

* Amalgamation includes absorption.

* Company who transfers/sells AL and gets liquidated (seller / Transferee co) (SC)

→ Company which buys AL from other co. (Purchaser or Transferee co) (PC)

* Amalgamation / Absorption nature. (AS 14) (only for Purch co)

Nature of merger
Pooling int method.

Nature of Purchase.

5 conditions for merger:-

* if any of one of the condition is not satisfied.

+ external reco - always purchase.

① All assets, liab (and reserves) all taken over.

② B/o → Book value.
except: 2 entity follow diff accounting policies (depⁿ & str)

③ PC = shares only (E + P)
except: cash for fractional shares.

④ atleast 90% of SH of SC be SH of PC. (exclude purch co holdings)

⑤ Intention to carry on the same business of SC.

PC by net assets method:-

Assets B/o
(-) Liab B/o] agreed value
Net assets

Assets (all)
(-) Liab (all)] Book value
(-) Reserves (all)
net assets

* when PC for (merger) is calcⁿ and 2 or more selling co

PC will be divided.

ratio of net assets (as per purchase method)

PC x ratio.

Purchase consideration (PC)

- consideration paid in any form to SH of selling co by purch. co.
- Pymt to debn holders $\rightarrow$ X PC
but pymt in debn to SH $\rightarrow$ V PC.

Methods to calculate PC (Rem - Purchase and merge also)

humpsum method one exact amount is given = PC (no calculations required).	Net payment method (commonly used) PC = Amt Pd to equity SH + Amt Pd to pref SH. • use if R mentions exact no. or amt of shares.	Net assets method Assets $\frac{H}{O}$ @ agreed value $(-)$ Liabilities $\frac{H}{O}$ @ agreed value Net assets = PC.	Intrinsic value method at realised val. assets $\frac{H}{O}$ $\frac{S}{O}$ $\frac{M}{O}$ $(-)$ Liab $\frac{H}{O}$ net assets $\frac{H}{O}$ $(-)$ pref SH claim $(-)$ dissenting net assets $\frac{H}{O}$ ESH $\div$ no. of ES = IV P.S.
* shares = @ MV * asset = fair value. * contingency = only when sure. record as PC.	* if cash (fractional shares) shares = 1P cash = always at MV/IV	merge Asset $(-)$ Liab $(-)$ reserves PC = share cap purchase asset $(-)$ Liab PC	• if issue price given take IV
dissenting shares - some share holders dont agree to amalgamate. - Seco will pay the dis. SH in cash - P/L - realisation - while PC calculation only assenting shareholders will be taken. actual SH $(-)$ dissenting assenting SH for PC caln.	* divide PC (amalgam) in ratio of net assets calculated under purchase method. i.e Net asset x ratio = PC	merge Asset $(-)$ Liab $(-)$ reserves PC = share cap purchase asset $(-)$ Liab PC	Shares issued = $\frac{NA(SCO)}{IV(PCO)}$ • exchange ratio / swap ratio ER = $\frac{IV P.S \text{ of } SCO}{IV P.S \text{ of } PCO}$ ratio = new : old.

Entries in the books of selling company:- (i) eliminate B/S - Eq, exps - AM - (2)
 PC due - PC receive - PC dist - (3) PSH -
 (b) ESH - P/L realn - ESH.

After calculating PC :-

① Eliminate/Nullify Balance sheet:-

(a) Asset Ho: Realisation
 To Asset] BV (b) Liability Ho: Liability
 To Realisation] BV.

(c) asset & Liab
not Ho: open individual A/c with BV as opening bal

(d) Capital: Transfer to share holders A/c.

equity:- Eq sh cap
 To E.S holders A/c

Reef:- Reef sh. cap
 To Reef S. holders A/c.

(e) Reserves:-

Reserves are equity share holders prop:- * even if merge
 Ho reserves.
 [As-14 conty purchase co]

Reserves & surplus
 To Eq. sh holders A/c.

cr. bal.

Eq. sh. holders
 To P&L A/c

dr. bal.

(f) misc exp:-

Equity sh. holders
 To misc exp
 To preliminary exp.

② Purchase consideration due:-

Purchasing co A/c
 To Realisation A/c] PC.

③ PC received:-

Cash
 Eq shares in Pur. co.
 Reef shares in Pur. co.
 % Debn in Pur. co.
 Assets (if any)
 To Purchasing co.

④ Dispose assets & liab not Ho:-

Asset sold

liab discharge.

Cash
Real.

Liability
Realisation

To Asset
To Realisation

To Cash
To Real.

any profit or loss → Realisation A/c

If no info → then dispose @ "Book value"

⑤ Liquidation expenses:-

Pd + Beene (selling co)

Pd → SC

Beene → PC

Pd & Beene → PC.

Realisation

To Cash.

Purchasing
Realisation.

(man amt agreed)

(bal)

To Cash.

xx
amt pd

No entry.

+

Cash

To Purchasing co.
(amt received).

⑥ Distribution of PC:-

(i) Ref SH:-

Ref SH holder A/c

To Cash

To ES, PS

To Debn.

(ii) Realisation

Transf P&L → Eq. share
holders A/c.

(iii) Eq. Share Holders

Eq. sh holder

To Cash

To ES

To PS

To % Debn] In l/c

Transfer diff in

P.S.H A/c → Realisation A/c.

* ESH should "Tally"

Imp:-

① Date of B/s = date of amalgamation.

② G/W → Ho or not Ho → Realn (cant sell standalone)
To G/W.

ENTRIES FOR PURCHASING CO.

AM-3

① Calculate PC.

② Determine - Amalgamation

Purchase

merger.

③ Purchase Business:-

Business purchase

To Liquidator of selling co] PC.

④ Assets & Liab Ho:-

Assets Ho

Ag. value

• Goodwill

To Liab Ho

To Business purchase.

To Capital reserve

Ag. value.

PC.

All Assets

• General reserve

To All Liab

To All Reserves

To Business purchase.

To Capital reserve.

BV

BV

BV

PC

⑤ Discharge of PC:-

Liquidator of selling co.

• discount on issue

To Cash

To Eq. sh. cap

To Pref. sh. cap

To "A" Res.

• To Secu. premium

• any one

Liquidator of selling co
Disc on issue

To Eq. sh. cap

To Pref. sh. cap

* To Cash (only pref. share)

⑥ Dispose Liability of selling co:-

Liability.

To Cash

To Eq. sh. capital.

⑦ Realisation exp:-

(a) Pd & borne → selling co:- no entry.

(b) Pd → SC OR Pd & borne :- PC

Goodwill / Cap Reserve

To Cash

whichever is available.

General reserve / Cap. Reserve
To Cash.

⑧ Preliminary expenses:-

Preliminary exps
To Cash/Bank A/c

⑨ Fresh issue of capital:-

Cash
Discount
To Eq. sh cap
To P. sh cap
To security premium

⑩ Inter company transac

Creditors / lia
To Debitors / asset] BV / Transac value.

⑪ Inter company stock:- Remove profit element.

Goodwill
To stock

General reserve
To stock.

⑫ Common Party transac :-

Creditors / lia
To Debitors / asset] lower of the 2
transac amt