



simplifying your success

## Chapter Tests of FR of CA Ashish Lalaji 9825856155

### Solution of FR Test 8: Ind AS 103

#### Q 1 Determination of Purchase Consideration:

Particulars	Amount (Rs. in lakhs)
<b>(1) Equity Shares:</b>	
4 X ¼ i.e. 1 X Rs.550	550
<b>(2) Contingent Consideration:</b>	35
<b>(3) Cash Payment to Founder Shareholder</b>	20
<b>(4) Settlement of SBP Transaction</b>	2
(5 X 2 / 5)	
<b>Purchase Consideration</b>	<b>607</b>

#### Determination of Fair Value of Net Assets Taken Over:

Particulars	Amount (Rs. in lakhs)
Property plant and equipment	350
Investments	100
Inventories	150
Financial assets	230
Trade receivable	300
Cash and cash balances	100
Sole distribution rights	30
Non Compete Fees	45
Customer list	20
	<u>1,325</u>
<b>Less:</b>	
Long term borrowings	200
Long term provisions	70
Deferred tax	35
Short term borrowings	150
Trade payable	300
Contingent liability accepted	50
<b>Fair Value of Net Assets Taken Over</b>	<b>520</b>

#### Determination of Goodwill / Bargain Purchase Gain:

Particulars	Amount (Rs. in lakhs)
Purchase Consideration	607
Less: Fair Value of net assets taken over	<u>520</u>
Goodwill	<u>87</u>

**Balance sheet of Professional Ltd. as of 1<sup>st</sup> April, 2022:**

Particulars	Amount (Rs. in lakhs)
<b>Assets:</b>	
<b>1. Non-Current Assets:</b>	
Property plant and equipment	650
Goodwill	87
Sole distribution rights	30
Non Compete Fees	45
Customer list	20
Investments	500
<b>2. Current assets:</b>	
Inventories	400
Financial assets	630
Trade receivable	750
Cash and cash balances (200 + 100 – 20)	280
<b>Total</b>	<b>3,392</b>
<b>Equity and Liabilities</b>	
<b>Equity</b>	
(i) Equity Share capital	600
(ii) Other Equity	1,262
<b>1. Non-Current liabilities:</b>	
Long term borrowings	450
Contingent Consideration payable	35
Long term provisions	120
Deferred tax	75
<b>2. Current Liabilities:</b>	
Short term borrowings	250
Trade payable	550
Contingent liability accepted	50
<b>Total</b>	<b>3,392</b>

**Statement of Changes in Equity:**

**(a) Equity:**

Balance at the beginning	Change during the year	Balance at the end
500	100	600

**(b) Other Equity:**

Particulars	Securities Premium	Retained Earnings	OCI	Total
Balance at beginning	----	730	80	810
New shares issued	450	----	----	450
SBP Transaction	----	2	----	2
	450	732	80	<b>1,262</b>



Solution prepared by **CA. Ashish Lalaji**

**Q 2 (i) Journal entries in Books of Z Ltd.**

Current Liabilities A/c	Dr.	93	
Bank Loan A/c	Dr.	15	
Reserves A/c	Dr.	645*	
	To Fixed Assets A/c		168
	To Current Assets A/c		585

\* Loss on reconstruction

(ii)  
**Balance sheet of Z Ltd. after demerger**

	<b>Amount</b>
<b>Assets</b>	
<b>Non Current Assets</b>	
Property, Plant and Equipment	515
Non Current Investments	97
<b>Current Assets</b>	<u>445</u>
	<u>1,057</u>
<b>Equity and Liabilities</b>	
<b>Equity:</b>	
Equity share capital: Shares of Rs.10 each	345
Other Equity [685 – 645]	40
<b>Liabilities:</b>	
<b>Non Current Liabilities</b>	
Loan Funds [417 – 15]	402
<b>Current Liabilities</b>	<u>270</u>
	<u>1,057</u>

**Analysis of Business Combination in books of Y Ltd.**

It is not a common control business combination (given). Hence, Acquisition method is followed as under:

**Determination of Purchase Consideration:**

**Equity Shares of Y Ltd.:**

34.5 X 2 i.e. 69 X 10 Rs.690 crores

**Determination of Value of Identifiable Net Assets:**

Fixed Assets	218
Current Assets	<u>585</u>
	803
Less: Loan Funds	15
DTL (218 – 168 i.e 50 X 30%)	15
Current Liabilities	<u>93</u>
Net Assets taken over	<u>680</u>

**Determination of Goodwill:**

Fair Value of Consideration	690
Add: Value of NCI	<u>Nil</u>
	690
Less: Value of identifiable net assets	<u>680</u>
Goodwill	<u>10</u>

## Balance sheet of Y Ltd.

	Amount
<b>Assets</b>	
<b>Non Current Assets</b>	
Property, Plant and Equipment	218
Goodwill	10
<b>Current assets</b>	<u>585</u>
	<u>813</u>
<b>Equity and Liabilities</b>	
<b>Equity:</b>	
Equity share capital: Shares of Rs.10 each	690
<b>Liabilities:</b>	
<b>Non Current Liabilities</b>	
Loan Funds	15
Deferred Tax Liability	15
<b>Current Liabilities</b>	<u>93</u>
	<u>813</u>

### (iii) Calculation of Intrinsic Value per Share:

	Z Ltd.		Y Ltd.
	Before Demerger	After Demerger	
Property, Plant and Equipment	683	515	218
Goodwill			10
Non Current Investments	97	97	
Net Current Assets	<u>667</u>	<u>173</u>	<u>492</u>
	1,447	787	710
Less: Loan Funds	<u>417</u>	<u>402</u>	15
DTL			<u>15</u>
(a) Total Intrinsic Value	1,030	385	690
(b) No. of shares	<u>34.5</u>	<u>34.5</u>	<u>69</u>
(c) IVPS [a / b]	<u>29.86</u>	<u>11.16</u>	<u>10</u>

### (iv) Calculation of gain per share for shareholders of Z Ltd.:

Value of 1 share in Z Ltd. after demerger	11.16
Value of 2 shares in Y Ltd. [10 X 2]	<u>20.00</u>
	31.16
Less: Value of 1 share before demerger	<u>29.86</u>
Gain per share	<u>1.30</u>

Solution prepared by **CA. Ashish Lalaji**

Instagram: <https://www.instagram.com/ashishlalaji/>

Facebook: <https://www.facebook.com/ashish.lalaji.3/>

e-mail: [ashishlalaji@rediffmail.com](mailto:ashishlalaji@rediffmail.com)

YouTube: Scan:

