equity share	Equity shares	$(\frac{8000 \times 1}{1}) \times 100$	8,00,000
			11,20,000
Total Purchase Consideration :-			17,20,000

In the books of Wye Ltd

- Business Purchase A/C Dr 17,20,000  
To Liquidators of Z Ltd 17,20,000
- Land and Building A/C Dr 5,50,000  
Plant and Machinery A/C Dr 6,50,000  
Patent 20,000  
Stock A/C Dr 1,50,000  
Book debt 1,80,000  
(B.F) Goodwill A/C Dr 50,500  
To business purchase 17,20,000  
To works man compensation reserve 8,000  
To trade creditors A/C 1,20,000  
To capital reserve (B.F) 2,62,000  
To debenture holder A/C 2,10,000
- Goodwill A/C Dr 10,000  
To Cash A/C 10,000

- Liquidator of Z Ltd A/C Dr 17,20,000  
To 9% preference share 4,00,000  
To equity share 5,60,000 11,20,000  
To cash 2,00,000  
To sec premium 10,000

- Debenture holder A/C Dr ~~2,00,000~~ 2,10,000  
To 7% debenture A/C 2,00,000  
To sec premium A/C 10,000  
[2000 x 5]  
Goodwill A/C Dr 10,000  
To Cash/Bank 10,000

In the Books of Exe Ltd

Realization A/C		By debenture A/C	
Goodwill A/C	2,00,000	By debenture A/C	2,10,000
Land and building A/C	4,00,000	OLS interest	12,000
Plant and Machinery A/C	6,00,000	Works man compensation	8,000
Patent A/C	50,000	Trade creditors A/C	1,20,000
Stock	1,50,000	By WYE Ltd (P.C)	17,20,000
Book debt	1,80,000	By bank A/C	1,44,500
To cash	2,500 (works man)		
Cash at bank	2,500		
To cash A/C	12,000		
To pref share holder A/C	40,000		
To real profit	4,22,500		
1/2 to Eq.	<del>2,11,250</del>		
Share holder			

WYE Ltd A/C		17,20,000	
To realization A/C	17,20,000	By equity share in WYE Ltd	7,20,000
		By pref share in WYE Ltd	4,00,000
			12,80,000
			4,40,000
	17,20,000		11,69,000
		By cash	2,00,000
		By equity shares in WYE Ltd	2,120,000
		By 9% pref share in WYE Ltd	4,00,000
			17,20,000



Q no 2L Calculation of Purchase Consideration (Net payment Method)

Payment To	Payment In	Workings	Amt
Equity shares	Cash.	$20,000 \times 15.5$	3,00,000
Equity shares	Equity shares.	$[20,000 \times \frac{5}{4}] \times 100$	25,00,000
			5,00,000
Equity shares	14% Pref shares.	$20,000 \times 100\%$	20,00,000
			33,00,000

Books of Ram Ltd

① B.P A/C Dr 33,00,000  
To Liquidator of Larman Ltd 33,00,000

② Land and Buildings 16,00,000  
Plant and Mach 14,00,000  
Patent Rights 350,000  
Investment against Stock A/C Dr 1,00,000  
Cash at Bank A/C Dr 30,000  
Staff P.F Debt A/C Dr 150,000  
4,00,000  
To prov for bad debt 40,000  
To staff provident fund 150,000  
To sundy creditors 170,000  
To 12% loan A/C 4,00,000  
To B. purchase 33,00,000  
To capital reserve (B.F) 2,00,000

Realization

41,90,000  
2000

7,30,000  
33,00,000

③ Liquidator of Larman Ltd 33,00,000  
To Cash 3,00,000  
To 14% Pref share 5,00,000  
To Equity 25,00,000

④ Creditor A/C Dr 80,000  
To Debtor A/C 80,000  
(Being common debtor creditor cancelled)

⑤ Goodwill A/C Dr 8,000  
To Bank 8,000

In the books of Larman Ltd

① Realization A/C Dr 41,90,000 42,30,000  
To Land and Building A/C 16,00,000  
To plant and machines 14,00,000  
To Patent A/C 3,50,000  
To investment against s.fond A/C 1,00,000  
To stock A/C 2,00,000  
To provident fund investment A/C 150,000  
To debtor A/C ~~3,50,000~~ 4,00,000  
To cash at bank A/C 30,000  
(Being assets transferred to realization A/C)

② Staff P/F A/C Dr 150,000  
SI creditor A/C Dr 140,000  
12% loan A/C Dr 4,00,000  
Prov for debtor/debt 40,000  
To realization A/C 7,30,000

③ Eq. share capital A/C 20,00,000  
C. Reserve A/C Dr 13,00,000  
Sinking fund A/C Dr 1,00,000  
Employee profit share Dr 1,00,000  
To equity share holder A/C 35,00,000

④ Ram Ltd A/C Dr 33,00,000  
To Realization A/C 33,00,000

⑤ Cash A/C Dr 3,00,000  
Equity share in Ram Ltd A/C 25,00,000  
14% Pref. share in Ram Ltd 4,00,000  
To Ram Ltd 33,00,000  
(Being P.C. realized).

⑥ Realization A/C Dr 2,000  
To Cash 2,000  
(Being expenses paid)

⑦ Equity shareholder A/C Dr 3,29,8,000  
To Cash 2,98,000  
To equity share in Ram Ltd. 25,00,000  
To 14% pref share in Ram Ltd 5,00,000  
(Being P.C. distributed).

⑧ Equity share holder A/C Dr 20,20,000  
To Real A/C Equity 20,20,000

25,00,000		20,00,000
3,00,000		13,00,000
5,00,000		1,00,000
1,00,000	20,20,000	1,00,000
		<del>20,00,000</del>

Q no 20 Calculation of purchase consideration (Not payment method)

Payment To	Payment In	Workings	Am't
Pref shares	Equity shares	100,000 x 11	11,00,000
Equity shareholder	Equity shares	250,000 x 11	27,50,000
Equity shares	cash	250,000 x 4	10,00,000
	Total purchase consideration.		48,50,000

In the books of X Ltd

① Business purchase A/C Dr 48,50,000  
To liquidator of Y Ltd 48,50,000

② Building A/C Dr 12,00,000  
Plant and Maching A/C Dr 10,00,000  
Stock A/C Dr 7,00,000  
S. Debtor A/C Dr 9,00,000  
Bank Balance A/C Dr 6,60,000  
~~Preliminary expense A/C Dr 40,000~~  
Goodwill A/C Dr 7,50,000 11,20,000  
To Creditors A/C 4,00,000  
To Business Purchase A/C 48,50,000  
To workman profit share liability 3,30,000

③ Liquidator of Y Ltd A/C Dr 48,50,000  
To 10% share A/C  
To cash A/C 10,00,000  
To equity share A/C 38,00,000  
To sec premium 3,50,000

④ Goodwill A/C Dr 3,30,000  
To Bank 3,30,000  
(5000 + 3,00,000 x 110%)

⑤ Workman profit share liability A/C Dr 3,30,000  
(Profit) To Bank 3,30,000

In the books of Y Ltd:-  
Realization A/c

Goodwill A/c	8,00,000	By Creditors	7,00,000
To Building A/c	7,00,000	By realization X Ltd A/c	48,50,000
To Plant and Machinery	13,00,000		
To Stock A/c	7,00,000	By Cash	305
To Sundry Debtors	9,00,000		3,35,000
To Bank Balance	6,60,000		
To Preliminary Expenses	40,000	By workmen	3,00,000
To Liquidation A/c	5000	profit share fund	
To cash A/c	3,30,000		
To pref shareholders A/c	1,00,000		
To net profit	50,000		
To profit t/d to equity shareholders A/c)	3,90,000		

Equity share holders A/c

To equity shares in Y Ltd	27,50,000	By equity share cap A/c	20,00,000
To cash A/c	10,00,000	By general reserve	6,00,000
		By profit and loss A/c	8,00,000
		By workmen's profit share fund	3,00,000
		By realization A/c	50,000
	37,50,000		37,50,000

X Ltd A/c

To realization A/c	48,50,000	By equity shares in X Ltd A/c	38,50,000
	48,50,000	By Cash A/c	10,00,000
			48,50,000

To realization A/c	38,50,000	By liquidation expenses	5,00,000
To preliminary expenses	40,000	By workmen's profit	3,30,000
To cash	10,00,000	Sharing fund	
To equity shares	27,50,000	By eq. share capital A/c	20,00,000
		By general P/L A/c	6,00,000
		By P/L A/c	8,00,000
		By net profit	3,90,000

Pref. shareholders A/c

To equity shares in X Ltd.	11,00,000	By pref share cap A/c	10,00,000
		By realization A/c	1,00,000
	11,00,000		11,00,000

Calculation of Purchase Consideration (Net Payment Method)

Payment To	Payment In	Working	Amount
Equity share	Cash	20,000 X 30	6,00,000
Equity share	Equity share	$\left[ \frac{20,000 \times 4}{5} \right] \times 100$	16,00,000
			22,00,000

In the books of X Ltd

(1) General reserve A/c Dr 1,00,000



- ① General reserve A/C Dr 1,00,000  
Profit and loss A/C Dr 20,000  
    To Dividend Payable 1,20,000  
(Being dividend declared)
- ② Dividend Payable A/C Dr 120,000  
    To Bank A/C 120,000
- ③ Realization A/C Dr 39,00,000  
    To goodwill A/C 4,00,000  
    To machineries A/C 16,80,000  
    To furniture A/C 20,000  
    To stock A/C 7,20,000  
    To Debtor A/C 7,20,000  
    To Cash A/C 20,000  
    To bank A/C 40,000  
    To expense on new project 3,00,000
- ④ 12% Debenture A/C Dr 12,00,000  
Creditor A/C Dr 3,80,000  
    To realization A/C 15,80,000
- ⑤ Equity share capital A/C Dr 20,00,000  
- Capital reserve A/C Dr 2,00,000  
- P/L A/C A/C Dr 1,20,000  
    To equity shareholder A/C 23,20,000
- ⑥ X Ltd A/C Dr 22,00,000  
    To Realization A/C 22,00,000  
(Being A/C raised)

16,00,000	80,00,000
6,00,000	2,00,000
1,20,000	1,20,000

- ⑦ Equity shareholder A/C Dr 22,00,000  
    To X Ltd 22,00,000  
(Being PC realized and distributed)

- ⑧ Eq. shareholder A/C Dr 1,20,000 (BF)  
    To Realization A/C 1,20,000  
    22,00,000 + 2,00,000 = 24,00,000  
    39,00,000 - 15,00,000 = 24,00,000

In the books of X Ltd

- ① Business purchase A/C Dr 22,00,000  
    To liquidator of Y Ltd 22,00,000

- ② Turnover A/C Dr 24,000  
Machinery A/C Dr 19,76,000  
Debtor A/C Dr 684,000  
Stock A/C Dr 64,000  
New Project A/C Dr 3,80,000  
Cash A/C Dr 20,000

- Dividend pay 5122  
To Bank A/C Dr 40,000  
To goodwill A/C Dr 16,000  
To creditors 38,000  
To debenture holder A/C 12,00,000  
To business purchase A/C 22,00,000  
(Being assets and liabilities taken over.)

- ④ Debenture holder A/C Dr 12,00,000  
    To 12% debenture A/C 12,00,000  
(Being debenture holder A/C settled)

- ⑦ liquidator of Y Ltd A/C Dr 22,00,000  
    To cash 6,00,000  
    To equity shares 16,00,000

$$280,000 + 20,000 + 61,000 + 8,000,000 + 40,000 = 24,000 - 360,000$$

456,000  
Page No.

Date  
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(vii) goodwill A/c Dr 24,000  
To Bank A/c 24,000  
(Being liquidation expense paid)

Balance Sheet of X Ltd.

Share Capital		Fixed assets	
Authorized share capital 80000 eq share of Rs 100 each	8000000	Goodwill (16000+24000)	40000
Issued and Paid up share capital [6000000 + 16,00,000] - 7600 eq share of Rs 100 each - Reserve and Surplus	7600000	Building	2000000
General reserve (800000 - 360000)	440000	Machinery	4576000
P&L A/c	480000	Tunir (40,000 + 24,000)	64000
H/V debenture A/c	1200000	Current assets	
Credit A/c (1960000 + 380000)	1340000	Stock (16,00,000 + 640,000)	2240000
		Debt (920000 + 684000)	1604000
		Cash in hand (280000 + 300000 - 200000)	380000
		Bank (8000000 - 400000 - 24000 - 360000 - 300000)	1560000
	11060000		

60,000,000  
76,000,000

Q no 17

Yesma Bank Ltd

1106,000  
240,000 - Expense on the project  
360,000 = Expense on the project  
Cash in hand 280,000 + 3,00,000 + 2,00,000  
New 8,00,000 + 40,000 -  
old (16,01,000 - 12,01,000)  
- 24,000 - 360,000 - 2,00,000  
Expenses re. merged  
Dividend

1182,000 + 60,000 - 6,00,000 - 360,000 - 24,000

Amalgamation in a nature of mergers (pooling of interest method)

Accounting of new company can be done using following two methods:-

- 1) Amalgamation in a nature of purchase (already covered)
- 2) Amalgamation in a nature of merger.

When one entity is taken over or acquired by another company then accounting is done in the nature of purchase.

When two or more than two companies combine with each other then it is called amalgamation in the nature of merger (pooling of interest method).

Accounting entries in the nature of merger

- 1) Business merger A/c Dr XXXX  
To liquidator of old company XXXX  
(Being business merged)  
General Reserve A/c Dr (B.F)
- 2) Sundry asset A/c Dr (at Book value only)  
To sundry liability A/c (at Book value only)  
To reserves and surplus A/c  
To business merger A/c.  
To general reserve A/c (B.F)
- 3) liquidator of old company A/c Dr  
To equity share capital A/c  
To pref share capital A/c  
To cash A/c  
To security premium A/c

Only for fraction ←

④ General reserve A/C Dr xxx (Expenses)  
To Bank A/C xxx

In case of merger all the following condition should be satisfied:-

- ① Equity shareholders of old company should be provided with only equity shares of new company. Cash can be provided for settlement of share fraction in cash.
- ② All the assets and liabilities of old company should be taken over by new company.
- ③ All the assets and liabilities should be taken over at book value only.
- ④ The new merged company should continue the same old business.

# For creation of statutory reserve (in case of amalgamation in nature of purchase) only.

Amalgamation Adjustment A/C Dr  
To statutory reserve A/C

(For examp propose question will specify which are statutory reserves. Further following reserves are also taken as statutory reserves)

- I Export profit reserve
- II Investment allowance reserve
- III Foreign project reserve

Merger ma balance sheet at absorbed company at general reserve available although reserves sab lugincha only no 3 ma balance

Q no 12

Purchase consideration			
Payment To	Payment In	Working	Amt
Equity shareholder	equity share	3590000 x 10	35,00,000
Pref. shareholder	15% pref share	17,00,000 x 110%	18,70,000
	Total P.C.		53,70,000

In the books of X Ltd (In the nature of merger) (000)

① Business merger A/C Dr 5370  
To liquidator of Y Ltd 5370  
(Being business merged)

② Land and Building A/C Dr 1550  
Plant and Mach A/C Dr 1700  
Furniture and Fi A/C Dr 350  
Investment A/C Dr 500  
Stock A/C Dr 950  
Debtor A/C Dr 1030  
Cash and Bank A/C Dr 520

⇒ General Reserve A/C Dr 420 → Debit

To export profit reserve 200 (G.R.)  
To investment allowance reserve 100  
To profit and loss A/C 500  
To debenture holder A/C 350  
To trade creditor A/C 350  
To other current liability 150  
To business merger A/C 5370

credit balance  
Debit - credit

→ credit  
Add 5370

③ liquidator of Y Ltd A/C Dr 5370  
To equity share capital A/C 3500  
To 15% pref share capital A/C 1870  
(Being liquidator liability paid)

(Revaluation)  
 500 + 420 = 920  
 920 - 80 = 840

500  
 + 250 = 750  
 + 450 = 1200

Date \_\_\_\_\_  
 Page No. \_\_\_\_\_

Balance Sheet of X Ltd.

Liab	Rs	Assets	Rs
Equity share cap	8500	Land & Building	4050
14% pref share	2200	Plant and machinery	4950
15% pref share	1870	Furniture and fitting	925
Export Profit reserve	500	Investment	1200
General Reserve	2080	Stock	2200
Investment allowance	1650	Debtor	1930
P&L A/c	1250	Cash & Bank	1245
13% debenture A/c	850		
Trade creditor	800		
Other current liabilities	350		
<b>Total</b>	<b>16500</b>	<b>Total</b>	<b>16500</b>

Journal Entries (In the name of purchase).

- Business Purchase A/c Dr 5370  
 To liquidator of Y Ltd A/c 5370.  
 (Being business purchased).
- Land and building A/c Dr 1550  
 Plant and machinery A/c Dr 1700  
 Furniture and fitting A/c Dr 350  
 Investment A/c Dr 500  
 Stock A/c Dr 950  
 Debtor A/c Dr 1030  
 Cash and Bank A/c Dr 520  
 To cap reserve A/c (380)  
 To trade credits A/c 350  
 To other current liab A/c 150  
 To debenture holder A/c 350  
 To business purchase A/c 5370

5370

Date \_\_\_\_\_  
 Page No. \_\_\_\_\_

(iii) Liquidator of Y Ltd A/c Dr 5370

Equity share	3500
Secur	1700
Deb. holder A/c Dr	1700
To 13% deb A/c	
Amalgam adj. A/c 300	
To stock A/c	
Amalgamation adjustment A/c 200	
To statutory reserve A/c 300	

Balance sheet (after amalgamation)

P	Rs.
Equity share capital (fully paid up share of Rs 10000)	24000
Security premium	3000
Foreign project reserve	310
General reserve (9500 + 200 - 1)	9699
Profit and loss A/c (2870 + 775)	3645
12% debenture	1800
Bills payable	40
S. Creditors	1543
S. Provision	2532
	<b>45769</b>

Asset	
Land and Building	6000
Plant and Machinery	19000
F & F and fittings	4004
Stock	11903
Debtor	3140
Cash at Bank (114 + 609 - 1)	1722
Bills receivable (80 - 80)	0
	<b>45769</b>

J. Jyana

J. Jyana

J. Jyana

J. Jyana

J. Jyana

Q no 14 In the Books of P Ltd (In the name of merger)

Calculation of PIC

Payment To	Payment In	Working	Amt
Equity share/h	Equity share	$[6000 \times \frac{3}{2}] \times 10$	9000
	Total	PIC	9000

(Rs in lakhs)

① Business merger A/C Dr 9000  
To liquidator of V Ltd 9000  
(Being business merged)

② Land and Building -  
Plant & Mach A/C Dr 5,000  
Furniture and Fitting A/C Dr 1700  
Stock A/C Dr 4,041  
Debtor A/C Dr 1020  
Cash at Bank A/C Dr 609  
Bills Receivable A/C Dr 80

→ cost of issue of debenture.  
 125-50  
 To foreign project reserve A/C 310  
 To profit and loss A/C 775  
 To debenture holder A/C 1000  
 To bills payable A/C -  
 To sundry creditor A/C 463  
 To sundry provision A/C 702  
 To business merger A/C 9000  
 To general reserve A/C 200 (B.F.)

③ (Being sundry assets and liability recorded)  
liquidator of V Ltd A/C Dr 9000  
To equity share capital A/C 9000  
(Being liquidator liab settled)

④ General Reserve A/C Dr 1,00,000  
To Bank A/C 1,00,000  
(Being amalgamation expenses paid)

⑤ Debenture holder A/C Dr 1,000  
To 12% debenture A/C 1,000  
(Being new debenture issued for settlement of old debenture holder)

⑥ Bills payable A/C Dr 80  
To Bills receivable A/C 80

Balance sheet of P Ltd (after amalgamation)

	(in lakhs)
Equity share capital (Fully paid up shares of Rs 10 each)	24,000
Securities Premium (3000+0)	3000
Foreign Project Reserve (0+310)	310
General Reserve (9500+200-1)	9699
Profit and loss A/C (2870+775)	3645
12% Debenture A/C (10000)	10000
Bills payable [120+80]	200
S. Creditors [1080+463]	1543
S. Provision [1830+702]	2532
	<u>45769</u>
Assets:-	
Land and Building	6000
Plant and Mach [7000+5000]	19,000
F & F [2304+1700]	4004
Stock [71862+4041]	11903
Debtors [2120+1020]	3140
Bank [1,114+609-1]	1722
BR [80-80]	0
	<u>45769</u>

↓  
Particulars & title Rs.

Q no 6 Calculation of Purchase Consideration (Net Payment Method).

Payment To	Payment In	Workings	Amt.
Prefer shareholder	9% pref. shares	10000 X 110	1,10,000
Prefer share holder	Eqy shares	<del>30,000</del> X 10.50	<del>3,15,000</del>
		$30,000 \times \frac{14}{10.7} \times 10.50$	4,12,146.80
Equity shareholder	Cash	Calculation of intrinsic value $0.336 \times 10.5$	3.54
	Hari Ltd	Vyav Ltd	522,150
Goodwill	50,000	50,000	
Building	3,00,000	1,50,000	
Machinery	5,00,000	1,60,000	
Stock	2,50,000	1,57,500	
Debtors	2,00,000	92,500	
Cash at bank	50,000	20,000	
Liability:	Retirement gratuity fund	50,000	20,000
	S. Creditor	1,30,000	80,000
	Prefer share capital	1,00,000	1,10,000
	Amt available for equity shareholder	1,07,000	4,20,000
	÷ No of equity shares	1,00,000	30,000
	Intrinsic value	10.7	14

In the books of Vyav Ltd.

Prefer - Shareholder A/C.

To 9% pref share in Hari Ltd	1,10,000	By pref share cap A/C	1,00,000
	=	By balance c/d	10,000
		By realization A/C	=

Realisation A/C

To goodwill A/C	25,000	By retirement gratuity fund	20,000
To building A/C	1,00,000	By S. creditor	80,000
To prefer shareholder A/C	10,000	By Hari A/C (PL)	522,150
To Machinery A/C	1,50,000		
To Stock	1,75,000		
To Debtors	1,00,000		
To Cash at Bank	20,000		
To realization profit	42,150		

Equity Shareholder A/C

To preliminary expenses	10,000	By equity s/capital A/C	3,00,000
To equity share in Hari Ltd	4,12,146	By preferential reserve	80,000
To cash A/C	4	By realization A/C	42,150
	4,22,150		4,22,150

Hari A/C.

To Realisation A/C	522,150	By 9% pref share in Hari Ltd	1,10,000
		By equity share in Hari Ltd	4,12,146
		By cash A/C	4
	=		=

Cash per share

Sometimes question may ask adjustment of cash per share on the basis of intrinsic value per share. Such cash adjustment is calculated as follows:-

$$\text{Cash per share} = \frac{\text{Number of shares in old company} \times \text{Value of old company's share}}{\text{No. of share in new company} \times \text{Value of new co. share}}$$

Always Swap ratio wala number  
Market Value (No of shares surrendered) / No of share in old company

- 1- here
- ① Value means intrinsic value,
- ② If cash per share is negative then ignore.
- ③ It is calculated when asked in the question.

Ex 7 Calculation of Purchase Consideration

Payment To	Payment In	Working	Amount
K Ltd			
Pref shareholder	Preference shares	$(4000 \times 5) \times (18+4)$	4,40,000
Equity shareholder	Eq. shares.	$(8000 \times 6) \times (18+4)$	10,56,000
Equity shareholder	Cash	$[140 \times 1 - 5 \times 22] \times 8000$	64,000
			<u>15,60,000</u>
L Ltd			
Ref. shareholder	Ref. share	$(3000 \times 15) \times 22$	3,30,000
Equity shareholder	Equity share	$460 (3000 \times 6) \times 22$	3,96,000
Equity shareholder	Cash	$[153.33 \times 1 - 6 \times 22] \times 3000$	63,990
			<u>7,89,990</u>

Intr value of old company X Swap ratio of old company = Paying amt of new company X Swap ratio of new company

Calculation of intrinsic value

Particulars	K Ltd	L Ltd
Assets		
Goodwill	80,000	
Land & Building	4,50,000	3,00,000
Plant and Machinery	6,20,000	5,00,000
Furn. & F. F. Jgs	60,000	20,000
Share and stocks.	2,25,000	1,40,000
Debtors	9,75,000	1,75,000
Cash in hand	41,375	17,175
Cash at Bank	1,20,000	55,000
less:- Provision for stock	(4500)	(2800)
less:- Provision for debtors.	(6875)	(4375)
5% Debenture	(2,00,000)	
Secured loan		(2,00,000)
Sundry creditors.	(1,00,000)	(2,10,000)
Preference share capital	(4,40,000)	(3,30,000)
	<u>2,62,375</u>	<u>4,60,000</u>
	<u>1,120,000</u>	<u>960,000</u>
No of equity shares	8000	3000
Intrinsic value	140	153.33

Calculation of cash per share

I  

$$= \frac{\text{No of share in old company} \times \text{Value of old company's share}}{\text{No of share in old co.}}$$

$$= \frac{\text{Value of old company} \times \text{Swap ratio of old company}}{\text{No of share in old company}}$$

$$= \frac{\text{Intrinsic value in old company} \times \text{Swap ratio of old company}}{\text{Swap ratio of new company}}$$

In books of K Ltd  
Realization A/c

To goodwill A/c	80,000	By 5% Debent A/c	2,00,000
To land and buil	450,000	By sundy credit A/c	1,00,000
To plant and buildg	6,20,000	By K Ltd	15,60,000
to F & F	60,000	By realization	51,375
To shares & stock	225,000		
To debtors	275,000		
To cash in	41,375		
To bank	1,20,000		
To pref share holder A/c	40,000		

Pref share holder A/c

To preference share in K Ltd	4,40,000	By 7% pref capd	4,00,000
		By realization A/c	40,000
	=		=

K Ltd A/c

To realization A/c	15,60,000	By equity share in K Ltd	10,56,000
		By pref share A/c in K Ltd	4,40,000
		By cash	64,000
	=		=

Equity shareholder A/c

To preliminary expenses	60,000	By equity capital	8,00,000
To equity share in K Ltd	10,56,000	By P&L A/c	4,31,375
To cash	64,000		
To realization A/c (loss)	51,375		
	12,31,375		12,31,375

Dissenting shareholder (B areft)

Those shareholder who do not accept the arrangement of amalgamation are known as ~~decent~~ dissenting shareholders. Before providing shares in the new company on the basis of swap ratio, we have to settle ~~decent~~ dissenting shareholders in cash.

While preparing ledgers for closing the books of accounts of old company following two methods are used:-

- ① Preparing single "equity share holder account" for both assenting and dissenting shareholder.
- ② Preparing separate ledgers "assenting shareholder A/c" and "Dissenting shareholder A/c".

In case of 2nd method ~~assenting~~ dissenting shareholder A/c ledger will be treated in the same manner as preference shareholder A/c.



Note:- Cash is taken by new Co. so expenses for liquidation paid by new Co.

Qno 29 Calculation of Purchase Consideration

Payment To	Payment In	Working	Amount
Prof. share holder	Prof. share	$(50,000 \times 15\% \times 10\%)$	75,000
Dissenting Eq. share holder	Cash	$600 \times 13$	7,800
Assenting eq. share holder	Cash	$(15,000 - 600) \times 2$	28,800
Assent eq. share holder	Equity share	$(14,400 \times \frac{4}{6})$ $(9600 - 30) \times 12$	1,14,840
Assent eq. share holder	Cash	$30 \times 10$	300
Purchase consideration.			<u>2,26,740</u>

Pref share holder A/c		Equity share holders A/c	
To pref share in P/o	75,000	By 15% pref share capital	50,000
		By realization A/c	25,000
7800 + 28800 + 300		To discount share	5000
		To cash	36900
To equity share in P/o	1,14,840	To equity share in P/o	1,14,840
To realization loss	1,08,260	By equity share capital	1,50,000
		By CRR A/c	30,000
		By proposed dividend	15,000
		By dividend equalization fund	10,000
		By insurance fund	40,000
		By workman compensation fund (30,000 - 20,000)	20,000

In the books of V. Company

Realization A/c.		P. Co Ltd	
To goodwill	20,000	By 10% Debenture	1,00,000
To land and building	2,20,000	By workman compensat. liability	10,000
To motor car	25,000	By credits	60,000
To investment	30,000	By O/S wages	10,000
To patent	15,000	By tax provision	25,000
To stock	75,000	By P. Co (P.C)	2,26,740
To insurance policy	50,000	By Realization loss	1,08,260
To debtors	25,000		
To cash	35,000		
To realization A/c	25,000		
Prof. Share holder			

To realization A/c	2,26,740	By cash A/c	36,900
		By pref share in P. Co	75,000
		By equity share in P. Co.	1,14,840
	<u>2,26,740</u>		<u>2,26,740</u>

In the books of P. Company  
(In the name of purchase)

(1) Business Purchase A/c Dr 2,26,740  
To liquidator of V. Co Ltd 2,26,740  
(Being business purchased)

Cash: - 35,000 - 5000 = 30,000  
= ~~36900~~ (6900) : O.D.

Balance sheet of P. Co.

- ② Land and Building A/C Dr 2,20,000  
 Mohr Car A/C Dr 25,000  
 Investment A/C Dr 24,000  
 Intangible Patent A/C Dr 11,250  
 Stock A/C Dr 75,000  
 Insurance Policy A/C Dr 30,000  
 Debtors A/C Dr 45,000  
 Cash A/C Dr 35,000
- ③ To credits 60,000  
 To old wages 10,000  
 To tax provision 25,000  
 To workman compensation 10,000  
 (New liability) To contingent liability ~~10,000~~ 7000  
 To debenture holder 4,00,000  
 To business purchase A/C 22,67,40  
 To capital reserve A/C 26510
- ③ Liq of V Co A/C Dr 22,67,40  
 To Cash 36,900  
 To Pref Share cap<sup>l</sup> A/C 75000  
 To Equity share cap<sup>l</sup> A/C. ~~10,10,60~~ 95700  
 To security premium A/C ~~13,780~~ 19140  
 Cr (9570 X 2).
- ④ Goodwill A/C Dr 5000  
 To Bank (Cash) A/C 5000  
 (Being liq. exp<sup>ns</sup> paid).
- ⑤ Deb holder A/C Dr 1,00,000  
 To 10% Deb A/C 1,00,000

Particulars	Am <sup>t</sup>
Shareholders fund (95700 - 30)	95700
Equity share capital (9570 @ Rs 10 each).	<del>10,10,60</del>
10% Pref Share capital.	75,000
Sec. Premium	<del>13,780</del> 19140
Non-current liabilities Cap Res <sup>n</sup> 2.	<del>30,000</del> 26510
10% debenture. Debenture	<del>1,00,000</del>
Current liabilities	69000
workman compensation fund.	10,000
Creditors	60,000
O/S Wages	10,000
Tax provision.	25,000
Total. <sup>New liability</sup>	<del>3,81,060</del>
<b>Assets</b>	<b>4,35,250</b>
Fixed Assets	
Goodwill.	
Land and Building	2,20,000
Mohr Car	25,000
Investment.	24,000
Patent	11,250
Stock	75,000
Insurance	30,000
Debtors	45,000
Cash Goodwill	<del>5000</del> 35,000
	<b>4,35,250</b>

Note:- Balance sheet बनाने पर  
 At the end see → goodwill → exp<sup>ns</sup> paid  
 Also,  
 See → Cash ← cash should be merged PC & exp<sup>ns</sup>

Updation of accounts / Balance Sheet

Sometimes question may provide balance sheet of old date when amalgamation is happening on current date. All the entries for both old companies and new companies should be made on the basis of current date balance sheet. So, before amalgamation old balance sheet given in the question should be updated to current date. While updating new value of assets and liability should be taken. If balance sheet doesnot match, the difference is either cash / bank or P&L whichever is missing.

Q no 30

Updated Balance Sheet as on 1<sup>st</sup> July 2001

Anand Pat	Anand Ltd	Dany Ltd		Anand Ltd	Dany Ltd
Equity Shares of					
Fixed Assets @ 10 each	3,00,000	2,00,000	Fixed Assets		
Reserves	75,000	50,000	- 950,000 - 2,50,000	2,37,500	1,66,250
Profit and loss A/c	80,000	40,000			
Sundry Credits	18,750	15,000	- 17,500 - 17,500		
			Stock in trade	47,500	37,500
			Debtors	70,000	50,000
			Prelim Exp	5,000	2,500
			Cash & Bank (B.F)	1,13,750	48,750

Working Note No 1 → (a/c of P/L)

	A	D
O/P Balance	37,500	30,000
Current year profit	72,500	30,000
(-) Dividend (10%)	30,000	20,000
Closing Balance	$\frac{1,31,00,000 \times 10\%}{80,000}$	40,000

① Calculation of Intrinsic Value.

	Anand Ltd	Dany Ltd.
Assets-	2,37,500	1,66,250
Stock in trade	47,500	<del>37,500</del> 45,000
Debtors	70,000	50,000
Preliminary expenses	5,000	2,500
Cash and Bank	1,13,750	48,750
Reserve	75,000	1,21,500
Profit and loss A/c	80,000	40,000
Sundry Creditors	(18,750)	(15,000)
	4,50,000	<del>3,80,000</del> 3,07,500
Equity :-	30,000	20,000
	15	15.375

Calculation of purchase consideration

Payment To	Payment In	Working	Am't.
Equity shareholders	Equity shares	$\frac{20,000 \times 15.375}{15}$	205,000
		20,500	
		PC	= 905,000

Journal

Asset	166,250	
Stock	45,000	} No need to put 10,500 goodwill as it will be adjusted
Debtors	50,000	
Cash & Bank	48,750	
	To credit	15,000
	To Purchase consi	205,000
(B.F) To capital reserve		90,000

Show working note for the calculation of goodwill Journal entry given.

112375

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

Balance Sheet of Anad Ltd

Liabilities	Rs	Assets	Rs.
Equity Share of Rs 10 each (20,000 + 30,000)	505,000	Fixed Assets	403,750
Reserves	75,000	Stock	85,000
P&L A/C	80,000	Debtors	1,20,000
Sundry Creditors	8,337.50	Goodwill	72,500
Capital Reserve A/C	90,000	Cash and Bank	164,500
	856,250	Preliminary Expenses	5,000
	686,250		
	78,3750		783,750
∴ Cash and Bank = 5000 - 2500			
			= 2500

Qno 3 Updated Balance Sheet as on 1<sup>st</sup> July 1996.

	Amount		Amount
Share capital (Fully paid share of Rs 10 each)	3,00,000	Goodwill	50,000
General Reserve	85,000	Land Building and Plant (3,20,000 - 1,50,000)	3,05,000
6% Debenture	50,000	Stock in trade	90,000
General Reserve	85,000	Debtor	25,000
P&L A/C	85,000	Creditor	75,000
Add: Profit	20,000	Cash and bank bal.	55,000
Creditor	15,000		

But ya Aka ho Rakho mathe qam ho.

Calculation of purchase consideration.

Payment to	Payment in	Working	Amount
Equity shareholder	Cash	(2.50 x 30,000)	75,000
Equity shareholder	Equity share	$(30,000 \times \frac{3}{2} - 50) \times 12.5$	56,875
Equity shareholder	Cash	50 x 12.5	625
			63,750

P&L profitability ho because ho 20,000 ta usle A lai nai dinu cha.

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

In the books of Btd.  
Realization A/C.

To Goodwill	50,000	By creditors	15,000
To land, building and plant	3,05,000	By 6% debenture A/C	50,000
To stock in trade	90,000	By P&L A/C (liability)	20,000
To Debtor	25,000	By A/Hd Profit Payable	
To cash and bank	55,000	By A/Hd (P.C)	63,750
To Realiz. A/C	1,97,500		

Equity shareholder A/C.

To cash	75,625	By equity share capital A/C	3,00,000
To equity share in A/Hd	56,1875	By general reserve	85,000
		By P&L A/C	55,000
		By realization A/C	1,97,500

A/Hd A/C.

To realization A/C	6,37,500	By cash	75,625
		By equity share in A/Hd	56,1875

In the books of A Ltd

- ① Business Purchase A/c Dr 637,500  
To liquidator of B Ltd 637,500  
(Being business purchased)
- ② Goodwill, Building and Plant A/c Dr 7,00,000  
Stock in Trade A/c Dr 3,05,000 (1,00,000 + 2,05,000)  
Debtor A/c Dr 80,000 (+3,50,000)  
Cash and bank A/c Dr 55,000
- To ~~creditors~~ creditors A/c 15,000  
To debenture holder A/c 60,000  
To profit payable 20,000  
To business purchase 637,500  
To capital Reserve A/c (B.F) 120,500  
(Being assets and liab recorded)

- ③ liquidator of B Ltd A/c Dr 6,37,500  
To Cash 75,625  
To Equity share capital A/c 551,875  
To Security premium A/c 10,000  
44,950  
21,2375

- ④ Debenture holder A/c A/c Dr 60,000  
Discount on issue of share 2,500  
To Debenture A/c 62,500

- ⑤ Goodwill A/c Dr 5000  
To Bank 5000

- ⑥ Profit payable A/c Dr 20,000  
To profit loss A/c 20,000  
(40 merai profit no payable A/cing)

Intercompany holding

Old company (acquiree) and new company (acquirer) may hold shares of each other as investment. In such case it is called intercompany holding.

During amalgamation, intercompany holding is treated as follows:-

- ① Case I :- New company holds shares in old company.  
Purchase consideration is calculated for external share holder only.  
In old company Investment in share of which is currently shown in balance sheet of new company is reversed with entry no 2 of new company and calculate good will / cap-reserve.

② Case II B/S of new company

Investment in old (0. XXXX)

Reverse this investment while taking over asset and liability of old company.

- ③ Case II :- Old company holds share in new company  
In this case, investment in share of new company held by old company will not be taken over by new company while making entry number - 2.

- ④ Case III :- One Old company holds shares of another old company  
① While calculating P.C for particular old company portion of another old company is not considered. It means P.C is calculated for external shareholders only.

(2) While taking over assets and liabilities investment held in the books of both the old companies are not taken over by new company.

Example no 1

	New Co	Old Co
No of share		50,000
Value of share	15	
New company holds share in old company	10,000	
Swap ratio	$\frac{1}{4}$ • Calculate purchase considerations.	

Payment To	Payment in	Working	Amt
Equity shareholder	In equity share	$[50,000 - 10,000] \times \frac{1}{4}$	$\times 15 = 150,000$

Example no 2

	Old Co 1	Old Co 2
No of shares	40,000	30,000
Value of shares	20	12
Old one holds in old 2	5000	-
Old 2 holds in old 1	-	2000

Calculate P.C if value of New company is 15.

(A) P/C for old one

Payment To	Payment in	Working	Amt
Equity shareholder	Equity shares	$[40,000 - 20,000] \times \frac{1}{2}$	$\times 15 = 75,000$
Equity share	Cash	$\frac{50,000 \times 15}{0.67 \times 15}$	10,05,11
			76,000

P/C for old 2

To	In	Working	Amt
Equity share/holder	Equity	$[(30,000 - 5,000) \times \frac{12}{15}] \times 15$	3,00,000
		P/C	3,00,000

Example no 3

	Old 1	Old 2
S. Assets	5,00,000	8,00,000
S. liability	1,00,000	3,00,000
Old one holds in old two	3000	3000 -
Old 2 holds in old 1	-	4000
Number of share	40,000	35,000
Calculate P/C.		

Total Assets	Old 1	Old 2
	5,00,000	8,00,000
(-) liability	1,00,000	3,00,000
	4,00,000	5,00,000
No of shares	40,000	35,000
Value of the company	10	14.285.
P/C (External) Old 1	$\frac{40,00,000 (40,000 - 4,000)}{40,000}$	
	= 3,60,000	
P/C (External) Old 2	$3,00,000 (35,000 - 3,000)$	
	35,000	
	= 4,57,142.857.	

Bonus share to be issued by better ltd.  
 $Bonus = 10 \times \frac{1}{2}$   
 = 5 lakhs.

(a) Reserve and Surplus A/c Dr 5.  
 To bonus issued to equity shareholder A/c 5  
 (Being bonus declared.)



3000 because Bonus share issued 2000 share payo  
 jasma 2 to bonus total 2000 + 1000 = 3000  
 Page No. 10

(b) Bonus issued to equity shareholder A/c Dr 5  
 To equity share capital A/c 5  
 (Being bonus share issued).

(2) Calculation of purchase consideration

To	Payment In	Working	Am't
Equity shareholder	equity shares	$(15,000 - 3,000) \times \frac{100}{150}$	$= 12,00,000$
			Nil = 12,00,000

299 20  
 111 111  
 or equity director  
 make note in  
 diwan ni

(3) In the books of better ltd  
 Realization A/c

To fixed assets	15	By other liability	2
To current Assets	5	By best ltd	12
	=	By realization loss	6
			=

Equity shareholder A/c

To equity share in best ltd	12	By equity share capital A/c	15
To realization A/c	6	By reserve and surplus	3
	=		=

Equity shareholder A/c Best ltd A/c

To realization A/c	12	By equity share in best ltd	12
	=		=

22 = Case I  
 → P/G मा एकाउने New company ले hold गर्ने shares  
 → Entry no 2 मा investment Reverse side ani matra  
 In the books on best ltd (capital reserve goodwill)  
 Best ltd (In the nature of merger)

(a) Business merger A/c Dr 12  
 To liquidator of Better ltd 12  
 (Being business merged)

(b) Fixed Assets A/c Dr 15  
 Current Assets A/c Dr 5  
 To other liability 2  
 To reserve and surplus 3  
 To business investment 3  
 To business merger 12  
 (Being assets and liability taken over)

(c) Liquidator of better ltd A/c Dr 12  
 To equity share capital A/c 8  
 To security premium A/c 4

(d) Other liability A/c Dr 1  
 To current assets 1

(e) Stock reserve

Any unrealized profit in the stock held in the group should be eliminated as follows:-

PIL / General reserve A/c Dr  
 To stock / stock reserve A/c

$$50,000 \times 20\% = 10,000$$

Reserve and surplus A/c Dr 10,000  
 To stock reserve A/c 10,000

Balance Sheet of Best Ltd

		(after amalgamation)	
Equity share capital [20+8]	28	Fixed assets (25+5)	40
Reserve and surplus [10+3+4-0.1]	16.9	Investment	2
Other liability [20+2-1]	21	Current assets [20+5+1]	24
Stock reserve	0.1		
	<u>66</u>		<u>66</u>

Qno 23 Calculation of Purchase Consideration

Payment To	Payment In	Working	Amt
Equity shareholder of A Ltd	Equity shares	$(5,00,000 \times \frac{18}{16}) \times 16$	18,00,000
Equity shareholder of B Ltd	Equity shares	$\left\{ \frac{(60,00,000 - 5,00,000) \times 20}{16} \right\} \times 16$	11,00,000

Number of shares to be issued:-  
 $A = 18,00,000 / 16 = 112,500$   
 $B = 11,00,000 / 16 = 68,750$  shares.

(ii)

Realisation A/C Dr	24,40,000	
To Land/B A/C	9,00,000	
To Plant and mach	5,00,000	29,40,000
To investment	80,000	
To Stock	5,20,000	
To debtor	4,10,000	
To cash at bank	3,90,000	

(Being assets h/d to realisation A/C)

(iii) 10% Debenk A/C Dr 5,00,000  
 Sundry creditor A/C Dr 2,60,000  
 To realisation A/C 7,60,000  
 (Being liab h/d to realisation A/C)

(iii) Equity share capital A/C 10,00,000  
 Share premium A/C Dr 2,00,000  
 G. Reserve A/C Dr 3,00,000  
 P/L loss A/C Dr 1,80,000  
 To equity share holder A/C 16,80,000

(iv) AD Ltd A/C Dr 18,00,000  
 To realisation A/C 18,00,000  
 (Being PC raised)

(v) Equity share in AB Ltd A/C Dr 18,00,000  
 To AB Ltd 18,00,000  
 (Being PIC realised)

(vi) Equity share holder A/C Dr 18,00,000  
 To equity share in AB Ltd 18,00,000

(vii) Realization A/C Dr 120,000  
 To 99 - shareholder A/C 120,000

In the books of AB Ltd

(i) Business purchase A/C Dr 29,00,000  
 To liquidator of A Co 18,00,000  
 To liquidator of B Co 11,00,000  
 (Being business purchased.)



Entry no 3  $(1,00,000 \times \frac{18}{16})$   
 $112500 \times 6$   
 $= 6,75,000$

Date \_\_\_\_\_  
 Page No. \_\_\_\_\_

(2) Land and Building A/C Dr 13,50,000  
 Plant and machinery A/C Dr 8,80,000  
 Stock A/C Dr 8,70,000  
 Debtor A/C Dr 6,70,000  
 Cash at Bank A/C Dr 70,000  
 Goodwill A/C Dr 3,50,000  
 To debenture holder 5,00,000  
 To second loan 3,00,000  
 To S. credits 4,30,000  
 To Business purchase A/C 29,00,000  
 To contingent liability 60,000

(3) Liquidator of A Co A/C Dr 18,00,000  
 Liquidator of B Co A/C Dr 11,00,000  
 To equity shares in AB Ltd ~~29,00,000~~ 18,12,500  
 To security premium 1,08,750  
 (6,75,000 + 1,12,500)

(4) Debenture holder A/C Dr 5,00,000  
 To Debenture A/C 5,00,000

Balance Sheet of AB Ltd

Equity share capital (181250 share @ 10 each)	18,12,500	Land and building	13,50,000
Share premium	1,08,750	Plant and machin	8,80,000
General Profit	2,00,000	Stock A/C Dr	8,70,000
	-3,6	Debtor A/C Dr	6,70,000
10% Debenture	5,00,000	Cash at Bank A/C Dr	70,000
Second loan	3,00,000	Goodwill A/C Dr	3,50,000
New liability	60,000		
S. credit	4,30,000		
	<u>33,02,500</u>		<u>41,99,000</u>
	<u>41,00,000</u>		

21675 → Total amount ek arkalai own jarat ✓  
 not ki 21675 star le moon lai  
 21675 moon le star lai X

Date \_\_\_\_\_  
 Page No. \_\_\_\_\_

Q no 24

Statement showing amount of debenture and shares to be issued

	Star	Moon
(a) Shares		
Average profit	$\frac{224788 + 1250 + 188962}{3}$	$\frac{136950 + 17050 + 119200}{3}$
Distribution of 30,000 equity shares of Nephne Ltd	13750	16250
Value per share	5	5
Amt of equity share	68750	81250

(b)

	Star	Moon
Debenture Capital employed		
Fixed Assets	3,25,000	1,95,000
Current Assets	149,750	78,875
(less) :- Current liability	2,98,500	90,125
Capital employed	2,06,250	1,83,750
(8%) - return	16,500	14,700
Debentures to be issued	16,500	14,700
	15%	15%
	= 1,10,000	98,000

Balance Sheet of Nephne Ltd (After amalgamation)

Equity shares (30,000 @ 5)	1,50,000	Fixed Assets (3,25,000 + 1,95,000)	5,20,000
Capital reserve	32,000	Current Assets	
15% Debenture	20,800	(1,49,750 + 78,875 - 21,675)	2,06,950
Current			
(2,98,500 + 90,125 - 21,675)	3,66,950		
	<u>7,56,950</u>		<u>7,89,950</u>

Working note no-1

① Goodwill / Capital Reserve

Fixed Assets 550,000  
Current Assets 206,950  
Loss: - C.L → 366,950  
less: ~~debt~~ holder P/C ⇒ 3,58,000  
Capital reserve 32,000

Q no 25 Statement showing amount of debenture and shares to be issued

	P	Q
(a) Shares.		
Average profit	475,000	512,500
	2	2
	= 237,500	= 262,500
<del>262,500</del> × 24,000 <del>250,000</del> Distribution of 24,000 equity shares	114,000	126,000
value per share.	25	25
Am't of shares :-	28,500	31,500 = P

	P (P)	Q
(b) Debenture		
Capital employed.		
Fixed Assets :-	525,000	6,75,000
less: Current Assets - Fixed Asset :-	77,500	6,48,000
Current Assets :-	1,63,500	1,58,600
(less) liability	(6,23,500)	(5,57,600)
Capital employed	840,000	9,24,000
Prof share to be issued	840,000	9,24,000
	12%	12%
	= 7,00,000	= 7,70,000
	= 840,000 × 8%	= 9,24,000 × 8%
	67200	73920
	12%	12%
	= 5,60,000 + 6,16,000 = P	

Balance Sheet of P & Q Ltd

Equity shares (24,000 × 25) 6,00,000	Fixed Assets 12,00,000 525,000 + 675,000
12% Pref Share. 1,17,60,000	Buildings 14,23,000 7,75,000 + 6,48,000
Current liabilities 11,31,700	Current Assets 2,72,100 (3,22,100 - 50,000)
(11,81,100 - 50,000)	Goodwill 14,000
Goodwill 20,000	<u>2,90,9,100</u>
<u>2,90,9,100</u>	

WN no-1

Plant and Mach - 12,00,000	
Building - 14,23,000	total bts wrong
Current Assets - 2,81,100	3,22,100
less: C.L 6,23,500	11,81,700
less: P/C 177,600	
	<u>12,000</u>
	<u>2,000</u>
	Total. 14,000

WN-no 2:-

10,000 × 20% = 20,000  
This would be transferred to P/L A/C but as we don't have P & L this will remain as a goodwill.

## Internal Reconstruction (Sick)

Reconstruction is a process by which affairs of the company are reorganized by

- (a) Revaluation of assets
- (b) Reassessment of liability
- (c) By writing off losses (By reducing capital)
- (d) By reducing loans and debentures

The main objective of reconstruction is to re-organize the capital and creditor of the company to affect the economies. Such a process is known as internal reconstruction.

Following are the difference between internal reconstruction and external reconstruction:

Particulars	Internal Reconstruction	External Reconstruction
(1) Liquidation	Existing company is not liquidated.	The existing company is liquidated.
(2) Formation	No new company is formed but only rights of shareholders & creditors are changed.	New company is formed to take over the liquidated company.
(3) Reduction of capital	There is a certain reduction of capital and sometimes even outside liability may have to reduce their claim.	There is no reduction of capital. In fact there is a fresh share capital of the company.

### Journal entries for reconstruction

Step (1) At first revalue assets and liabilities, write off losses so that total loss to be born by shareholders and creditors are determined.

- (a) Increase in value of assets  
Assets A/c Dr  
    To capital reconstruction A/c
- (b) Decrease in value of assets  
Capital reconstruction A/c Dr  
    To Assets A/c
- (c) Increase in liability  
Capital reconstruction A/c Dr  
    To liability A/c
- (d) Decrease in liability  
Liability A/c Dr  
    To capital reconstruction A/c
- (e) Recording reconstruction expenses  
Capital reconstruction A/c Dr  
    To Cash / Bank A/c
- (f) Write off all the losses even if the question is silent.

Item of losses are:-

- (i) P & L (Debit Balance)
- (ii) Preliminary expenses
- (iii) Discount on issue of share / debenture
- (iv) Goodwill
- (v) Brands - Intangible assets.
- (vi) Any other fictitious assets

Note:- Capital reconstruction A/c can be written as capital reduction A/c or reconstruction A/c.

Step 2:- Apply methods of internal reconstruction after determining total loss as per step no-1.

मूल्य → Face value  
 पुरातन → Paid up value

(i) Reduction of liability claim  
 Liability A/C Dr  
 To capital reconstruction A/C

(ii) Alteration of capital and reduction of capital  
 (a) Alteration of capital

When structure of shares are changed without changing the paid up capital then it is called alteration of capital.

\* Consolidation or Breakup of shares

Equity share capital A/C Dr (Old face value)  
 To equity share capital A/C (New face value)

\* Conversion of shares in stock and vice-versa.

Share-capital A/C Dr  
 To stock-capital A/C

OR (stock bata share ma aada) ↓

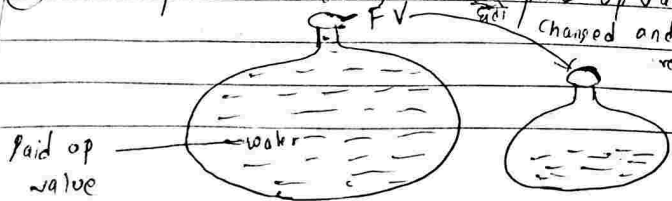
Stock - capital A/C Dr  
 To share capital A/C

Note:- Please note that amount in case of above journal entries is paid up value of the shares. So, there is no reduction in capital. same mat

(b) Reduction of share capital  
 When only paid up value is reduced :- (मूल्य कम होना पता मात्र पता)

Equity share capital A/C Dr  
 To capital reconstruction A/C

(c) Both face value changed and paid up value reduced  
 changed and water level also reduced



Equity share capital A/C Dr (Old Paid-up value)  
 (Old Face Value)

To equity share capital A/C (Reduced New  
 (New Face Value) Paid-up value)

To capital reconstruction A/C xxx x  
 (Reduction)

Step 3 => At last capital Reconstruction A/C shall be treated as follows

A/C tallies (no balance)

Capital Reconstr has debit balance

Thank God

Set off the loss with

- (a) Sec premium A/C X
- (b) Capital Reserve
- (c) General Reserve
- (d) P & L

Note:- If above mentioned items are not available for set-off show capital reconstruction A/C under reserve and surplus in negative value.

Capital Reconstruction has credit balance

T/F to capital reserve.

Q no 1

In the Books of Rocky Ltd (In lakhs)

Date  
Page No.Date  
Page No.

Particulars	Amt (Dr)	Amt (Cr)
(1) Equity share capital A/C Dr (Rs 10 each)	500	
To equity share capital A/C (Rs 2 each)		125
To capital reconstruction A/C		375
(Being face value and paid up value of equity share reduced)		
(2) Directors remuneration O/S A/C Dr	10	
To capital reconstruction A/C		10
(Being directors remuneration forgone)		
(3) 12% Debenture A/C Dr	400	
To 13% Debenture A/C		400
(Being interest rate of debenture changed)		
(4) Debenture interest O/S A/C Dr	48	
To capital reconstruction A/C		48
(Being debenture interest forgone)		
(5) Bank A/C Dr	125	
To equity share capital A/C (Rs 2.50 each)		125
(Being fresh issue of share)		
(6) Trade creditor A/C Dr	165	
To equity share capital A/C		65
To cash/bank		80
To capital reconstruction A/C		20
(Being creditors paid)		
(7) Land and Building A/C (Dr)	46	
Capital reconstruction A/C Dr		459
To Plant and Machinery	66	66
To stock A/C		22
To debtor A/C		4
To G.W		15
To discount on issue of debenture		8
To Profit & loss A/C		390

(Capital Reconstruction A/C)

To plant and mach.		Directors remuneration O/S A/C	10
To stock A/C		Debenture interest O/S A/C	48
To sundry assets	459	Trade creditor	20
		By equity share capital	375
		By capital reserve A/C	6
(8) Capital Reserve A/C Dr	6		
To capital reconstruction A/C	6		
(Being capital loss in cap reconstruction settled)			

Balance Sheet of Rocky Ltd & Reduced  
As at March 31<sup>st</sup> 2002

Liabilities	Rs (In lakh)
Fully paid equity share of Rs. 2.50 each. (125 + 125 + 65)	315
Capital reserve	0
13% Debenture	400
Trade creditor	-
Other O/S expenses	11
Provisions	33
	<hr/> 759
Assets	
Land and Building	230
Plant and Machinery	220
Stock	120
Debtor	76
Furniture and Fixtures	41
Cash at Bank (27 + 125 - 80)	72
	<hr/> 759

Qno 2

In the books of ABC Ltd

(i)	<del>Share holder A/c Dr</del> To <del>11% Debenture</del>		
(ii)	Share capital A/c Dr	600,000	
	To capital reconstruction A/c		420,000
	To 11% Debenture A/c (6,00,000 x 10%)		1,80,000
	(Being		
(iii)	9% Debenture A/c Dr	12,00,000	
	To Plant and Machinery A/c		9,00,000
	To capital reconstruction A/c		3,00,000
(iii)	Sundry creditor A/c Dr	5,92,000	
	To stock A/c		5,00,000
	To cap. reconstruction A/c		92,000
(iv)	Cap reconstruction A/c Dr	13,000	
	To investment A/c		13,000
(v)	Bank A/c Dr	3,00,000	
	To 11% Debenture A/c		3,00,000
	(Being fresh debenture issued)		
(vi)	Bank overdraft A/c Dr	1,50,000	
	To Bank		1,50,000

Qno 3

In the books of MIS Platinum Ltd ₹ 5,00,000

(1)	Share final call A/c Dr	1,00,00,000	
	To equity share capital A/c (1,00,000 x 10)		69,00,000
	To cap. recon. A/c		1,00,00,000
	(Being final call made)		
(2)	Bank A/c Dr	10,00,000	
	To share final call A/c		10,00,000
	(Being final call received)		
(3)	Equity share capital A/c Dr (₹ 50 each)	75,00,000	
	To equity share capital A/c (₹ 40 each)		75,00,000
(4)	Bank A/c Dr	12,50,000	
	To equity share capital A/c (₹ 40)		12,50,000
	(Being fresh issue of share made)		
(5)	Trade creditor A/c Dr	12,40,000	
	To equity share capital A/c		7,50,000
	To cash A/c		3,43,000
	(BF) To capital reconstruction A/c		1,47,000
	Bank A/c Dr		
(4)	8% Debenture A/c Dr	3,00,000	
	12% Debenture A/c Dr	2,00,000	
	To capital reconstruction A/c		2,00,000
	To 15% Debenture A/c		5,00,000
	(Being debenture of Mr. Shir settled)		
(5)	Bank A/c Dr	1,00,000	
	To 15% Debenture A/c		1,00,000
	(Being fresh equity issued)		

$(2 \times 397000 - 50,000 - 147800) = 51,000$   
 $(20,00,000) = 5,00,000$

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 Date \_\_\_\_\_  
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Date \_\_\_\_\_  
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(6)

8% Debenture A/C	1,00,000
12% Debenture A/C	2,10,000
To 15% Debenture A/C	2,50,000
To cap. reconstruction A/C	50,000
Capital Reconstruction A/C Dr	2,26,900
	2,39,700

(7)

Land and Building A/C Dr	9,14,000
Stock A/C Dr	30,000
To machinery A/C	1,30,000
To computers A/C	1,20,000
To stock A/C	30,000
To Debt A/C	9,81,000
To goodwill A/C	22,00,000
To P&L A/C	7,82,000

(8)

Div Expense A/C Dr	10,60,000
To Bank	10,60,000

Balance Sheet

Capital Reconstruction A/C.

Capital res. A/C Dr 5 lakh  
 To capital reconstruction A/C 5 lakh

Balance Sheet of ABC Ltd.

Liabilities	Amt	Assets	Amt
Equity share capital (60,00,000 + 7,50,000) + 12,50,000)	80,00,000	Plant and Machinery	7,20,000
15% Debenture (2,50,000 + 1,00,000) + 5,00,000)	8,50,000	Land and Building	51,84,000
		Computers	4,00,000
		Stock	3,50,000
		Debtors	10,90,000
		Cash at Bank	9,81,000
		(2,68,000 + 10,00,000 + 12,50,000 + 1,00,000)	12,15,000
88,50,000		88,50,000	

Q no 33 Calculation of purchase consideration

Payment To Equity shareholder	Payment In equity shares	Working $\left\{ \frac{10,000 \times 10}{2} \right\} \times 10$	Amount 500,000
		P/C	5,00,000

Cash  $\frac{10,000 \times 10}{2} = 50,000$

Calculation of intrinsic value

Assets	A Ltd	B Ltd
Goodwill Fixed Assets	8,80,000 - 80,000	8,00,000
Current Assets	9,00,000	8,60,000
less liabilities		
Unsecured loans	2,00,000	5,00,000
Current liabilities	3,10,000 + 40,000	3,60,000
Amount available for equity holder	12,70,000 - 5,00,000	1,00,000
No of equity shares	10,000	80,000
Intrinsic value	115	200

Cash per share =  $\frac{\text{No of share in old comp} \times \text{Intrinsic value of old comp} + \text{No share in new comp} \times \text{Value in new comp}}{\text{No of share in old company}}$

$= \frac{2 \times 115 + 80 \times 200}{2}$

$= \frac{16,200}{2} = 8,100$

Since cash per share is in negative it is ignored.

Balance Sheet of Bhd (After absorption)

Share capital		Fixed Assets	24,00,000
Issued share capital (8,00,000 + 5,00,000)	13,00,000	8,00,000 + 16,00,000	
Reserve and Surplus	8,00,000	Current assets	17,60,000
Secured loans	5,00,000	Loans (9,00,000 + 8,60,000)	
Unsecured loans	2,00,000		
Current Liab			
Creditors (3,10,000 + 3,60,000)	6,70,000		
Arrears of dep <sup>n</sup>	40,000		
Capital Reserve	650,000		
	41,60,000		41,60,000

Other assets 8,80,000

WN

Fixed Assets	9,00,000
(Less: Dep <sup>n</sup> 40,000)	
Less: Goodwill (80,000)	
SI creditor	3,10,000
Unsecured loan	2,00,000
PIC	5,00,000
Capital reserve	<del>7,70,000</del> 650,000

Surrender of shares

Sometimes equity and preference shareholders may surrender their shares to the company under the arrangement of internal reconstruction. Such surrendered shares may be re-issued to creditors or debenture holders for settlement of their claim.

Journal entries

(a) For surrender of shares

Equity / preference share capital A/C Dr  
 To equity share surrender A/C  
 To preference share surrender A/C

(b) Conversion of equity share surrender to preference share surrender

Equity share surrender A/C Dr  
 To Preference share surrender A/C

(c) For settlement of debentures and creditors.

(i) For settlements/waiver of liability  
 liability A/C Dr (Debenture, creditor, loan)  
 To capital reconstruction A/C

(ii) For reissue of shares out of share surrender A/C  
 Equity/Pre Share surrender A/C Dr  
 To equity share capital A/C  
 To pref. share capital A/C

(d) For cancellation of outstanding balance in share surrender A/C  
 Share surrender A/C Dr  
 To capital reconstruction A/C

Note:- Entry for cancellation is made ~~if~~ if even if question is silent.

Q no 4

(1) Equity share capital A/C Dr (₹ 20 Rs 10 each) 3,00,000  
 To equity share cap. A/C (₹ 20 Rs 2 each) 3,00,000

(Being value of equity share/capital reduced)

(2) Equity share capital A/C 2,70,000  
 To equity share surrender A/C 2,70,000

(Being equity shares surrendered)

(3) ~~Dividend~~ Note:- There will be not only for cancellation of right to arrears to dividend because it is contingent liability and contingent liability can't be cancelled (never raised why can't)



④	8% preference share capital A/C Dr To 9% pref. share capital A/C	2,00,000 2,00,000	
⑤	Sundry creditors A/C Dr ( $300,000 \times \frac{1}{5}$ ) To capital reconstruction A/C (Being sundry creditor waived)	60,000 60,000	
⑥	Equity share surrender A/C Dr To equity share capital A/C (Being share issued in settlement of waived creditor balance.)	<del>60,000</del> 35,000 35,000	
⑦	Capital reconstruction A/C Dr To goodwill A/C To plant A/C To tools A/C To s/debtor A/C To stock A/C To preliminary Exp A/C To P & L A/C	33,000 50,000 40,000 8,000 15,000 20,000 5,000 2,00,000	
⑧	Capital reconstruction A/C Dr To Bank / Cash	10,000 10,000	
⑨	Bank A/C Dr ( $50,000 \times 2$ ) To equity share capital A/C	1,00,000 1,00,000	
⑩	Unsecured loan A/C Dr O/S expenses A/C Dr To capital reconstruction A/C	50,000 20,000 70,000	

⑪	Equity share surrender A/C Dr To capital reconstruction A/C (Being unutilised equity share cancelled)	2,35,000 2,35,000	
⑫	Capital reconstruction A/C Dr To Plant A/C	17,000 17,000	

and Reduced  
Balance Sheet of R Ltd. as on 31-12-2000

Liabilities	Amt	Assets	Amt
Authorized Subst. (3,00,000 - 2,70,000) Equity shares of Rs 100 each	30,000	Plant (3,00,000 - 40,000 - 17,000)	2,43,000
+35,000 + 1,00,000		Loose tools (10,000 - 8,000)	2,000
9% cumulative pref. share of Rs 100 each	2,00,000	S/D Debtor (250,000 - 15,000)	2,35,000
Share premium	90,000	Stock (150,000 - 20,000)	1,30,000
Sundry Creditor (3,00,000 - 60,000)	2,40,000	Cash (10,000 - 10,000)	0
O/S Expenses	50,000	Bank (35,000 + 1,00,000)	1,35,000
	<u>7,45,000</u>		<u>7,45,000</u>

Q no 5

$10,000 \times (20) \times 5$

①	Equity share capital A/C (F.V = 100 each) To equity share A/C (F.V = 5 each)	10,00,000 10,00,000	
②	Equity share capital A/C Dr To equity share surrender A/C	9,50,000 9,50,000	

Debenure holder → short term = current liability

Equity share  
To pref. share

Date \_\_\_\_\_  
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③	Equity share surrender A/C Dr (46000x5)	2,30,000	
	To preference share surrendered A/C		2,30,000
④	6% Debenture A/C Dr	14,00,000	
	Accrued interest A/C Dr	70,000	
	To 6% Debenture A/C	20	2,30,000
	To capital reconstruction A/C		12,40,000
⑤	Preference share surrendered A/C Dr	2,30,000	
	To 10% <sup>cont. interest</sup> pref share capital A/C		2,30,000
⑥	Share Trade Creditors A/C Dr (80%)	3,72,000	
	To capital reconstruction A/C		3,72,000
⑦	Trade Creditors A/C Dr	93,000	
	To capital reconstruction A/C		93,000
⑧	Equity share surrender A/C Dr	93,000	
	To equity share capital A/C		93,000
⑨	Capital reconstruction A/C Dr	20,15,000	
	To fixed assets A/C	10,00,000	1,01,00,000
	To P/L A/C		10,15,000
⑩	Equity share surrender A/C Dr	1,37,000	
	To capital reconstruction A/C		1,37,000
⑪	Capital reconstruction A/C Dr	3,17,000	
	To Capital reserve A/C		3,17,000

6,22,000

Date \_\_\_\_\_  
Page No. \_\_\_\_\_

①	Equity share capital A/C Dr (Rs 100 each)	1,00,00,000	
	To equity share share capital A/C (Rs 40 each)		40,00,000
	To capital reconstruction A/C		60,00,000
②	Preference share capital A/C Dr (Rs 100 each)	50,00,000	
	(Rs 60 each) To pref share capital A/C		30,00,000
	To capital reconstruction A/C		20,00,000
③	10% Debenture A/C Dr	40,00,000	
	To 12% Debenture A/C		40,00,000
④	12% Debenture A/C Dr	40,00,000	
	To <sup>debt</sup> <sup>surrender</sup> capital reconstruction A/C		40,00,000
⑤	Debenture surrender A/C Dr	40,00,000	
	To 12% debenture A/C	28,00,000	
	To capital reconstruction A/C		12,00,000
⑥	Trade creditor A/C Dr (20,00,000 x 40%)	8,00,000	
	To capital reconstruction A/C		8,00,000
⑦	Equity share capital		
	Trade creditor A/C Dr (30,000 x 40)	12,00,000	
	To equity share capital A/C		12,00,000
	Fixation		9,50,000
⑧	Capital reconstruction A/C Dr	10,80,000	1,59,000
	To fixed assets	37,50,000	
	To current assets	55,60,000	99,000
	To investment A/C	9,50,000	50,000
	To P/L A/C	6,00,000	
	Taxation		20,000

(7) Capital reconstruction A/C Dr 50,000  
To capital reserve 50,000

Cap. Reconstruction A/C

To S. assets	98,50,000	By equity share	60,00,000
To liability	50,000	By 12% pref. share	20,00,000
To Investments	50,000	By 10% Debenture	12,00,000
To reserve	50,000	By creditor	8,00,000

Balance Sheet & Reduced  
As on 31st/03/2012

Liabilities	Rs	Assets	Rs
Equity share of 40 each	52,00,000	Fixed Assets	87,50,000
12% Cum Pref. Share 60 each	30,00,000	Investment	950,000
12% Debenture of 70 each	28,00,000	Current Assets	45,00,000
S. creditor	30,00,000	Capital	50,000
Provision for taxation	1,50,000	Reserve	
	1,10,000		
	1,42,50,000		1,42,50,000

(a) Equity share capital A/C Dr (FV of Rs 100) 10,00,000  
To equity share (FV of Rs 10) capital A/C 10,00,000

(b) Equity share capital A/C Dr 5,00,000  
To equity share surrender A/C 5,00,000

(c) Equity share surrender A/C Dr 1,00,000  
To 12% pref. share surrender A/C 1,00,000

(d) 12% Debenture holder A/C Dr 2,00,000  
Accrued Interest A/C Dr 24,000  
To 12% Debenture A/C 56,000  
To Capital Reconstruction A/C 1,68,000

(d) Pref share surrender A/C Dr 1,00,000  
To 12% pref share capital A/C 1,00,000

(e) Creditor A/C Dr 36,000  
To capital reconstruction A/C 36,000

(f) Creditor A/C Dr 36,000  
To capital reconstruction A/C 36,000

(g) Equity share surrender A/C Dr 36,000  
To equity shareholder A/C 36,000

(h) Capital reconstruction A/C Dr 6,00,000  
To P/L A/C 6,00,000

(i) Equity share surrender A/C Dr 3,64,000  
To cap reconstruction A/C 3,64,000

(ii) Capital reconstruction A/C Dr 4,000  
To capital reserve 4,000

B/S and reduced of Revised H/d as at 31st March.

Liabilities	Rs	Assets	Rs
Equity share of 10 each	5,00,000	Machineries	1,00,000
		Plant	
		Stock	3,20,000
		Debtor	2,70,000
		Bank	30,000
12% Pref share A/C	1,00,000		
(+ 60,000 + 1,00,000)			
+	24,000		
	7,24,000		
Capital Reserve	7,24,000		7,20,000

Journal Entries in the books of R Ltd

- Q no 8
- ① Share final call A/C Dr 1,60,000  
<sup>(64,000 × 2.5)</sup>  
 To equity share capital A/C 1,60,000  
 (Being equity share final call made)
  - ② Bank A/C Dr 1,60,000  
 To share final call A/C 1,60,000  
 (Being final call received).
  - ③ 8% cum. pref share capital A/C Dr 6,40,000  
 (FV = Rs 10 each)  
 (64,000 × 7.5)  
 To 10% cum pref share capital A/C 4,80,000  
 To capital reconstruction A/C 1,60,000
  - ④ Equity share capital A/C Dr (FV = 10 each) 6,40,000 (1011 + Normal)  
 To equity share capital A/C (64,000 × 2.5) 1,60,000  
 (B.F) To capital reconstruction A/C 4,80,000.

d) Here,  
 Q Ltd is not a quoted company so value of its share is calculated as follows:-

Value of share = $\frac{\text{Earning after tax}}{\text{Capitalization rate}}$
= $\frac{2,50,000 \times 15\%}{12\%}$
= <del>20</del> 3,12,500

Reduction in investment = 3,24,000 - 3,12,500  
 = 11,500

Capital reconstruction A/C Dr 11,500  
 To Investment A/C 11,500

e) Capital reconstruction A/C Dr 64,000  
 To provision for bad debt A/C 64,000

- f) Capital reconstruction A/C Dr 3,66,000  
<sup>Free holder premises 2,40,000</sup>  
<sup>Stock A/C 1,20,000</sup>  
 To intangibles 2,00,000  
 To plant 1,00,000  
 To P&L freehold premises 4,40,000  
 To deferred revenue expendi 48,000
- g) Loan from directors A/C Dr 60,000  
 To equity share capital A/C 60,000
- h) Number of shares =  $64,000 + 24,000 \left(\frac{60,000}{2.5}\right) = 88,000$   
 Shares to be issued =  $(88,000 \times 2) \times 2.5 = 4,40,000$
- i) Bank A/C Dr 4,40,000  
 To equity share capital A/C 4,40,000
- j) Number of preference share to be issued =  $(64,000 \times \frac{1}{1}) \times 7.5 = 1,20,000$   
 Bank A/C Dr 1,20,000  
 To 10% pref share A/C 1,20,000.
- k) Capital reconstruction A/C Dr 2,56,100  
 To capital reserve A/C 2,56,100

B/S and reduced of R and Reduced

Share capital Authorized	14,00,000	Intangible	48,000
Issued (60,000 + 24,000) 10% cum pref share of Rs 7.5 fully paid	6,00,000	Free hold premises	3,80,000
(64,000 + 24,000 + 1,76,000) equity share of Rs 2.5 each fully paid	6,60,000	Plant	1,40,000
Capital reserve A/C (credit)	2,56,100	Investment in shares in R Ltd	31,250
	4,40,000	Stock	2,50,000
		Debtor 3,20,000	31,560
		(-1) Provision 6,400	
		Bank 7,20,000	512,000
		(-) O.D 2,08,000	
	19,56,100		19,56,100

Q no 9 (1) (FV = Rs 100 each)  
 8% Preference share capital A/C Dr 200  
 (FV = Rs 20 each) To 8% pref. share capital A/C 160  
 To capital reconstruction A/C 40

(2) Equity share capital A/C Dr 500  
 To equity share capital A/C 100  
 To capital reconstruction A/C 400

(3)

(In lakhs)

Except for business purpose because if we buy it and sell it then we can claim for it.

- (i) Beverages excluding water → No credit allowed in total tax no credit
- (ii) Alcoholic mix item → no tax credit.
- (iii) Petrol for motor vehicle → no credit but diesel for vehicle. (Petrol for generation) etc
- (iv) Entertainment expenses → for example :- movie.

Partial Tax credit

Automobiles → 2 प्रकार के होते हैं -  
 40% of Total tax → allowed (Passenger Car)  
 60% of Total tax → not allowed  
 → no tax