

Rizvi College of Arts Science and Commerce

Amalgamation of Firm

Accountancy & Financial Management
S.Y.Bcom Sem III

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Accountancy and Financial Management semester III

•Syllabus

- Partnership final account
- Piecemeal distribution of Cash
- Amalgamation of Firm
- Conversion or sale of Partnership Firm into a Limited Company

Amalgamation of firm

- Amalgamation means combination or merger.
- In “Amalgamation of firm” two firm come together to get various advantages such as
 - economies of large scale production,
 - avoiding competition,
 - increasing efficiency ,
 - expansion
 - and so on.

- Firms may combine in two ways
- A) Amalgamation in which a new firm is formed to take over the business of old firms
- B) Absorption in which an existing firm takes over the business of old form.
- for example ABC & Co. is taken over by new firm XYZ & Co. is called amalgamation.
- If business is taken over by existing firm PQR & Co. is called absorption

Vendor and Purchasing Company

- ABC & Co. Is known as Vendor firm
- PQR & Co.and XYZ & Co. Called Purchasing Co.

Accounts to be opened

In the books of old firm

- Realisation Account
- Partner's capital account
- New firm Account

In the books of old firm

- Realisation Account
- Partner's capital account
- New firm Account

In the books of old Firm

1. Assets Transferred

Realisation Account Dr.

To Various Assets A/c

2. Liabilities Transferred

Various outside Liabilities A/c Dr.

To Realisation Account.

3. Purchase Consideration due.

Purchasing firm Account Dr.

To Realisation Account.

4. Asset taken over by partner.

Partners capital account A/c Dr.

To Realisation Account.

5. Sale of an Asset

Cash Account Dr.

To Realisation Account.

6. Liability taken over by partner

Realisation Account Dr.

To Partners Capital Account

7. Expense on Realisation or payment of liability paid

Realisation account Dr.

To Cash Account.

8. Profit on Realisation.

Realisation Account Dr.

To Partner's Capital Account.

9. Loss on Realisation

Partner's Capital Account Dr

To Realisation Account.

10. Transfer Reserves and Profits to Partners Capital.

Profit and loss Account (Cr)A/c Dr.

General Reserve Account Dr.

To Partner Capital Account.

11. To Settle Partner's Loan.

Partner's Loan Account Dr.

To Cash Account

12. To Settle Capital Balances.

Partner's Capital Account Dr

To Purchasing Firm Account.

Calculation of Purchase Consideration

Particular's		Old firm	Old firm	Purchasing firm
1. <u>Assets</u> taken <u>over</u>				
Land & Building		xx	xx	xxx
Plant & machinery		xx	xx	xxx
Furniture & fixture		xx	xx	xxx
Goodwill		xx	xx	xxx
Stock		xx	xx	xxx
Sundry Debtors		xx	xx	xxx
Bill Receivable		xx	xx	xxx
Cash in hand		xx	xx	xxx
Cash at bank		xx	xx	xxx
Total		xxxx	xxxx	

Calculation of Purchase Consideration

Particular's	Old firm	Old firm	Purchasing Firm
2.Less : <u>Outside liabilities</u>			
Sundry Creditors	xx	xx	xxx
Bill's Payable	xx	xx	xxx
Bank overdraft	xx	xx	xxx
Bank loan	xx	xx	xxx
Outstanding expenses	xx	xx	xxx
Total	xxx	xxx	
Purchase Consideration (1-2)	xxxx	xxxx	

In the books of old firm

Dr

Realisation Account

Cr

Particular's.	₹
• <u>To Sundry Asset</u>	
plant and machinery	xx
land building	xx
furniture & fixtures.	xx
Motor Vehicles.	xx
Stocks	xx
Bill receivable	xx
Sundry Debtors.	xx
Cash	xx
Bank.	<u>Xx</u>
• Total	<u>xxx</u>

Particular's.	₹
• <u>By Sundry Liabilities</u>	
creditor's.	xx
outstanding expenses.	xx
bank loan	xx
• By New Firm A/c.	xx
(Purchase consideration)	
• By Partner's Capital A/c	
A's Capital.	xx
B's Capital.	xx.
Total	<u>xxx</u>

Partners Capital account

Particular's	A	B	Particular's	A	B
To Realisation ac	xx	xx	By Balance b/d	xx	xx
To Realisation ac (Loss)	xx	xx	By Reserve	xx	xx
To Purchasing Firm Account	xx	xx	By Realisation ac (Profit)	xx	xx
Total	xxx	xxx	Total	xxx	xxx

Dr.

Purchasing Firm Account

Cr.

Particular's	₹	₹	Particular's	₹	₹
To Realisation Account		xxx	By Partner's Capital Account		
			A's capital	xx	
			B's capital	xx	xxx
Total		xxx	Total		xxx

ill no1.AB & Co.and CD & co.amalgamated with effect from1-4-2018.Their Balance sheet as on 31-3-2018

Liabilities	₹AB	₹CD	Assets	₹AB	₹CD
A's Capital	1,00,000		Land & Building	2,80,000	
B's Capital	2,00,000		Plant and mach		8,00,000
C's Capital		2,00,000	Stock	3,00,000	4,00,000
D's Capital		3,00,000	Debtors	2,00,000	4,00,000
General Reserve	1,00,000	2,00,000	Cash and Bank	1,20,000	1,00,000
Creditors	7,50,000	13,40,000	Investment	3,00,000	4,00,000
Investment fluctuation res	50,000	60,000			
Total	<u>12,00,000</u>	<u>21,00,000</u>	Total	<u>12,00,000</u>	<u>21,00,000</u>

Both the firms amalgamated subject to following terms.

1. All the Assets and liabilities of both the firms shall be taken over by new firm.
2. Land and building shall be appreciated by 20%.
3. Plant and machinery depreciated by 10%
4. Stock of AB & Co. shall be increased by ₹50,000.
5. Stock of CD & Co. shall be taken at ₹4,50,000.
6. Debtors of AB & Co. shall be decreased by ₹10,000.
7. Debtors of CD & Co. shall be taken at 3,80,000.
8. Goodwill of AB & Co. and CD & Co. shall be valued at ₹1,10,000 & ₹2,00,000
9. Investment of AB & Co. and CD & Co. shall be taken over at ₹2,80,000 & ₹3,60,000 respectively.

You are required to Prepare purchase consideration, ledger account in the books of old firms.

Calculation of Purchase consideration

Particular's	AB & Co.	CD & Co.
<u>A.Assets taken over</u>		
Land and building	3,36,000	-----
Plant and machinery	-----	7,20,000
Stock	3,50,000	4,50,000
Debtors	1,90,000	3,80,000
Cash and Bank	1,20,000	1,00,000
Investment	2,80,000	3,60,000
Goodwill	1,00,000	2,00,000
Total (A)	<u>13,76,000</u>	<u>22,10,000</u>
<u>B. <u>Less outside liabilities</u></u>		
Creditors	7,50,000	13,40,000
Total	7,50,000	13,40,000
Cash paid to CD (A - B)	6,26,000	8,70,000

In the books of AB & Co.

Dr.

Realisation Account

Cr.

Particular's	₹	₹	Particular's	₹	₹
<u>To Sundry Asset</u>			<u>By Sundry liabilit</u>		
Land & build	2,80,000		Creditors		7,50,000
Stock	3,00,000				
Debtors	2,00,000		By New Firm		6,26,000
Cash & Bank	1,20,000				
Investment	3,00,000	12,00,000	By Capital ac		
To Cap A/c profit			A	10,000	20,000
			B	10,000	
A's capital	98,000				
B's Capital	98,000	1,96,000			

Dr. Partner's Capital Account. Cr.

Particular's	A	B	Particular's	A	B
To invest fluc res	10,000	10,000	By Balance b/d	1,00,000	2,00,000
			By General Res	50,000	50,000
			By investment fluctuation res	25,000	25,000
To Purchasing firm (bal)	2,63,000	3,63,000	By Realisation ac	98,000	98,000
Total	<u>2,73,000</u>	<u>3,73,000</u>	Total	<u>2,73,000</u>	<u>3,73,000</u>

Dr. Purchasing firm Account Cr.

Particular's	₹	₹	Particular's	₹	₹
To Realn A/c		6,26,000	By Partner capital A/c		
			A's Capital	2,63,000	
			B's capital	3,63,000	6,26,000
Total		<u>6,26,000</u>	Total		<u>6,26,000</u>

In the books of CD & Co.

Dr. Realisation Account Cr.

Particular's	₹	Particular's	₹
<u>To Sundry Asset</u>		By Sundry liabilities	
Plant & machinery	8,00,000	Creditors	13,40,000
Stock	4,00,000		
Debtors	4,00,000	By New firm	8,70,000
Investment	4,00,000		
Cash & bank	1,00,000	By Partner Cap A/c	
To capital A/c profit		C.	20,000
C's 75,000		D.	20,000 40,000
D's. <u>75,000</u>	1,50,000		
Total	<u>22,50,000</u>	Total	<u>22,50,000</u>

Dr.

Partners capital Account.

Cr.

Particular's	C	D	Particular's	C	D
To Realn a/c	20,000	20,000	By Bal b/d	2,00,000	3,00,000
			By Gen Res	1,00,000	1,00,000
			By invt fluc Res	30,000	30,000
To New Firm	3,85,000	4,85,000	By Realn A/c	75,000	75,000
Total	4,05,000	<u>5,05,000</u>	Total	<u>4,05,000</u>	<u>5,05,000</u>

Dr.

New Firm Account.

Cr.

Particular's	₹	Particular's	₹
To Realisation A/c	8,70,000	By Partners Cap A/c	
		C's Capital 3,85,000	
		D's Capital 4,85,000	8,70,000
Total	8,70,000	Total	8,70,000

Balance sheet as on 31-03- 2014(After Amalg)

Liabilities	₹	Assets	₹
Capital Account			
A's capital 2,63,000		Land and building	3,36,000
B'capital. 3,63,000		Plant and machinery	7,20,000
C's Capital 3,85,000		Stock	8,00,000
D's capital 4,85,000	14,96,000	Debtors	5,70,000
		Cash and Bank	2,20,000
		Investment	6,40,000
Creditors	20,90,000	Goodwill	3,00,000
Total	<u>35,86,000</u>	Total	<u>35,86,000</u>

ill no 2 : Following is the balance sheet of two firm as on 31st March 2014

• Liabilities	Prem & Co.	Raj & Co.	Assets	Prem & Co.	Raj & Co
<u>Capital A/c</u>			Bank.	2,000.	4,000
Prem	11,500.		Premises.	-	5,000
Anil.	11,500.		Computer.	10,000.	-
Raj.		18,000.	Furniture.	5,000.	7,000
Shyam.		12,000.	Inventory.	9,000.	8,000
Creditors.	5,000.	4,000.	Debtors.	6,000.	14,000
Bills payable.	5,000.	3,000.	Cash.	1,000.	2,000
Total .	<u>33,000.</u>	<u>40,000.</u>	Total.	<u>33,000</u>	<u>40,000</u>

It was mutual agreed to amalgamate the business from 1st April 2014

- Terms of amalgamation were as follows.
 1. Premises was valued at ₹ 10,000 and computer at ₹ 12,000.
 2. Furniture was not taken over by new firm
 3. For reserve for 5% to be created on debtors.
 4. Goodwill was valued as Prem & Co. ₹ 10,000 and that of Raj & Co. At ₹ 15,000.
 5. The new firm also assumed other assets and liabilities of old firm at book value.
- Show necessary account in the books of Old firms and balance sheet of new firm message Prem Raj & Co. after amalgamation

Calculation of Purchase Consideration

• Particular's.	Prem & Co.	Raj & Co	M/s Prem & Raj Co
• Assets taken over			
• Premises.	-	10,000.	10,000
• Computers.	12,000.	-.	12,000
• Debtors.	6,000.	14,000.	20,000
• Goodwill.	10,000.	15,000.	25,000
• Inventory.	9,000.	8,000.	17,000
• Cash.	1,000.	2,000.	3,000
• Bank.	2,000.	4,000.	6,000

• Particular's.	Prem & Co.	Raj & Co	M/s Prem & Raj Co
• Total.	<u>40,000.</u>	<u>53,000.</u>	<u>93,000</u>
• <u>Less outside liabilities</u>			
• R.D.D	300.	700.	1,000
• Creditors.	5,000.	4,000.	9,000
• Bill's payable.	<u>5,000.</u>	<u>3,000.</u>	<u>8,000</u>
• Total	<u>10,300.</u>	<u>7,700</u>	<u>19,000</u>
• Purchase consideration.	29,700.	45300.	75,000

In the books of Prem & Co.

Dr.

Realisation Account.

Cr.

Particular's.	₹	₹.	Particular's	₹	₹
• <u>To Sundry Assets.</u>			<u>By Sundry liabilities</u>		
• Computer.	10,000.		Creditors.	5,000.	
• Inventory.	9,000.		Bills payable.	5,000.	10,000
• Furniture.	5,000.				
• Debtors.	6,000		By Prem Raj Co.		29,700
• Bank.	2,000		By Partner CapA/c		
• Cash.	1,000	33,000.	Prem.	2,500	
• To partner capA/c.			Anil	2,500.	5,000
• Prem.	5,850				
• Anil.	5,850	<u>11,700</u>			
• Total.		<u>44,700</u>			<u>44,700</u>

Dr. Partner's Capital Account. Cr.

• Particular's.	Prem.	Raj.	Particular's	Prem	Raj
• To Realisn A/c	2,500.	2,500.	By balance b/d	11,500.	11,500
• .			By RealisationA/c.	5,850.	5,850
• To Prem Raj	14,850.	14,850			
• Total.	<u>17,350.</u>	<u>17,350.</u>		<u>17,350.</u>	<u>17,350</u>

Dr.

Prem Raj & Co.

Cr.

• Particular's	₹.	₹.	Particular's.	₹.	₹
• To Realisation A/c.		29,700.	By Partner's Cap A/c		
• .			Prem.	14,850	
•			Raj.	14,850 .	29,700
• Total.		<u>29,700</u>			<u>29,700</u>

In the books of M/s Raj & Co.

Dr.

Realisation Account.

Cr.

Particular's.	₹.	₹	Particular's.	₹. .	₹.
• <u>To Sundry Asset.</u>			<u>By Sundry liabilities</u>		
• Bank	4,000.		Creditors.	4,000	
• Premises.	5,000.		Bills payable.	3,000.	7,000
• Furniture.	7,000.		<u>M/s Prem& Raj Co.</u>		45,300
• debtors.	14,000		By capital Account		
• Inventory	8,000.		Raj.	3,500	
• Cash	2,000.	40,000.	Shyam.	3,500.	7,000
• To capital account					
• Raj	9,650				
• Shyam.	9,650.	19,300			
• Total.		<u>59,300.</u>	Total.		<u>59,300</u>

Dr. Partners capital account. Cr.

Particular's	Raj.	Shyam.	Particular's	Raj.	Shyam
• To Realisation ac.	3,500.	3,500.	By Bal b/d.	18,000.	12,000
•			By General Res.	1,500.	1,500
•			By Realisation ac.	9,650.	9,650
• To Prem Raj Co.	25,650.	19,650			
• Total.	<u>29,150.</u>	<u>23,150.</u>		<u>29,150.</u>	<u>23,150</u>

Dr.

M/s Prem Raj & Co.

Cr.

Particular's.	₹.	₹.	Particular's.	₹.	₹.
• To Realisation ac.		45,300.	By capital A /c		
• .			Raj.	25,650	
•			shyam	19650.	45,300
• Total.		45,300.			45,300

Balance sheet as on

(After Amalg)

Liabilities	₹.	₹.
CapitalA/c		
Prem	14,850.	
Anil.	14,850.	
Raj.	25,650.	
Shyam.	19,650.	75,000.
Sundry Creditors		9,000.
Bills payable.		8,000.
Total.		<u>92,000 .</u>

Assets.	₹.	₹
Premises.		10,000
Computers		12,000
Debtors	20,000	
-RDD.	-1,000.	19,000
Goodwill		25,000
Inventory.		17,000
Cash & bank.		9,000

Ill no 3: M/sA & Co. A & B as a partner decided to amalgamate with M/s C & Co.C & D as partners on the following terms and condition

1. The new firm M/s AC& Co. to consider goodwill of both the firm ₹ 12000 each.
2. The new firm to take over investment at 10 % depreciation debtors and furniture book value ; Premise at ₹ 53,000 land at ₹ 66,800 Machinery at ₹ 9000 and such cash which remain after discharge of partners loans by the respective old from before amalgamation.
3. The new firm also assumed other liabilities of old firms.
4. Prepare necessary ledger account

Balance sheet of both the firm on the date of amalgamation.

• Liabilities	A & Co.	C. & Co.	Assets	A. & Co.	C & Co
<u>Capital A/c</u>			Cash	15,000.	12,000.
A	35,000.		Investment.	10,000	8,000
B	22,000		Debtor	9,000.	4,000
C	-	36,000.	Furniture.	12,000.	6,000
D.	-	20,000.	Premises .	30,000.	-
Creditors.	20,000.	10,000.	land.	-	50,000
Bills payable.	5,000.	-	Machinery	15,000.	-.
Reserve	10,000 .	4,000.	Goodwill.	9,000	
loan A.	8,000.				
loan C.	-.	10,000			
Total .	<u>1,00,000.</u>	<u>80,000.</u>	Total.	<u>1,00,000</u>	<u>80,000</u>

Calculation of Purchase Consideration

• Particular's.	A& Co.	C& Co.	AC&Co.
• Asset Taken over			
• Goodwill.	12,000.	12,000.	24,000
• Investment.	9,000	7,200.	16,200
• Debtors.	9,000.	4,000.	13,000
• Furniture.	12,000.	6,000.	18,000
• Premises	53,000.	-.	53,000
• Machinery.	9,000.		9,000
• Land.		66,800.	66800
• Cash	7,000.	2,000.	9,000

• Total.	<u>1,11,000.</u>	<u>98,000.</u>	2,09,000
• B)less outside liabilities			
• Creditors	20,000	10,000.	30,000
• Bills payable.	5,000.	-	5,000
• Total.	<u>25,000</u>	<u>10,000.</u>	35,000
• C) Purchase consid.	<u>86,000.</u>	<u>88,000</u>	

In the books of M/s A& Co.

Dr. Realisation Account. Cr.

• Particular's.	₹.	Particular's.	₹
• <u>To Sundry Assets.</u>		<u>By Sundry liabilities</u>	
• Cash.	7,000.	Creditors.	20,000
• Investment.	10,000.	Bills payable.	5,000
• Debtors.	9,000.	By M/s AC& co.	86,000
• Furniture.	12,000		
• Premises.	30,000		
• Machinery.	15,000		
• Goodwill.	9,000		

- To Capital Account

- A. **9,500**

- B. **9,500** **19,000**

- Total **1,11000.** **1,11000**

Dr. Partners capital account. Cr.

• Particular's.	A.	B.	Particular's.	A.	B
• .			By balance b/d.	35,000.	22,000
•			By Reserve.	5,000.	5,000
•			By Realisation ac.	9,500.	9,500
• To AC & Co.	49,500.	36,500			
• Total.	49,500.	36,500.		49,500.	36,500

Dr.	M/s AC & Co.				Cr.
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• Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Realisation ac.		86,000.	By Partner's Capital A /c		
•			A.	49,500	
•			B.	36,500	
• Total.		86,000.		86,000	

In the books of M/sC & Co

Dr. Realisation Account.

Cr

• Particular's.	₹.	Particular's.	₹
• <u>To Sundry Assets.</u>		<u>By Sundry liabilities</u>	
• Cash.	2,000.	Creditors.	10,000
• Investment.	8,000		
• Debtors.	4,000.	By AC & Co.	88,000
• Furniture.	6,000		
• Land.	50,000		

• To Partner's Capital Account

• C. 14,000

• D. 14,000. 28,000

• Total. 98,000 total. 98,000

Dr. Partners capital account. Cr.

• Particular's.	C.	D.	Particular's.	C.	D
• .			By balance b/d.	36,000.	20,000
•			By Reserve.	2,000.	2,000
•			By Realisation ac	14,000.	14,000
• To AC & Co.	52,000.	36,000			
• Total.	52,000.	36,000.	Total.	52,000.	36,000

Dr.

M/sAC & Co.

Cr.

• Particular's.	₹.	Particular's.	₹
• To Realisation Account.	88,000.	By Partner's Cap A /c	
• .		C.	52,000
• .		D.	36,000
• Total.	<u>88,000</u>		<u>88,000</u>

Balance sheet as on.....(After Amalg)

• Liabilities.	₹.	Assets.	₹
• Capital account.		Goodwill.	24,000
• A. 49,500.		Land.	66,800
• B. 36,500.		Premises.	53,000
• C. 52,000.		Plant and machinery.	9,000
• D. <u>36,000</u>	1,74,000.	Furniture.	18,000
• Sundry Creditors.	30,000.	Investment.	16,200
• Bills payable.	5,000.	Debtors.	13,000
•		Cash.	9,000
• Total.	<u>2,09,000</u>		<u>2,09,000</u>

Qts no 4: Balance sheet of M/s M & N and M/s R & S as on 31-03-2013.

• Liabilities.	M&N.	R& S.	Assets.	M&N.	R&S
• Capital					
• M.	36,000.	-.	Land	36,000.	47,400
• N.	36,000.	-.	Machinery.	25,200.	28,800
• R	-	36,000.	Furniture.	10,800.	12,600
• S.	-	36,000.	Debtors.	21,600.	30,600
• Creditors.	54,000.	36,000.	Stock	28,800.	32,400
• Loan.	-.	39,600.	Cash	3,600.	1,800
• O/s expenses	7,200.	11,400.	Bank.	7,200.	5,400
• Total.	<u>1,33,200.</u>	<u>1,59,000.</u>	total.	1,33,200.	1,59,000

The two firm decided to amalgamate and form into M/s MNRS w.e.f 1-04-2014.

• Particular's.	M & N.	R & S
• Land.	45,000.	45,000
• Machinery.	30,000.	32,000
• Furniture.	10,000.	12,000
• Debtors.	21,000.	30,000
• Stock.	29,000	34,000
• Creditors.	52,000.	34,000
• Loans.	-.	38,000
• O/s expenses.	7,200.	11,400

In addition to the above it was decided

1. **Goodwill of both the firm was valued ₹35,000 & ₹ 20,000. It should be written off in new firm.**
2. **That the reconstructed Capital of the partners ₹ 37,500 each..the difference if any should be transferred to current account**
3. **You are required to prepare necessary Account in both the firm & Opening Balance sheet.**

Calculation of Purchase Consideration

• Particular's.	M & N.	R & S.	MNRS
• A) Assets taken over			
• Land.	45,000.	45,000.	90,000
• Machinery.	30,000.	32,000.	62,000
• Furniture	10,000.	12,000	22,000
• Debtors.	21,000.	30,000	51,000
• Stock.	29,000	34,000.	63,000
• Cash.	3,600.	1,800.	5,400
• Bank.	7,200.	5,400.	12,600
• Goodwill.	35,000.	20,000.	55,000
• Total.	<u>180,800</u>	<u>180,200</u>	

- B)less outside liabilities

• Creditors.	52,000.	34,000.	86,000
• Loans.	-.	38,000.	38,000
• O/s expenses.	7,200.	11,400.	18,600
• Total.	<u>59,200.</u>	<u>83,400</u>	<u>1,42,600</u>
• <u>C) Purchase conside</u>	1,21,600.	96,800.	2,18,400

In the books of M/s M & N Co.

Dr. Realisation Account. Cr

Particular's.	₹.	Particular's.	₹
• To Sundry Assets.		By Sundry liabilities	
• Land	36,000	creditors.	54,000
• Machinery	25,200	o/s expenses.	7,200.
• Furniture.	10,800		61,200
• Debtors.	21,600.	By M/s MNRSA/c.	1,21,600
• Stock.	28,800		
• Cash.	3,600		
• Bank.	<u>7,200</u>		
	1,33,200		

- To Capital Account

- M. 24,800

- N. 24,800 49,600

- Total . 1,82,800. 1,82,800

Dr. Partners Capital Account. Cr.

• Particular's.	M.	N.	Particular's.	M.	N
• .			By Bal b/d.	36,000.	36,000
•			By RealA/c.	24,800.	24,800
• To MNRS Co.	60,800.	60,800			
• Total.	60,800.	60,800.		60,800.	60,800

Dr.	M/s MNRS Co A/c.	Cr.
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• Particular's.	₹.	Particular's.	₹
• To Realisation A/c.	1,21,600.	By Partner's Cap A/c	
• .		M.	60,800
•		N.	60,800. 1,21,600
• Total.	1,21,600.	Total.	1,21,600

In the books of M/s R & N Co.

Dr. Realisation Account. Cr.

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• <u>To Sundry Assets.</u>			<u>By Sundry liabilities</u>		
• Land.	47,400.		Creditors.	36,000	
• Machinery.	28,800.		Loan.	39,600	
• Furniture.	12,600.		O/s expenses.	11,400.	87,000
• Debtors.	30,600.		By M/s MNRSCo.		96,800
• Stock.	32,400				
• Cash.	1,800				
• Bank.	5,400.	1,59,000			

- R's. 12,400
- S's. 12,400. 24,800
- Total 183,800.

24,800

12,400.

183,800.

1,83,800

Dr. Partners Capital Account. Cr

• Particular's.	R.	S.	Particular's.	R.	S
• .			By balance b/d.	36,000.	36,000
•			By Realisation A/c	12,400.	12,400
• To MNRS Co	<u>48,400.</u>	<u>48,400</u>			
• Total.	<u>48,400.</u>	<u>48,400.</u>	Total.	<u>48,400.</u>	<u>48,400</u>

Dr. M/s MNRS Co.Account. Cr

• Particular's.	₹	₹.	Particular's.	₹.	₹
• To Realisation A/c.	96,800.		By Partner's Cap A/c		
• .			R.	48,400	
•			S.	48,400.	96,800
• Total.		<u>96,800.</u>			<u>96,800</u>

Balance sheet as on 1-1-2013 (after amalgamation)

Liabilities.	₹.	Assets.	₹
• <u>CapitalA/c</u>		Land.	90,000
• M. 37,500.		Machinery.	62,000
• N. 37,500.		Furniture.	22,000
• R. 37,500.		Debtors.	51,000
• S. 37,500.	1,50,000.	Stock.	63,000
• Loan.	38,000.	Cash.	5,400
• Creditors.	86,000.	Bank.	12,600
• O/s expenses. .	18,600.	Current A/c R & S.	5,700
• Current A/c.M& N	19,100	(2850+2850).	
• (9550+9550)			
• Total.	<u>3,11,700</u>	total.	<u>3,11,700</u>

How to write off Goodwill and reconstruct Capital

Dr. New partners capital account A/c. Cr.

• Particular's.	M.	N.	R.	S.	Particular's.	M.	N.	R.	S.
• To Goodwill					By bal b/d	60,800.	60800.	48400.	48400
• 13,750	13750.	13,750.	13750.	13750					
• To Capital									
• .	37500	37500.	37500.	37500					
• To current	<u>9550.</u>	<u>9550</u>			By current		<u>2850.</u>	<u>2850</u>	
• Total	<u>60800.</u>	<u>60800</u>	<u>51,250.</u>	<u>51250</u>					

Qts no 5: Following is the balance sheet of M/s LB as on 31-03-2018 . 10:5 = 2:1PSR

• Liabilities	₹.	Assets.	₹
• Sundry Creditors.	50,000.	Cash in hand.	12,000
• Loan from vijaya bank.	10,000.	Stock in trade.	58,000
• <u>Capital A/c.</u>		Sundry Debtors.	30,000
• Ajay.	1,00,000.	Furniture & Fixt.	20,000
• Sujay.	50,000.	Offices & Premise	90,000
• Total.	<u>2,10,000.</u>	Total.	<u>2,10,000</u>

Balance sheet of M/s MB as on 31-03-2018 6:4= 3:2

• Liabilities.	₹.	Assets.	₹
• Sundry Creditors.	60,000.	Cash in hand.	16,000
• <u>CapitalA/c.</u>		Stock in trade.	44,000
• Ankur.	60,000.	Sundry Debtors.	50,000
• Ankit.	40,000.	Furniture & Fixt.	10,000
•		5% NSC.	40,000
• <u>TOTAL.</u>	<u>1,60,000.</u>	<u>TOTAL.</u>	<u>1,60,000</u>

They share profits and losses in proportion to their Capital
They decided to amalgamate their business w.e.f 1-4-2018

- 1. Name of the new firm be Vanee trading corporation.**
- 2. Vijaya loan to be repaid by M/s LB.**
- 3. 5%NSC not taken by new firm.**
- 4. Goodwill of M/s LB. & M/s MB are fixed at ₹ 21,000 & ₹ 25,000 respectively.**
- 5. Office premises revalued at ₹ 99,000.**
- 6. Stock in trade M/s LB. Are reduced by ₹ 9,000 and that of M/s MB be increased by ₹ 5,000.**

7. R.D.D to be created @5% on debts of both the firm.

8.Total Capital of firm of Vanee Trading Corporation will be ₹ 1,80,000 and Capital of each partner will be in the PSR which is as follows Ajay 30%,Sujay 20% Ankur 30%,Ankit 20%.

- the difference if any transfer to current account.**
- Goodwill A/c in new firm should be written off.**
- You are required to prepare necessary ledger account in the books of both the firm and balance sheet.**

Calculation of Purchase Consideration

• Particular's.	M/s LB.	M/sMB.	Vanee T.C
• A)Assets taken over			
• Cash.	2,000.	16,000.	18,000
• Goodwill.	21,000.	25,000.	46,000
• Office premises.	99,000.	-	99,000
• Stock.	49,000.	49,000.	98,000
• Debtors.	30,000.	50,000.	80,000
• Furniture & Fixt.	20,000.	10,000.	30,000
• Total.	2,21,000.	1,50,000	

- B) **Less outside liabilities**

• R.D.D.	1,500.	2,500.	4,000
• Creditors.	50,000.	60,000.	1,10,000
• Total.	51,500.	62,500.	1,14,000
• C) Purchase Consideration	1,69,500.	87,500	

In the books of M/s LB

Dr. Realisation Account. Cr

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• <u>To Sundry Assets.</u>			<u>By Sundry liabilities</u>		
• Cash in hand	2,000.		Creditors.		50,000
• Stock in trade	<u>58,000.</u>		By Vanee trading corp.		1,69,500
• Sundry Debtors	30,000				
• Furniture& Fixt	20,000				
• Office premises.	90,000.	2,00,000			

• To Capital **Account**

• **Ajay. 13,000**

• **Sujay. 6,500 19,500**

• **TOTAL. 2,19,500. Total. 2,19,500**

Dr. Partners Capital Account. Cr

Particular's.	Ajay.	Sujay.	Particular's.	Ajay.	Sujay
•			By balance b/d.	1,00,000.	50,000
•			By Realisation A/c	13,000.	6,500
• To vanee T C	1,13,000.	56,500			
• . Total.	<u>1,13,000.</u>	<u>56,500.</u>	Total.	<u>1,13,000.</u>	<u>56,500</u>

Dr Vanee trading corporation Account Cr

Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Realisation A/c.		1,69,500.	By Partner's Cap A/c		
• .			Ajay.	1,13,000	
•			Sujay.	56,500.	1,69,500
• Total.		<u>1,69,500.</u>	Total.		<u>1,69,500</u>

In the books of M/s MB.
Realisation Account.

Dr

Cr

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Sundry Asset.			By Sundry liabilities		
• Cash in hand.	16,000.		Creditors.		60,000
• Stock.	44,000.		By Vanee trading corp.		87,500
• Debtors.	50,000.		By Partner's Cap A/c		
• Furniture Fixt.	10,000		Ankur	24,000	
• 5%NSC.	40,000.	1,60,000.	Ankit.	16,000.	40,000
To Capital A/c					
Ankur.	16,500				
Ankit.	11,000	<u>27,500</u>			
• Total.		<u>1,87,500.</u>	Total.		<u>1,87,500</u>

Dr. Partners capital account Cr

Particular's.	Ankur.	Ankit.	Particular's.	Ankur.	Ankit
• To Realisation A/c	24,000.	16,000.	By balance b/d	60,000.	40,000
•			By Realisation A/c.	16,500	11,000
• To Vanee T C	52,500.	35,000			
• Total.	76,500.	51,000.	Total.	76,500.	51,000

Dr Vanee Trading Corporation. Cr.

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Realisation A/c.		87,500.	By Partner's Cap A/c		
• .			Ankur	52,500	
•			Ankit	35,000.	87,500
Total.		87,500.	Total.		87,500

Balance sheet as on 1-04-2018. (After Amalg)

• Liabilities.	₹.	₹.	Assets.	₹.	₹
• Capital A/c.			Cash in hand		18,000
• Ajay.	54,000.		Stock in trade.		98,000
• Sujay.	36,000.		Office premises.		99,000
• Ankur.	54,000.		Furniture Fixt.		30,000
• Ankit.	36,000.	1,80,000.	Debtors.	80,000	
• Creditors.		1,10,000.	-RDD	-4,000.	76,000
• CurrentA/c.		56,500.	Current A/c.		25,500
• (45200+11300)			(15300+10,200)		
• Total.		<u>3,46,500.</u>	Total.		<u>3,46,500</u>

Dr.	New partners capital account A/c.	Cr.
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- To goodwill By Bal b/d. 113000. 56500. 52500 35,000

- To Capital

- To current A/c 45200 11300. By current Ac. 15300. 10200

• **Total. 113000 56500. 67800 45200**

Qts no 6 :Balance sheet of messers A & B and messers C & D as on 31-03-2013.

Liabilities.	A & B.	C& D.	Assets.	A& B.	C & D
• Capital A/c.			Land.	10,000.	12,000
• A.	10,000.		Machinery	7,000.	8,000
• B.	10,000.		Furniture.	3,000.	3,500
• C.		10,000.	Debtors	6,000.	8,500
• D.		10,000.	Stock.	8,000.	10,000
• Creditors.	15,000.	10,000.	Cash	3,000.	1,000
• Loan.		10,000			
• Outstanding exp	2,000.	3,000			
• Total.	<u>37,000</u>	<u>43,000</u>	total.	<u>37,000.</u>	<u>43,000</u>

The two firm decided to amalgamate and form into ABCD & Co w.e.f 1-04-2014.Partners share profits and losses equally.

• Particular's.	A& B.	C& D
• Land	10,000.	10,000
• Machinery.	7,000.	8,000
• Furniture.	2,500.	2,500
• Debtors.	5,500.	7,000
• Stock.	8,000.	8,000
• Outstanding exp.	2,000.	3,500
• In addition to the above it was decided		

- The new firm will not take over the loan of C& D.
- Goodwill of A& B and C&D were valued at ₹ 10,000 and ₹ 5,000.but for the purpose of balance sheet of new firm ,the combined Goodwill would be valued at ₹ 12,000.
- Reconstructed Capital₹14,000 each partners introucing cash if necessary.

Calculation of Purchase Consideration

- Particular's A& B. C& D. ABCD
- A) ASSETS
- Land 10,000. 10,000. 20,000
- Machine 7,000. 8,000 15,000
- Furnitur 2,500. 2,500. 5,000
- Debtors. 5,500. 7,000 12,500
- Stock. 8,000. 8,000 16,000
- Goodwill 10,000 5,000 15,000
- Cash 3,000 1,000 4,000

- Total 46,000. 41,500
- Less
- Liabilities
- Creditors 15,000. 10,000. 25,000
- O/s exp 2,000. 3,500. 5,500
- Total. 17,000. 13,500
- Pur Cond 29,000. 28,000

In the books of messers A& B

Dr.

Realisation Account.

Cr

• Particular's.	₹.	₹
• <u>To sundry Assets</u>		
• Land.	10,000	
• Machinery.	7,000	
• Furniture	3,000	
• Debtors.	6,000	
• Stock.	8,000	
• Cash.	3,000.	37,000

• Particular's.	₹.	₹
• By Sundry liabilities		
• Creditors.	15,000	
• Outstanding exp.	2,000.	17,000
• By ABCD Co.		29,000

- To Capital Account

- A. 4,500

- B. 4,500. 9,000

- Total. 46,000

- Total. 46,000

Dr. Partners capital account. Cr

• Particular's.	A.	B	• Particular's.	A.	B
			• By balance b/d.	10,000	10,000
• To ABCD & Co.	14,500.	14,500	• By Realisation.	4,500.	4,500
• Total.	14,500.	14,500	• Total.	14,500.	14,500

Dr.

ABCD & Co Account.

Cr

- Particular's. ₹. ₹
- To Realisation A/c. 29,000

• Total. 29,000

- Particular's. ₹. ₹
- By Partner's Cap A/c
- A 14,500
- B. 14,500. 29,000

• Total. 29,000

In the books of messers C& D

Realisation Account.

Dr.

Cr.

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Sundry Assets.			By Sundry liabilities		
• Land.	12,000.		Creditors.	10,000	
• Machinery	8,000.		Outstanding exp.	3,000.	13,000
• Furniture.	3,500.		By ABCD & Co.		28,000
• Debtors.	8,500.		By Capital Account		
• Stock.	10,000.		C.	1,000	
• Cash & bank.	1,000.	43,000	D.	1,000.	<u>2,000</u>
• Total.		<u>43,000.</u>	Total.		<u>43,000</u>

Dr. Partners capital Account. Cr

• Particular's.	C.	D.	Particular's.	C.	D
• To Realisation A/c.	1,000.	1,000.	By Balance b/d.	10,000.	10,000
•			By loan A/c.	5,000.	5,000
• To ABCD & Co.	14,000.	14,000			
• Total.	<u>15,000.</u>	<u>15,000.</u>	Total.	<u>15,000.</u>	<u>15,000</u>

Dr. ABCD & CO Account. Cr.

• Particular's.	₹.	₹.	Particular's.	₹.	₹
• To Realisation A/c.		28,000.	<u>By Partner's Cap A/c</u>		
•			C. 14,000		
•			D. 14,000.		28,000
• Total.		<u>28,000.</u>	Total.		<u>28,000</u>

Balance sheet as on 1-04-2014(after Amalg)

• Liabilities.	₹.	₹.	Assets.	₹.	₹
• Capital Account.			Land.		20,000
• A.	14,000.		Machinery.		15,000
• B.	14,000.		Furniture		5,000
• C.	14,000.		Stock.		16,000
• D.	14,000.	56,000.	Debtors.		12,500
• Creditors.		25,000.			
• Outstanding exp.		5,500.	Cash & bank (4,000+2,000)		6,000
•			Goodwill.		12,000
• Total.		<u>86,500.</u>	Total.		<u>86,500</u>

How to calculate Goodwill and reconstruct capital

• Particular's.	A.	B.	C.	D
• Capital Bal.	14,500.	14,500.	14,000.	14,000
• Less Goodwill.				
• (15,000-12,000)	-750.	-750.	-750.	-750
• Less Capital.	-14,000.	-14,000.	-14,000.	-14,000
• Deficit.	(250).	(250).	(750).	(750)

Thank You