

AS-14

Name : Accounting for amalgamation.

SCOPE

Amalgamations
: Applicable to companies

Not applicable
on acquisitions

Definitions

- Amalgamation -
- An amalgamation
- Pursuant to provisions of Companies Act, 2013
- or any other statute
- which may be applicable
- to companies
- & includes merger

Types of Amalgamations

Nature of purchase
Nature of merger

Amalgamation in Nature of Merger

- Conditions [all needed to be satisfied]

- All assets & liabilities becomes assets and liabilities of transferee co.
- Shareholders of transferor co. become equity sh. holders of transferee co.
- Equity sh. holders of transferor co. are given equity shares of transferee co. except that cash may be payable in respect of any preference shares
- Business of transferor co. continued by transferee co.
- No. adj regarding assets & liabilities to be made in BV of transferor co.

If any one of above condition Not satisfied it is amalgamation in nature of Purchase.

Methods of accounting

- Pooling of interest method
- Purchase method

Pooling of interest method

- method of accounting
- for amalgamations of the object of which is to account for amalgamation as if separate businesses of amalgamating co. were intended to continue
- by transfer co.
- asset & liabilities are recorded at existing carrying amt.

Purchase method

either

- By recording/taking asset & liabilities at existing carrying amt
- or By allocating consideration to indt identifiable asset & liabilities

Consideration

- Shares
+ securities
+ cash
- By transfer co. → to sh. holders of transfer co.

Treatment of Reserves

In Nature of merger

The identity of reserves is preserved & they appear in FS of transferee co. in same form in which they appeared in FS of transferor co.

In Nature of purchase

The identity of reserves is not maintained further the purchase consideration is deducted from Net assets & resultant is Goodwill of capital reserve

- exception

for statutory reserves

- like Development allowance reserves, Investment allowance reserves have their identity maintained for the period required by that statute

Accounting

Amalgamation adj: reserve a/c Dr.
To Statutory reserve

Treatment of G/W

Treated as asset & amortised over useful life

↓
estimated as
5 years

Balance of P&I

→ same as other reserves

Disclosures

- Names & general nature of business
- effective date of amalgamation
- method of acc.
- scheme sanctioned

Additional disclosures
In nature of merger

In nature of purchase

[-] Dsp Description of no. of sh. issued with % of each co's eg. shares

[-] Consideration & its description

[-] Consideration - value of identifiable asset and its treatment

[-] Consi. - value of as. & flux treatment & amortise to no of G/W