AMALGAMATION OF FIRM

(A) **M/s AB and M/s. CD Balance Sheet as on 31st March, 2018**

Liabilities	AB	CD	Assets		AB	CD
Sundry Creditors	20,000	10,000	Cash at Bank		15,000	7,500
Bill Payable	5,000	-	Investment (Cost)		10,000	8,000
Bank Overdraft	2,000	10,000	Debtors	10,000		
A' Loan	6,000	-	**Less**: R.D.D.	1,000	9,000	8,000
Capital : A	35,000		Furniture		15,000	6,000
B	22,000		Premises		20,000	-
C	-	36,000	Land		-	40,000
D	-	20,000	Machinery		15,000	-
General Reserve	8,000	3,000	Goodwill		9,000	-
Investment Fluctuation fund	4,000	1,000	Stock		9,000	10,500
	1,02,000	80,000			1,02,000	80,000

In was agreed that on 1st April 2018, the old firms be amalgamated into one new firm ABCD & Co.

Terms and condition of amalgamation:

New firm to take assets and liabilities of old firms as under:

	AB	CD
Furniture	12,000	At 90%
Land	-	At 150%
Machinery	10,000	-
Goodwill	12,000 At	15,000
Premises	book value	-

(1) Provision for doubtful debts @ 5% to made on Debtors and rebate on creditors to be provided @ 2% in both firms.

(2) Investment not taken over by new firm in case of AB. Investments of CD Ltd taken over by new firm at an agreed value of Rs 15,000.

(3) **Stock taken over as follows : (at their proper values)**
AB Stock undervalued by 10%
CD Stock overvalued by 5%

(4) All liabilities of both the firms to be taken over by new firm except Bank Overdraft and A; s Loan in R Ltd Theses are paid by old firm.

(5) New firm agreed to take adjusted Cash/ Bank balance.

(6) Unrecorded Computer valued at Rs 20,000 in AB and unrecorded liability worth Rs 10,000 valued at Rs 8,000 taken over by new firm in case of CD.

Prepare statement of purchase Consideration .

(B) **In similar type of business Navin & Vasant are in the partnership as AB and Das & Chatterjee in CD.** It was mutually agreed as on 1st January, 2018 the partnership be amalgamated into one firm "East and West Co." The profit sharing Ratio in the various firms were and are to be as follows:

	Navin	**Vasant**	**Das**	**Chatterjee**
Olds Firm	4	3	3	2
New Firm	6	5	4	3

As on 31st December, 2017 the Balance Sheet of the Firms were as follows:

Liabilities	**AB**	**CD**	**Assets**	**AB**	**CD**
Capital A/c' :			Property	74,000	1,00,000
Navin	1,53,000	-	Fixture	18,000	14,000
Vasant	1,10,000	-	Vehicles	30,000	18,000
Das	-	1,13,000	Stock	83,000	66,000
Chatterjee	-	74,000	Investment	8,000	-
Creditors	52,000	60,000	Debtors	68,000	58,000
Bank Overdraft	-	9,000	Bank Balance	34,000	-
	3,15,000	2,56,000		3,15,000	2,56,000

The agreement to amalgamate contains the following provisions:

(1) Provision for doubtful debts at 5% to be made in respect of debtors and provision for discount receivable at the rate of 2.5% to be made in respect of creditors.

(2) **East and West Co. to take over the old partnership' s assets at the following values :**

Particulars	**AB** ₹	**CD** ₹
Stock	84,500	63,900
Vehicles	28,000	13,000
Fixture	16,000	-
Property	1,00,000	-
Goodwill	63,000	45,000

(3) The Property and fixtures of CD are not to be taken over by the East and West Co. and these were sold for Rs 1,35,000 in cash.

(4) Vasant to take over his firm's investment at a value of ₹ 7,600.

(5) Adjusted Bank balance taken over by New firm.

(6) The Capital of East and West Co., to be ₹ 5,40,000 and to be contributed by partners in profit sharing ratio, any adjustment to be made in cash.

You are required to prepare necessary accounts to close books of old firm as well as Statement of Purchase Consideration.

(C) **Following were the Balance Sheets as 31st December, 2017 of two firms, M/s. Sathe and Sabnis and M/s. Kale and Kotnis.**

Liabilities	Sathe & Sabnis	Kale & Kotnis	Assets	Sathe & Sabnis	Kale & Kotnis
Creditors	20,000	25,000	Cash at bank	5,600	6,700
Mrs Sathe' s Loan	5,000	-	Stock	20,400	18,300
Capitals :			Debtors	15,000	20,000
Sathe	40,000	-	Furniture	4,000	5,000
Sabnis	20,000	-	Premises	40,000	-
Kale Kotnis	- -	15,000 10,000			
	85,000	50,000		85,000	50,000

The two firms decided to amalgamate their business as from 1st January, 2018. For this purpose it was agreed that Mrs. Sathe' s loan should be repaid by the old firm.

Goodwill of M/s Saths & Sabnis was fixed at ₹ 8,000 and that of M/s Kale & Kotnis at ₹ 10,000. Premises were revalued at ₹ 50,000. The stock of M/s Sathe & Sabnis was found overvalued by ₹ 4,000 whereas stock of M/s Kale & Kotnis was undervalued by ₹ 2,000.

A provision of 5% was created for doubtful debts of both the firms. The total capital of the new firm was to be ₹ 80,000 and the capital of each partner was to be in his profit sharing ratio which was to be 3: 2: 3: 2. Goodwill Account in the new firm was to be written off.

Close the books of old firms and pass Journal Entries of new firm & prepare opening Balance Sheet of new firm.

(D) A Traders and B Traders were partnership firms and they decided to amalgamate. Their Balance Sheet as on 31/ 03/ 18 was as under:

Liabilities	A Trader	B Trader	Assets	A Trader	B Trader
Capital A/cs:			Land & Building	-	50,000
A1	35,000	-	Premises	30,000	-
A2	22,000	-	Machinery	15,000	-
B1	-	36,000	Goodwill	8,000	-
B2	-	20,000	Furniture	6,000	6,000
Loan' s A1	10,000	-	Investment	10,000	8,000
Loan's B2	-	8,000	Debtors	9,000	5,000
Creditors	12,000	18,000	Cash	16,000	17,000
Bill Payable	5,000	-			
Reserves	10,000	4,000			
	94,000	86,000		94,000	86,000

The amalgamation was made on the following terms:

(1) The new firm AB Traders decided to value Goodwill of both the firms at ₹ 12,000 each.

(2) For A Trader the new firm took investment Debtors and Furniture at book values, premises at ₹ 53,000 and Machinery at ₹ 9,300.

(3) For B Trader, the new firm took Furniture, Debtors and Investments at book values and Land & Building at ₹ 67,000.

(4) The new firm agreed to take such cash after payments of loans made by each firm.

(5) New Profit Sharing Ratio is equal.
(6) A Trader owes ₹ 5,000 to B Trader.
(7) B1 will make a gift of 2,000 to B2 towards his capital.
Prepare necessary Ledger Accounts in the books of old firms and prepare Balance Sheet of the new firm.

(E) The following were the Balance sheets of the two firm as on 31st December, 2017:

Liabilities	R & M (Rs)	X & Y (Rs)	Assets	R & M (Rs)	X & Y (Rs)
Creditors	26,000	16,000	Bank Balance	22,000	6,000
Bills Payable	5,000	4,000	Investments	10,000	
Bank Loan	5,000	3,000	Debtors 20,000		15,000
Outstanding salary	2,000	1,000	Less : Provision 1,000	19,000	
Due to R & M		4,000	Due from X & Y	4,000	
Employees Prov. Fund	5,000		Stock	29,000	34,000
Investment Fluctuation Fund	3,000		Furniture	8,000	5,000
Capital A/cs :			Machinery	20,000	18,000
R	40,000		Patent Rights	5,000	
M	40,000		Advertisement Suspense A/c	5,000	
X		30,000	Goodwill	10,000	
Y		20,000			
Current A/cs:					
R	5,000				
M	1,000				
	1,32,000	78,000		1,32,000	78,000

Partners in both firms share profit and losses equally.
The two firms decided to amalgamate as from 1st January, 2018 on the following terms:

(a) The new firm shall not take over the furniture of both the firms.
(b) Goodwill each firm was valued at two years purchase of the average profit of the last three years. The profit were:

	2011 ₹	2012 ₹	2013 ₹
R & M	8,000	7,000	9,000
X & Y	4,000	2,000	6,000

(c) Advertising Suspense A/c to be written off by the concerned firm.
(d) Current Account to be eliminated. (e) **Assets to be revealed as follows**:

	R & M ₹	X & Y ₹
Debtors	20,000	12,000
Investments	9,000	-
Stock	40,000	40,000
Machinery	15,000	18,000

Patent Rights	4,000	-

You are required to prepare:

(1) Ledger A/cs in Old Firms

(2) Opening Balance Sheet in New Firms

(3) Calculation of Purchase Consideration.

(F) Ajeet & Co. and Vijeet & Co. carrying on allied business decided to amalgamate under the name of Vijeta & Co. on and from 31/03/2018 Their Balance Sheet as on that date were:

Liabilities	Ajeet & Co.	Vijeet & Co.	Assets	Ajeet & Co.	Vijeet & Co.
Amit	20,000	-	Machinery	30,000	48,000
Amrut	30,000	-	Stock	20,000	27,000
Ashok	-	25,000	Debtors	30,000	20,000
Abhay	-	25,000	Bank	5,000	5,000
Reserve	25,000	20,000	Goodwill	5,000	-
Liabilities	15,000	30,000			
	90,000	1,00,000		90,000	1,00,000

The terms of amalgamation are:

(1) The revised values of assets and liabilities :

	Goodwill	**Machinery**	**Stock**	**Debtors**	**Liabilities**	**Fully Depreciated Equipments**
Ajeet & Co.	15,000	38,000	18,000	28,000	18,000	12,000
Vijeet & Co.	12,000	45,000	25,000	19,000	28,000	8,000

(2) Before amalgamation Abhay retired and his Capital balance transferred to loan A/c.

(3) **Profit Sharing Ration** :

	Amit	**Amrut**	**Ashok**	**Abhay**
Before	1	4	3	2
After	2	1	1	-

(4) Goodwill is to be written off.

(5) The aggregate capital of new firm should be Rs 1,20,000 to contributed in profit sharing ration. The difference is to be settled by payment /receipt.

You are required to prepare: (1) statement of consideration. (2) Ledger A/c to close books of Ajeet & Co. and Vijeet & Co. (3) Balance Sheet of Vijeta & Co.

(G) Ram and Laxman are in partnership sharing profits and losses 3/5 and 2/5 respectively. They agreed to amalgamate their business with that of Bharat as on 31st March, 2018. As on that date, the summarized Balance sheet of the two firms were as follows:

Liabilities	Ram & Laxman	Bharat	Assets	Ram & Laxman	Bharat

Capital : Ram			Land and Building	10,500	7,500
Laxman	20,000		Furniture	2,500	500
Bharat	10,000	-	Investments	8,000	-
Current A/c:	-	15,000	Stock	6,000	2,000
Ram			Debtors	4,500	1,500
Laxman	4,000	-	Bank Balance	4,500	5,000
Bharat	2,000	-	Goodwill	9,000	-
Bill Payable	-	500			
Creditors	6,000	1,000			
	3,000	-			
	45,000	16,500		45,000	16,500

Other Details:

(1) Profit and losses were to be shared Ram 3/5, Laxman 1/5 and Bharat 1/5.

(2) Goodwill of Ram and Laxman ₹ 10,000 and Bharat ₹ 5,000 is to be maintained in the books of the new firm.

(3) **Other assets revalued as follows**:
Land & Building at 10% depreciation ; Furniture at book value; Debtors at 10% R.D.D (4) Investment taken over by Ram at an agreed value of ₹ 6,500

(5) Discount on Creditor at 2%.

(6) New Capital to be maintained ₹ 50,000 any difference being transferred to their Current Accounts.
Prepare necessary ledger accounts in both the partners books and Opening Balance Sheet. Pass necessary journal entries in the books of Ram and Laxman.

(H) M/s A & Co. having A & B as partners decided to amalgamate with M/s C & Co. having C & D as partners on the following terms and conditions.

(1) The new firm M/s Ac and co. to consider Goodwill of both the firms at ₹ 15,000 each.

(2) The new firm to take over investments at 10% depreciation Debtors and Furniture at book values Premises at ₹ 53,000 Land at ₹ 66,800 Machinery at ₹ 9,000 and such cash which remained after discharge of partners loans by the respective old firms before amalgamation.

(3) The new firm also assumed other liabilities of old firms.

The following were the Balance Sheets of both the firms on the date of amalgamation:

Liabilities	A & Co.	C & Co.	Assets	A & Co.	C & Co.
Creditors Bills	20,000	10,000	Cash	15,000	12,000
Payable	5,000	-	Investment	10,000	8,000
Loans:			Debtors	9,000	4,000
A	8,000	-	Furniture	12,000	6,000
C	-	10,000	Premises	30,000	-
Reserves	10,000	4,000	Land	-	50,000
Capitals:			Machinery	15,000	-
A	35,000	-	Goodwill	9,000	-
B	22,000	-			
C	-	36,000			
D	-	20,000			

	1,00,000	80,000		1,00,000	80,000

You are required to close the books of A & Co. and C & Co. by preparing following Ledger Account in each case:

(a) Realisation Account (b) Partners' Capital Accounts and (c) New Firms Account. Also prepare opening Balance Sheet of New Firm.

(I) Vijay and Sanjay were carrying on business of supply of hardware as sole traders. Their Balance Sheet as on 31st March 2018 are given below:

Liabilities	**Vijay**	**Sanjay**	**Assets**	**Vijay**	**Sanjay**
Bill Payable	50,000	40,000	Fixed Assets	40,000	50,000
Bank Overdraft	25,000	-	Stock	50,000	25,000
Capital A/c	75,000	1,00,000	Book Debts	60,000	55,000
			Cash Balance	-	10,000
	1,50,000	1,40,000		1,50,000	1,40,000

Both the parties decided to amalgamate their business and form a new partnership firm under the name of M/s Jay on 1st April, 2018. The terms of amalgamation were as follows:

(i) Fixed assets were to be reduced by 10%.

(ii) Stock of Mr. Vijay to be reduced by 20% and that of Sanjay increased by 10%.

(iii) A reserve for 2.5% to be created against book debts

(iv) Both the parties to be credited with goodwill of Rs 25,000 each.

(v) The bank overdraft of Mr. Vijay is to be paid by him.

You are required to prepare necessary Ledger Accounts in the books of Vijay and Sanjay.