

Chapter - 6: Accounts of External Reconstruction

Example - 1:

In the books of Navjyot Ltd. (Vendor Company)

Journal Entries in the books of Navjyot Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Realization A/c Dr. To Factory Building A/c To Machinery A/c To Stock A/c To Debtors A/c To Bank A/c		510,000	130,000 250,000 15,000 100,000 15,000
2	6% Debentures A/c Dr. Creditors A/c Dr. To Realization A/c		200,000 110,000	310,000
3	Equity Shareholder's A/c Dr. To Profit & Loss A/c		200,000	200,000
4	Equity Share Capital A/c Dr. To Equity Shareholder's A/c		400,000	400,000
5	Divyajyot Ltd.'s A/c Dr. To Realization A/c		310,000	310,000
6	Shares in Divyajyot Ltd.'s A/c Dr. Cash/Bank A/c Dr. To Divyajyot Ltd.'s A/c		300,000 10,000	310,000
7	Realization A/c Dr. To Cash/Bank A/c (Liquidation Expense paid)		10,000	10,000
8	Equity Shareholder's A/c Dr. To Shares in Divyajyot Ltd.'s A/c		300,000	300,000
9	Realization A/c Dr. To Equity Shareholder's A/c (Profit on Realization)		100,000	100,000

Dr.		Realization Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Factory Building A/c	130,000	By 6% Debentures A/c	200,000		
To Machinery A/c	250,000	By Creditors A/c	110,000		
To Stock A/c	15,000				
To Debtors A/c	100,000	By Divyajyot Ltd.'s A/c	310,000		
To Bank A/c	15,000	(Purchase Consideration)			
To Cash/Bank A/c - Liq. Exp.	10,000				
To Equity SH's A/c (Profit)	100,000				
	620,000				620,000

Dr.		Shareholder's Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Profit & Loss A/c	200,000	By Equity Share Capital A/c	400,000		
To Shares in Divyajyot Ltd.'s A/c	300,000	By Realization A/c - Profit	100,000		
	500,000				500,000

Dr.		Bank Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Divyajyot Ltd.'s A/c	10,000	By Realization A/c - Liq. Exp.	10,000		
	10,000				10,000

Dr.		Divyajyot Ltd.'s A/c (Purchasing Company)		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Realization A/c (Purchase Consideration)	310,000	By Shares in Divyajyot Ltd.'s A/c	300,000		
		By Cash/Bank A/c	10,000		
	310,000				310,000

Dr.		Shares in Divyajyot Ltd.'s A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Divyajyot Ltd.'s A/c (Purchase Consideration)	300,000	By Equity Shareholder's A/c	300,000		
	300,000				300,000

In the books of Divyajyot Ltd. (Purchasing Company)

Journal Entries in the books of Divyajyot Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Goodwill A/c Dr.		110,000	
	Factory Building A/c Dr.		130,000	
	Machinery A/c Dr.		250,000	
	Stock A/c Dr.		15,000	
	Debtors A/c Dr.		100,000	
	Cash & Bank A/c Dr.		15,000	
				To 6% Debentures A/c 200,000
				To Creditors A/c 110,000
				To Liquidator of Navjyot Ltd.'s A/c 310,000
2	Liquidators of Navjyot Ltd.'s A/c Dr.		310,000	
				To Equity Share Capital A/c 300,000
				To Cash/Bank A/c 10,000
3	6% Debentures A/c Dr.		200,000	
				To Equity Share Capital A/c 200,000