



# AMALGAMATION OF COMPANIES

T.Y.B.COM (SEMESTER-VI)

UNIVERSITY OF MUMBAI

LECTURE No. 5 (31/05/2020)

LEDGERS AND JOURNAL ENTRIES IN THE BOOKS OF VENDOR CO.

By

Asst. Prof. (Dr.) Eknath K. Zhrekar

Mahatma Night Degree College of Arts and Commerce,  
Chembur

M.Com, NET, GDC&A, Ph.D, CMA (Inter)

## October 2015

Following is the summarized Balance Sheet of Kartik Ltd. As on 31<sup>st</sup> March 2015.

| Liabilities                       | Rs        | Assets                        | Rs        |
|-----------------------------------|-----------|-------------------------------|-----------|
| Equity Share Capital (Rs.10 each) | 10,00,000 | Intangible Assets             | 1,00,000  |
| General Reserve                   | 20,000    | Tangible Fixed Assets         | 8,40,000  |
| Debentures                        | 2,00,000  | Current Assets                | 2,20,000  |
| Creditors                         | 1,00,000  | Profit and Loss Acc (Dr. Bal) | 1,60,000  |
|                                   | 13,20,000 |                               | 13,20,000 |

On the above date, Ganesh Ltd agreed to take over the business of Kartik Ltd, on the following terms:

1. The intangible assets, tangible fixed assets and current assets of Kartik Ltd. Are taken over at Rs.10,00,000. The liabilities including debentures, are taken over at book value.
2. The purchase price is to be paid one-quarter in cash and balance in equity shares of Rs.10 each at par.
3. Liquidation expenses amounted to Rs.600, agreed to be paid by Kartik Ltd.
4. The takeover is in the nature of purchase.

You are required to:

- a. Calculate purchase consideration and
- b. Prepare necessary ledger accounts to close the books of Kartik Ltd.

**Solution:**

| Which ledgers to be prepare?   | Steps to be followed  |
|--|---|
| <ul style="list-style-type: none"> <li>➤ Realization Account</li> <li>➤ Equity shareholder Account</li> <li>➤ Preference shareholder Account (if reqd.)</li> <li>➤ New Company Account</li> <li>➤ Equity shares in Purchasing Co</li> <li>➤ Preference shares in New Co (if reqd)</li> <li>➤ Cash/ Bank (if reqd)</li> </ul> | <ol style="list-style-type: none"> <li>1. Transfer all the B/S items to their respective Account</li> <li>2. Recording of PC</li> <li>3. Discharge of PC</li> <li>4. Liq. Expenses (Paid by Vendor Co)</li> <li>5. Any other</li> </ol> |

**Calculation of Purchase Consideration**

| Particulars                 | Rs        |
|-----------------------------|-----------|
| Intangible assets           |           |
| Tangible Fixed Assets       | 10,00,000 |
| Current Assets              |           |
| Total Assets                | 10,00,000 |
| Less: Liabilities:          |           |
| Debentures                  | 2,00,000  |
| Creditors                   | 1,00,000  |
| Net Assets                  | 7,00,000  |
| Less: Discharge of PC       |           |
| Cash                        | 1,75,000  |
| Equity shares of Rs.10 each | 5,25,000  |
| Goodwill/Capital Reserve    | NIL       |

**In the Books of Kartik Ltd  
Realisation Account**

| Particulars       | Rs       | Rs               | Particulars               | Rs       | Rs               |
|-------------------|----------|------------------|---------------------------|----------|------------------|
| To Sundry assets: |          |                  | By sundry Liabilities     |          |                  |
| Intangible assets | 1,00,000 |                  | Debentures                | 2,00,000 |                  |
| Tangible FA       | 8,40,000 |                  | Creditors                 | 1,00,000 | 3,00,000         |
| Current Assets    | 2,20,000 | 11,60,000        | By Ganesh Ltd Acc         |          | 7,00,000         |
| To cash           |          | 600              | By Equity shareholder Acc |          | 1,60,600         |
| (Liq. Expenses)   |          |                  | (Bal Fig.)                |          |                  |
|                   |          |                  |                           |          |                  |
|                   |          | <b>11,60,600</b> |                           |          | <b>11,60,600</b> |

**Equity shareholder Account**

| Particulars                    | Rs               | Particulars             | Rs               |
|--------------------------------|------------------|-------------------------|------------------|
| To profit and Loss Acc         | 1,60,000         | By Equity share Capital | 10,00,000        |
| To Equity shares in Ganesh Ltd | 5,25,000         | By General reserve      | 20,000           |
| To Cash acc                    | 1,74,400         |                         |                  |
| To Realisation Acc             | 1,60,600         |                         |                  |
|                                | <b>10,20,000</b> |                         | <b>10,20,000</b> |

**Ganesh Ltd Account**

| Particulars        | Rs              | Particulars                    | Rs              |
|--------------------|-----------------|--------------------------------|-----------------|
| To Realisation Acc | 7,00,000        | By Cash                        | 1,75,000        |
|                    |                 | By Equity shares in Ganesh Ltd | 5,25,000        |
|                    | <b>7,00,000</b> |                                | <b>7,00,000</b> |

**Cash Account**

| Particulars       | Rs              | Particulars               | Rs              |
|-------------------|-----------------|---------------------------|-----------------|
| To Ganesh Ltd acc | 1,75,000        | By Realisation Acc        | 600             |
|                   |                 | By Equity shareholder acc | 1,74,400        |
|                   | <b>1,75,000</b> |                           | <b>1,75,000</b> |

**Equity shares in Ganesh Ltd ACCOUNT**

| Particulars       | Rs              | Particulars               | Rs              |
|-------------------|-----------------|---------------------------|-----------------|
| To Ganesh Ltd Acc | 5,25,000        | By Equity shareholder acc | 5,25,000        |
|                   | <b>5,25,000</b> |                           | <b>5,25,000</b> |

**In the Books of Kartik Ltd  
Journal Entries**

| Date | Particulars                                     | Dr Rs     | Cr Rs     |
|------|---|-----------|-----------|
| 1    | Realization Account Dr                          | 11,60,000 |           |
|      | To Intangible Assets                            |           | 1,00,000  |
|      | To Tangible FA                                  |           | 8,40,000  |
|      | To Current assets                               |           | 2,20,000  |
|      | (Being Assets transferred to realization Acc)   |           |           |
| 2    | Equity shareholder Acc Dr                       | 1,60,000  |           |
|      | To Profit and Loss Acc                          |           | 1,60,000  |
|      | (Being P & L Acc transferred to ESH)            |           |           |
| 3    | Equity share Capital Acc Dr                     | 10,00,000 |           |
|      | General resrve Acc Dr                           | 20,000    |           |
|      | To Equity shareholder Acc                       |           | 10,20,000 |
|      | (Being equity share capital and general res tr) |           |           |
| 4    | Debentures Acc Dr                               | 2,00,000  |           |
|      | Creditors Acc Dr                                | 1,00,000  |           |
|      | To Realisation Acc                              |           | 3,00,000  |
| 5    | Ganesh Ltd Acc Dr                               | 7,00,000  |           |
|      | To Realisation Acc                              |           | 7,00,000  |
| 6    | Cash Acc Dr                                     | 1,75,000  |           |
|      | Equity shares in ganesh Ltd Acc Dr              | 5,25,000  |           |
|      | To Ganesh Ltd                                   |           | 7,00,000  |
| 7    | Realization Acc Dr                              | 600       |           |
|      | To Cash   |           | 600       |
| 8    | Equity shareholder Acc Dr                       | 5,25,000  |           |
|      | To Equity shares in ganesh Ltd                  |           | 5,25,000  |
| 9    | Equity shareholder acc Dr                       | 1,74,400  |           |
|      | To Cash   |           | 1,74,400  |
| 10   | Equity shareholder acc Dr                       | 1,60,600  |           |
|      | To Realisation acc                              |           | 1,60,600  |