

Chapter 1: Amalgamation | Model Journal Entries

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Accounting entries in the books of Transferor Company

Sr. No.	Particulars	L.F.	Dr (₹)	Cr (₹)
1.	<p style="text-align: center;">For transferring assets to Realisation A/c:</p> Realisation A/c Dr To Assets A/c (individually at book value) (Being Assets transferred to Realization A/c.)		xxx	xxx
2.	<p style="text-align: center;">For transferring liabilities(outside liabilities only) to Realisation A/c:</p> Liabilities A/c Dr To Realisation A/c (Being transferring liabilities to realization A/c.)		xxx	xxx
3.	<p style="text-align: center;">For purchase consideration due from transferee company:</p> Transferee Company A/c Dr To Realisation A/c (Being purchase consideration due from transferee company.)		xxx	Xxx
4.	<p style="text-align: center;">On receiving or discharging purchase consideration:</p> Equity shares in Transferee company A/c Dr Preference shares in Transferee company A/c Dr Debentures in Transferee company A/c Dr Cash/ Bank A/c Dr To Transferee company A/c (Being purchase consideration received/discharged.)		xxx xxx xxx	xxx
5.	<p style="text-align: center;">For sale of assets not taken over by transferee company:</p> Cash/ Bank A/c (Sale proceeds) Dr To Realisation A/c (Being sale of assets not taken over by transferee company.)		xxx	xxx
6.	<p style="text-align: center;">For discharging liabilities not taken over by transferee company:</p> Liability A/c Dr Realisation A/c Dr (if excess amount paid) To Cash/ Bank A/c To Realisation A/c (If less payment is made) (Being discharge of liabilities not taken over by transferee company.)		xxx	xxx xxx
7.	<p style="text-align: center;">For liquidation (realisation) expenses:</p> a. If liquidation expenses are met by transferor company. Realisation A/c Dr To Cash/ Bank A/c (Being liquidation expenses met by transferor company.) b. If liquidation expenses are met by transferee company. No entry is required.		xxx	xxx
8.	<p style="text-align: center;">For closing preference share capital:</p> Preference share capital A/c Dr Realisation A/c (if excess amount paid) Dr To Preference shareholders A/c To Realisation A/c (if less amount paid) (Being closing of preference share capital.)		xxx xxx	xxx xxx
9.	<p style="text-align: center;">For paying off Preference shareholders:</p> Preference shareholders A/c Dr To Preference shares in Transferee company A/c To Cash/ Bank A/c (if any) To Debentures A/c (if any) (Being pay off of preference shareholders.)		xxx	xxx xxx xxx

10.	For transferring equity share capital, reserves etc. Equity share capital A/c General reserve A/c P&L A/c Dividend equalization reserve A/c Security premium A/c To equity shareholders A/c (Being transfer of equity share capital, reserve etc.)	Dr Dr Dr Dr Dr	xxx xxx xxx xxx xxx	xxx
11.	For transferring fictitious assets: Equity shareholders A/c To P&L A/c To preliminary expenses To Discount/ expense on issue of shares/ debentures (Being transferring of fictitious assets.)	Dr	xxx	xxx xxx xxx
12.	For closing Realisation A/c: a. For loss on realisation (if debit > credit). Equity shareholders A/c To Realisation A/c (Being closing of realization A/c.) b. For profit on realisation (if credit > debit). Realisation A/c To Equity shareholders A/c (Being closing of realization A/c.)	Dr Dr	xxx xxx	xxx xxx
13.	For payment to equity shareholders: Equity shareholders A/c To Equity shares in Transferee company A/c To Cash/ Bank A/c (if any) (Being payment to equity shareholders.)	Dr	xxx	xxx xxx

[After payment to equity shareholders, all the accounts in the books of Transferor Company will be closed.]

Accounting entries in the books of Transferee Company (Amalgamation in the nature of purchase)

Sr. No.	Particulars	L.F.	Dr (₹)	Cr (₹)
1.	<p style="text-align: center; color: red; margin: 0;">For purchase consideration due and assets and liabilities taken over:</p> Assets A/c (At revised, otherwise at book value) Dr Goodwill A/c (if credit > debit) Dr To Liabilities A/c (At revised, otherwise at book value) To Liquidator of transferor company (purchase consideration) To Capital reserve (if debit > credit) (Being purchase consideration due and assets and liabilities taken over.)		xxx	xxx
2.	<p style="text-align: center; color: red; margin: 0;">For payment of purchase consideration:</p> Liquidator of transferor company A/c Dr To Share capital A/c To Debenture A/c To Bank A/c (Being payment of purchase consideration.) (Note: if shares are issued at premium, security premium A/c is credited with premium. If shares are issued at discount, discount on issue of shares A/c is debited with discount).		xxx	xxx xxx xxx
3.	<p style="text-align: center; color: red; margin: 0;">For payment of liquidation expenses by transferee company:</p> Goodwill/ Capital reserve/ P&L A/c Dr To Cash/ Bank A/c (Being payment of liquidation expenses by transferee company.)		xxx	xxx
4.	<p style="text-align: center; color: red; margin: 0;">For payment of formation expenses:</p> Preliminary expenses A/c Dr To Cash/ Bank A/c (Being payment of formation expenses.)		xxx	xxx
5.	<p style="text-align: center; color: red; margin: 0;">If there are both Goodwill and Capital reserve A/c, Goodwill may be set off against Capital reserve:</p> Capital Reserve A/c Dr To Goodwill A/c (Being Goodwill set off against Capital reserve A/c.)		xxx	xxx
6.	<p style="text-align: center; color: red; margin: 0;">If any liability (including debenture) is discharged by transferee company:</p> Liability A/c (Amount payable) Dr To Share capital/ Debenture/ Bank A/c (Being liabilities discharged by transferee company.)		xxx	xxx
7.	<p style="text-align: center; color: red; margin: 0;">To record Statutory Reserves of transferor company:</p> Amalgamation Adjustment A/c Dr To Statutory Reserve A/c (Being Statutory Reserves recorded of transferor company.) (Note: Amalgamation adjustment A/c is shown on the assets side of the company's Balance Sheet).		xxx	xxx

Accounting entries in the books of Transferee Company

(Amalgamation in the nature of merger)

Sr. No.	Particulars	L.F.	Dr (₹)	Cr (₹)
1.	<p style="text-align: right;">For purchase consideration due and assets and liabilities taken over:</p> Assets A/c (Individually at book value) Dr To Liabilities A/c (Individually at book value) To Reserves of Transferor Company A/c To P & L A/c To Liquidator of transferor company A/c (purchase consideration) (Being purchase consideration due and assets and liabilities taken over.) (Note: The difference between debit and credit is adjusted in the reserves of transferee Company)		xxx	xxx xxx xxx xxx
2.	<p style="text-align: right;">For payment of purchase consideration:</p> Liquidator of transferor company A/c Dr To Share capital A/c To Debenture A/c To Bank A/c (Being payment of purchase consideration.) (Note: if shares are issued at premium, security premium A/c is credited with premium. If shares are issued at discount, discount on issue of shares A/c is debited with discount)		xxx	xxx xxx xxx
3.	<p style="text-align: right;">Payment of liquidation expense by transferee company:</p> General Reserve/ P & L A/c Dr To Cash/ Bank A/c (Being Payment of liquidation expense by transferee company.)		xxx	xxx
4.	<p style="text-align: right;">For the payment of formation expenses:</p> Preliminary expenses A/c Dr To Cash/ Bank A/c (Being the payment of formation expenses.)		xxx	xxx

Inter-company Owings or Debts

Generally amalgamation or absorption takes place between companies having mutual transactions. One company may purchase goods on credit from the other. Sometimes, one company accepts the bills of exchange drawn by the other. Advanced Corporate Accounting. At the time of amalgamation or absorption, inter-company debts must be eliminated because after amalgamation or absorption both companies become one entity and nothing will be payable or receivables between them. The adjusting entry in the books of transferee company for the elimination is:

Sr. No.	Particulars	L.F.	Dr (₹)	Cr (₹)
1.	Mutual Debts: Sundry Creditors A/c To Sundry Debtors A/c (Being mutual debts adjusted.) <i>Note: No adjusting entry is required in the books of transferor company.</i>	Dr	xxx	xxx
2.	Mutual Acceptance: There may be mutual acceptance of bills of exchange between the companies. For such mutual acceptance the following adjusting entry is passed in the books of transferee company: Bills Payables A/c To Bills Receivables A/c (Being mutual acceptance of bills of exchange.) <i>[Note: No adjusting entry is required in the books of transferor company.]</i>	Dr	xxx	xxx