

ILLUSTRATION 4.

X Ltd. and Y Ltd. agreed to amalgamate by transferring their undertakings to a new company, XY Ltd., formed for that purpose. On the date of the transfer, Balance Sheets of the two companies were as under :—

| Particulars | X Ltd. ₹ | Y Ltd. ₹ |
|------------------------------------|-------------|-------------|
| I. EQUITY AND LIABILITIES : | | |
| Shareholder's Funds : | | |
| Authorised & Issued Capital : | | |
| Equity Shares of ₹10 each | 5,00,000 | 2,00,000 |
| Reserve | — | 20,000 |
| Surplus | 80,000 | 18,000 |
| Non Current Liabilities | | |
| 11% Debentures | — | 25,000 |

| | | |
|--|-----------------|-----------------|
| Mortgage Loan (Secured on Freehold Property) | 1,60,000 | |
| Current Liabilities | | |
| Trade Payables | 50,000 | 15,000 |
| | <u>7,90,000</u> | <u>2,78,000</u> |
| II. ASSETS : | | |
| Non Current Assets | | |
| Sundry Assets | 4,24,000 | 1,90,000 |
| Freehold Property | 1,20,000 | — |
| Investments | 80,000 | 38,000 |
| Current Assets | | |
| Trade Receivables | 95,000 | 42,000 |
| Cash and Bank Balance | 71,000 | 8,000 |
| | <u>7,90,000</u> | <u>2,78,000</u> |

The Purchase consideration consisted of :—

- The assumption of the Assets and Liabilities of both Companies.
- The discharge of the Debentures in Y Ltd. by the issue of ₹30,000, 12% debentures in XY Ltd at par.
- The issue at a premium of ₹5 per Share of Equity Shares of ₹10 each in XY Ltd.

For the purpose of transfer, the assets are to be revalued as under :—

| | X Ltd. ₹ | Y Ltd. ₹ |
|-------------------|-------------|-------------|
| Sundry Assets | 5,30,000 | 1,80,000 |
| Freehold Property | 1,60,000 | — |
| Investments | 2,00,000 | 51,000 |
| Trade Receivables | 74,000 | 36,000 |
| Goodwill | 75,000 | 40,000 |

(a) Write up the Realisation Accounts, the Shareholders' Account and the Account of XY Ltd. in the books of X Ltd. and Y Ltd., to give effect to the above transactions and set out the journal entries necessary to open the books of XY Ltd.

(b) Indicate the basis on which the Shares in XY Ltd. will be distributed among the Shareholders of X and Y Ltd.