Amalgamation OF Companies (AS 14)

- 1) Amalgamation means Acquisitions, Mergers, absorption (or) Taxe over of another Company.
- 2) Merger = When Two or more Companies decided to merge their Business & Form a New Company.

Vodafone + idea = VI

Under Morger Scheme, SH of Poweries Companies Will get Egral Power (Contral) in the new Company.

3) Acquisition Taxe overy! Types.

(absorption)

Physical
Take over
Where acquiree co.
I's Closed (wound up)
Its Assets Liabilities
are taken by Acquirer co

A+B=A

One ampany acquires
More than 50%.

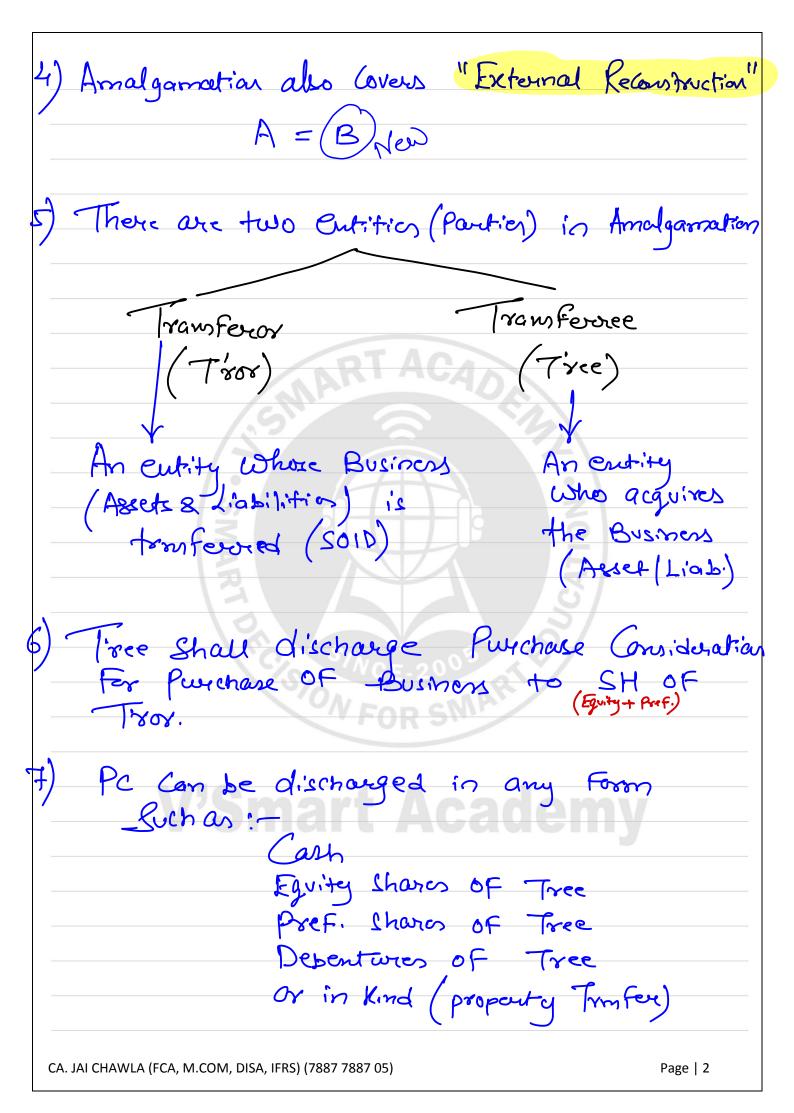
OF Equity Shares

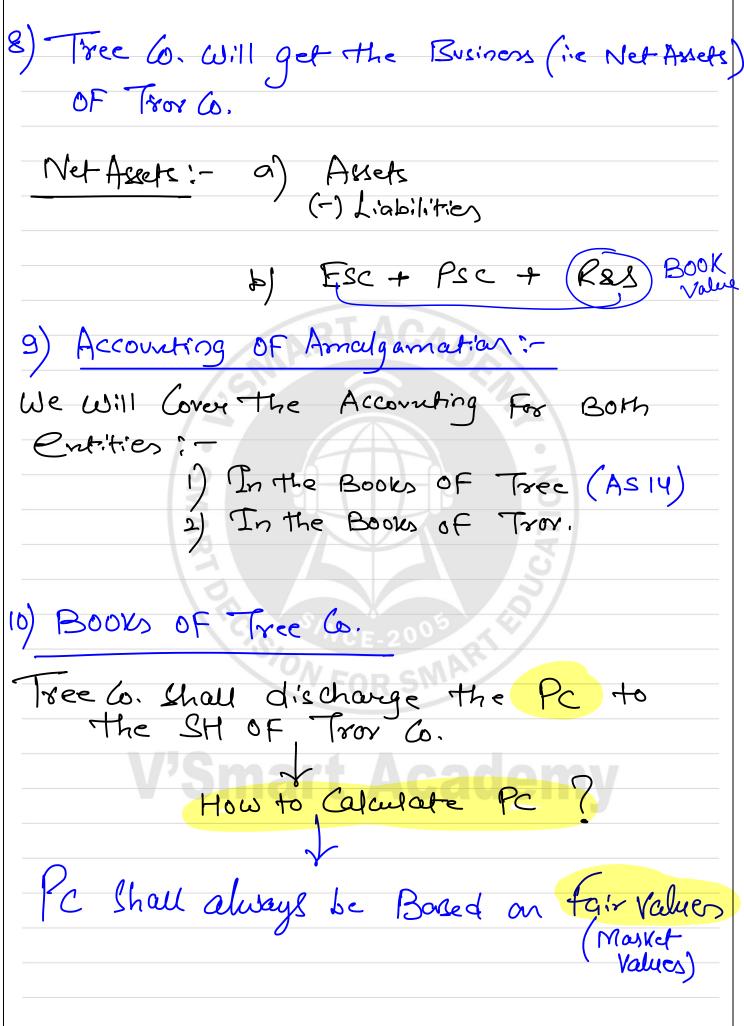
OF amother Company

As 21

Holding - Subsidiary

Idation





Case 1: - D 2td. acquired J 2td: 1 Business

Ddtd Chall Discharge PC in the Form OF

Equity Shares as per following Financial

position OF J 2td.

Balance Sheet of Juta

Esc (101-) 2,00,000 Non wwent 12,000,00

Ras 5,00,000 Aesets

Liabilities 13,00,000 Carrient 8,000,000

Assets 20 1900.

Market Values: - Non avoient Assets = 30 lass.

Covorant Assets = 10 lass.

L'abilities are at propen

Value Subject to

additional GST Liability

OF So,000.

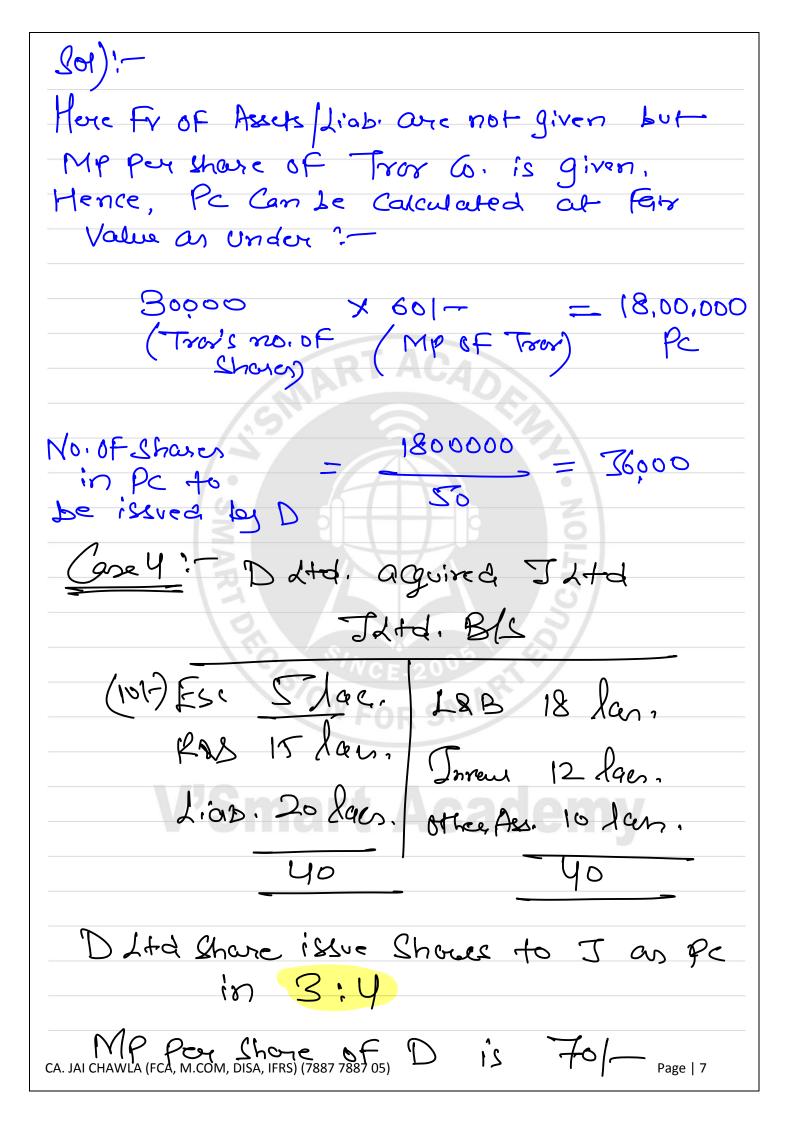
Calculate Pc amount & no. of shores to be discharged by D Ltd if MP per Share of D Ltd is 201-per share.

Colution

Pc show he Calculated Considering Morret Values OF Assets & Liab. OF J 2+d;

N. Cwor. Assets 30 Jacs.
Coverent Assets 10 lags.
(-) diabilities 13 lass.
(-) GST Liab. 0.5 laus.
Pc = 26.50 lass. Aont.
Pc in form OF No. OF Chares:
265000 - 13200 ng.
3620000 = 132500 no.
No. Ant. 201- 1 × 2650000-
1 / 15000/
7/200
E F
Case 2: - D Ltd. acquired J Ltd's Business
WCE OUG Z Y
Jata. B/s
(10) <196, N.C. F)seets 25 196,
Esc(10) 2 lacs. N. c. Assets 25 lacs. R&X 20 lacs. C. Assets 15 lacs.
Liability 18 lac. C. Assets 15 lacs.
Déhau issue Equity Shares For PC Whose
Face value is 10/- to be issued at 20%.
Premium.
<u>, </u>
There is an Unrewided Ligh, of JL+d of 100000- ca. Jai Chawla (FCA, M.COM, DISA, IFRS) (7887 7887 05) Page 5
also to be taxen over.

Calulate pc	
Solution Here Fair Val. We have to assum Values.	ues are not given Hence ne Books Values as Fair
Pc = N. l Assets C. Assets (-) Liab. (000.00,21
(-) Unrecorded	(100000)
Pc (no.) = 2100,00	
Case 3: - D dtd. acqui	c (Tray)
BOOK (ESC (10) 3,00,000	N. Cwor. Asset 20,00,000
2,00,000 Liabilitics 22,00,000	Cwarer Assets 10,00,000
30 Jan.	30 lgs.
Pc to be discharged be thoses only.	by D in the Form of
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)	501- 601- Page 6



Solution Total PC => Net Asset Values. Cx. Ratio PC Net Assets (FV) 18B = 28 less. Pam = 12 law. Goodwin = 5 /ga, = 30 /90, = 34 las, (-) Liab Total = 41,00,000 discharge in Shore as per Ex. Rutio 60000 x 4 900,000 40000 no. (Dis shore) X 20/-32,00,000 Page | 9 CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)

Note: - If the Statement "Remaining to be paid in)
Coust " is not giver	7—
in the Lame Situation	
Calculate The pe as per Ext	
Katio only	
Even though My of Assets (Ligh.	
Calculate the pc as per Ex. Ratio only Even though My of Assets (Ligh. Ose given	
Case 6:- Pc based an Internsic Value	
Balance Sheets Troop	
DTore J Trox DTree J	
EC 10,00,000 400,000 78B 32,00,00 33,00,00	
\(\lambda \text{M}\) \(\lambda \text{10,000} \text{40,000} \text{40,000}	
(88) 30'00'000 12'00'000	
PSC 500000 400000 CA 40,00,000 10,00,000	
Liability 46,00,000 36,00,000	
81 62 62	
i) Dacquired J & becomes DJ	
Quity C	
2) D Shall issue shores to SH of J based an Intrinsic Values of Shares	
based an Intrinsic Values of Shases	
OF Both Companies.	
3) My of Assets/Liab, :-	
D (Les) I (Leal)	
Land Beilding 2011. Higher 2011. Lower	
Pam 301. Higher 101. Higher	
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05) Page 10	

4) Peto PSH OF JLtd. Will be OF D OF £ 6,00,000	Pref. Shores
5) Goodwill OF J/44 is 3000,00	
Calculate Total PC	
Solution Internsic Value per share Shows Calulated as Under:	1 be
All Assets (including Goodwill or Unrecorded Assets)	BY IF FY not given (BY)
(-) PC to PSH - ((xxx)
Net Assets available ————————————————————————————————————	×××
- No. of Shares	XX
	IV Pershave
Deemed Mp per s	have
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)	Page 11

Pauticulars	D	J
12B	300,000	25,60,000
P8m	20,80,000	22,00,000
CA	40,00,000	(D, 60, 000
Goodwill		3,00,000
(-) Liabilities	(46,00,000)	(36.00,000)
(-) Pref. Sh. Horders	(500,000)	(6,00,000)
Net Asset available For ESH	39,80,000	(8,60,000
	٠.	5/ ÷
III SINC	100000	70000
Typer shore	39.8/-	26.57/
MPVSmart	Acade	emy
Pc by D2+d => 70	000 X 56.24	= 1860000 39.8
	•	- 46733 mo. X 39.80/-
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Remaining for Fractional Shaves to be paid
Kernaming for Fractional Shares to be paid in Carsh = 27/- (1860000 - 1859973)
anclusion: - Case(3) & Cose(6) are almost similar only difference is:
Only difference is:
a) In ase 3, Mp per share was
a) In ans, Mp per shore was available
But in Case 6, Mp per shore
(i'e IV pay show) was first
Calulatea
Case-7 Pc Shares based on Profitability of
Entities.
WCE-20
Tree Co. Shall issue Shares to Trov Co.
CLtd. is Tree, Altd & BLtd have
decided to merge
their Business
1 1+d 01 -11 1 2 - 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Cdtd. Shall ilsve 30000 Shares in total to
SH OF A & B. Distribution Show be made
in proportion of their Arg, profit of Last
3 years.
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05) 75000 6 4000 Page 13
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)
_ 125555 11,15,555

I Ltd. Shall issue its 10/- share at 501-poeronium Sol):- Avg profits:-A2+a. = 25,50,000 = 855,000 B 2+d. = 21000,00 7,00,000 "Distribution OF PC:-TO SH OF A = 30,000 × 850 = 16452 no. R= 146,780/- $30000 \times \frac{700}{850+700} = 13548 no.$ 9c = 203220 | -TO SH OF B

Case-8	A Lto	١, ٥	aguired	BL+d.	Pc will	Le
	given	Os	Under	,		

- a) 15,000 no. of shower to be issued MP per share of Alta. 25/-
- Also, A 2th will issued 8% pref. Shoren

 OF 100 each of Such adequet amount

 Which will be Sufficient to Covery

 their Income Expectation @ 10%.

 On their Existing Capital Employed.

 Net Asset

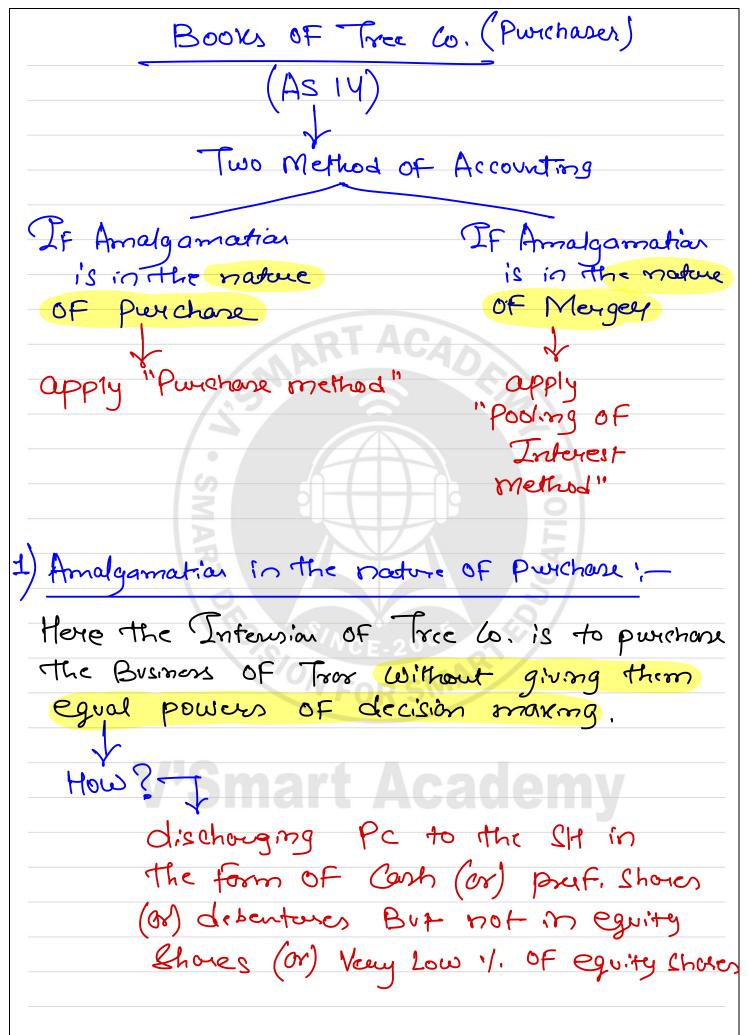
BIS BLAd

ESC	10 las.	PPE	21000,00
R&S Liabilities	X	CA	000,00,2)
/.0	6 los	SMA	36 lacs.

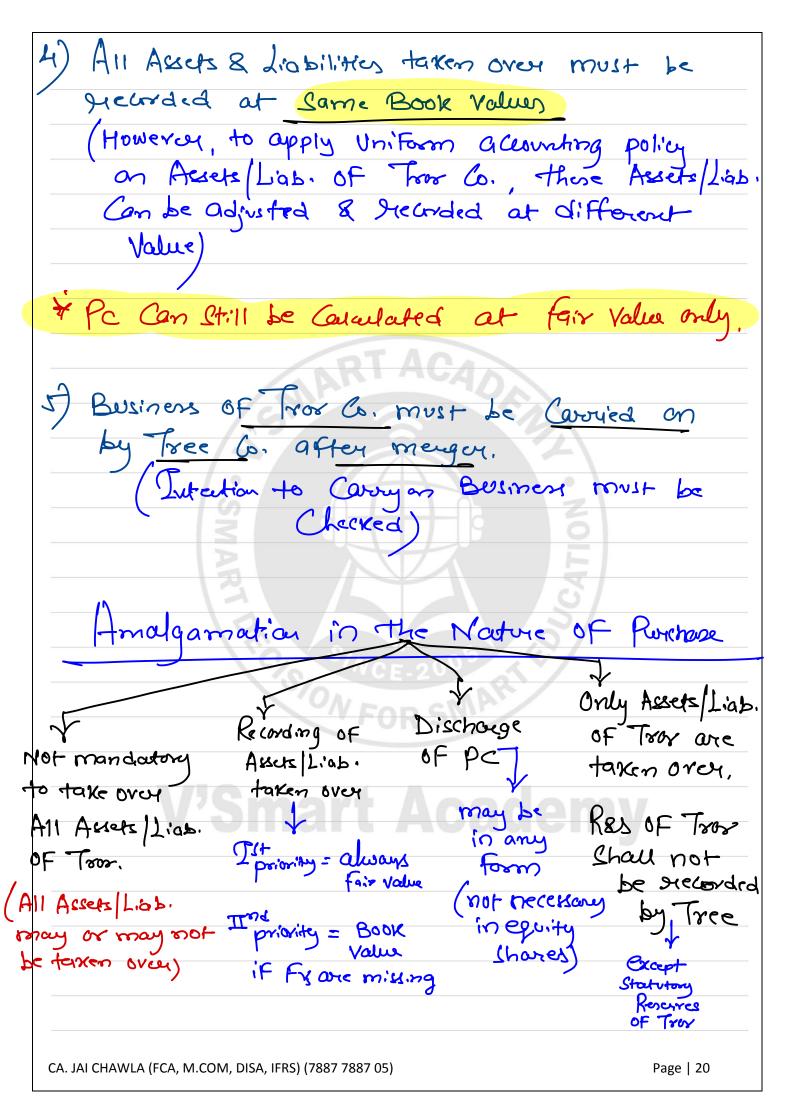
Fr of PPE & CA is 25 lass & 18 lass.

LOI):-Calculation of Capital Employed (Net Asset) PPE = 25,00,000 CA = 18,00,000 Liab. = (10,00,000) Cap. Erup. = 33,00,000 Income Expectation = 330000 @ 1011. Every year they WIII get Pref-Diva OF 330000 @ &1, return) Payent in working Eg Shores 15000 X 25 OF Tree ESH OF &1. Pref. 41,25,000 Choros 1898 41250 no. 000,000,2N Page | 16 CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)

Case 9 :-	D Ltd. acg	wired B	esiñoss o	F JLtd.
	on the box	70 2ic	Intrimic	Values
	OF Both			,
IV	Deemed	25/-	1801-	
	Deemed i	- (-)		
	<i></i>			
	res of JL			o you.
Pc Shores	to be issue	d by !	D @ Fo	re Value
	CanAn		0	only.
	fy = 100	1-		
_	/3/		YA	
Paynut to	Paynet in	WOOK	mg	Anet.
			1 6	7 (0 2 3
ESH OF	Egilhores	900007	< 180	1,29,60,000
Tros	of Tree	123		1,29,00,000
	10.		7 3/	
	5/1	12960	0 no.	
	SON	12960	00(-	
	- N	OR SM	h.	
	0			
V		AC		

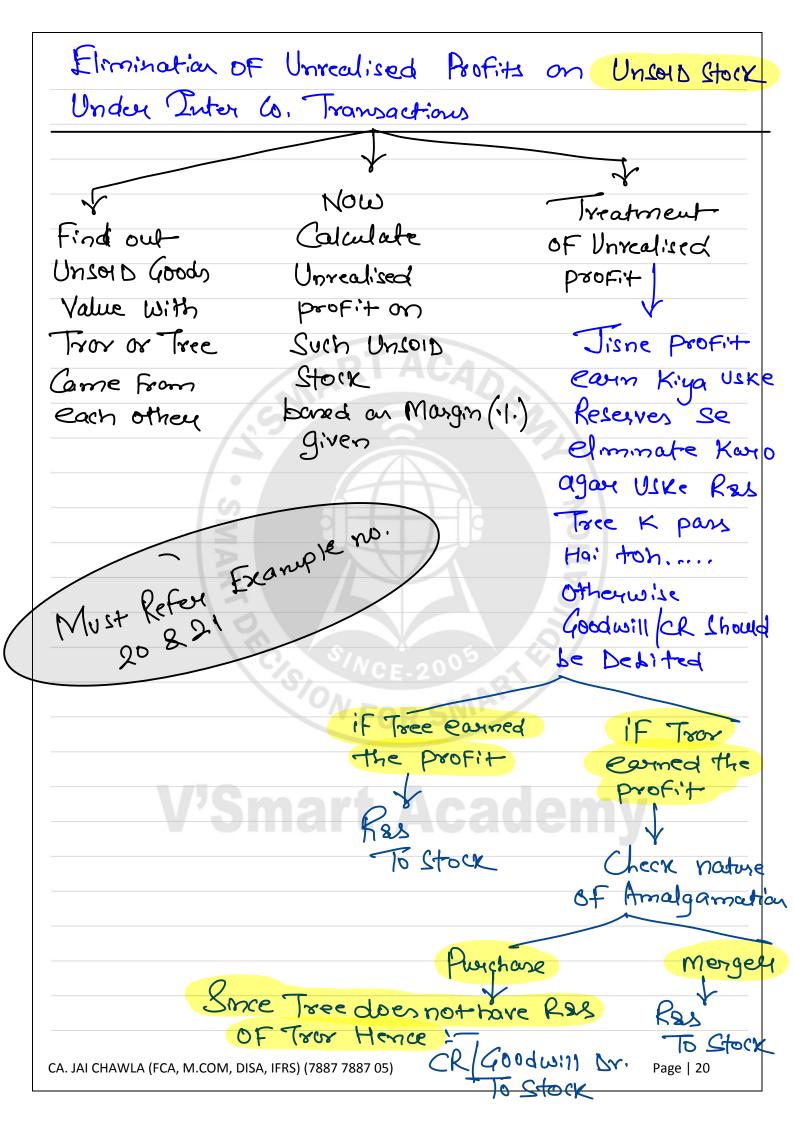


2) Amalgamation in the Nature of Merger:
Here the Intension is to Merge the Business OF Both Companies by giving equal Irights to the SH OF Trov Co.
to the SH OF Trov Co.
Both SH Show work together & take decisione together
(South me milkau Kaam Karenge)
IF below 5 Conditions are latisfied then
the amalgamation shoul be treated as Merger: - Wing.
1) All Asserts & All Liab. OF Tros Co. must be taxen over by Tree Co. (Recorded as well as UnRecorded)
(Recorded an Well as UnRecorded)
2) Equity Share holders of For Co. holding
affect 90%. OF Total equal chares must agree to become the ESH OF Tree Co.
3) Pc to (Est) of Tror 6. must be discharged in the form of Equity Shores of Tree Co.
in the form of Equity Shores of Tree Co.
Only. (However, Cash Can be given for Only for Fractional Shares)
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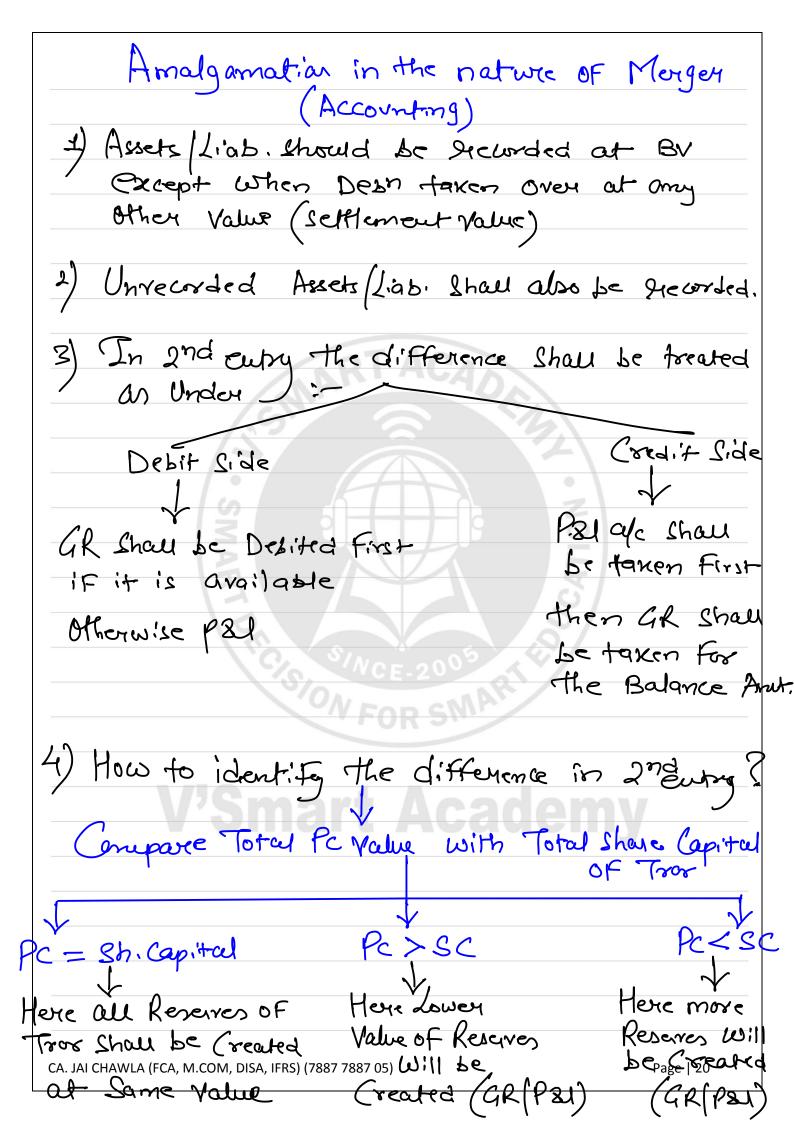
Calulation OF Go	rodw:1)	>		
Methods of Calculat	ing God	nd will	For Am	nalgamati
Method 1: - Avg. 4	brotit m	ethod		
Goodwill is 4 years OF Last 5 years of	, pwycha.	ve OF	AvgF	-204.'H
OF Last 5 years of	= profit	ζ.		
Goodwill = L	est. Future	profit		
	1	3	4	
Part profits XXX	XXX	XXX	XXX	XXX
H-) Elimination Loss+	Cam(-)			
OF Alanormal		S		
Losses/(Gains)	/NOE 200 ⁵			
1-) any other		AR		
non- recuoing				
Emp/Inbrue	4 10			
-) Non Trade (xx)	(xx)	(xx)	(xx)	('xx')
Incomes	(AA)	(///)	(///)	
Adjusted XX past profits	××	XX	**	XX
past profits				
		Comple (W) Wei	ighted
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887	7887 05)	Av	9 , Pa	age 🎾 21

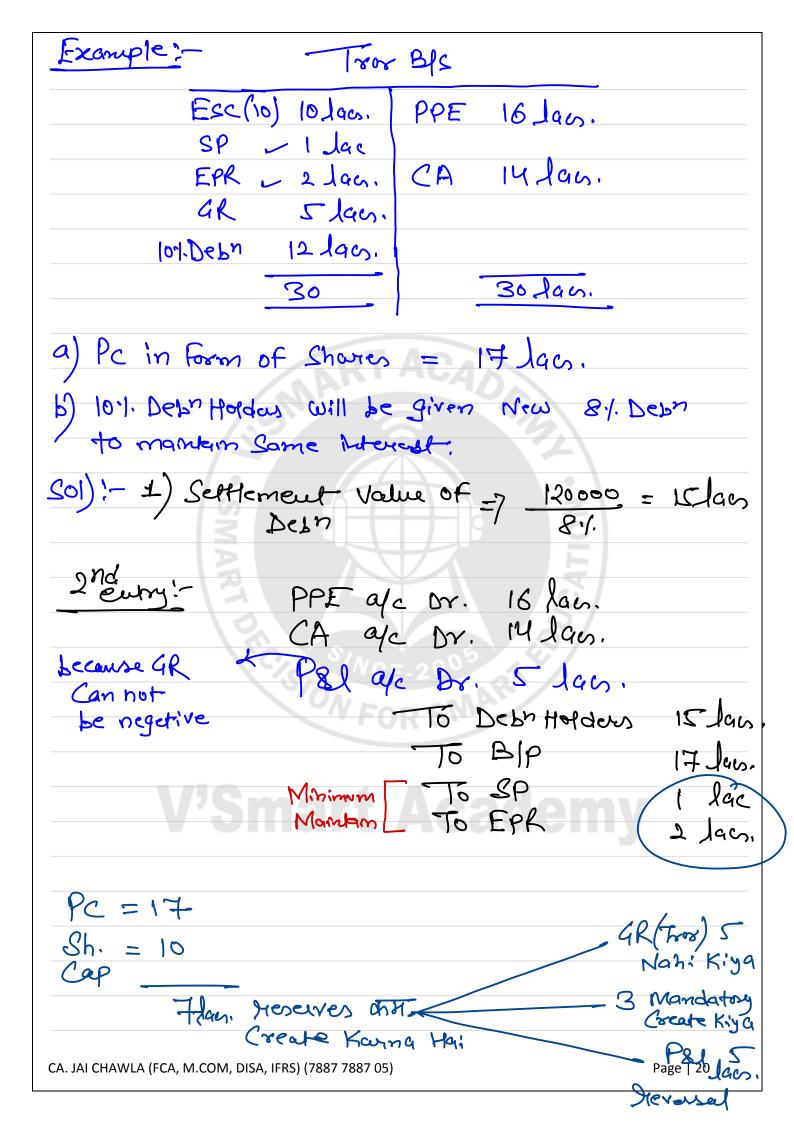
Method 2: - Super Profit method:
Goodwill is Byears purchase of SP
Goodwill = SPX3
9000
SP = Avg. Profit - Normal profit
Normal = Capital Employed(X) (PRR (1.)) 101.
Method 3! - Capitalisation method (Capitalisation OF SP method)
(Capitalisation OF SP method)
(nodwill = Avg. Profit - Achal Control
Goodwill = Avg. Profit - Actual Capital Profit - Actual Capital Employed
itna Capital Lagama Padega - itna Capital actually Lagaya Hai
Note: How to Calculate Capital Employed
for the purpose of Goodwill
(execuding Non Trade Investments) (FV/BV) 8 Fictitous Assets
(excluding Non Trade Investments) (FV/BV)
& tictitous Assets
(-) All Liabilities as per
existing Bls
Settlement value Capital Fragioned
Cap11 = 1 314 314
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)



Example: Tree SOID goods to Tros
Example: Tree SOID goods to Tros Total Cost = 280000
Total SP = 355,00
Union goods with Tror out of above = 120,000
Tree took over the Business OF From & Inventory is taken over at 2011. Lesser Value
Solution:
Unrealised profit = 70000 x 120000 = 24000
24000 Should be Climnated From Inventory OF 1200,00 & after elimination Inventory Will be at 96,000
However, Tree Co. took over Inventory at 2011. Jensey Value i've at 120000 - 2011. = 96000
Conclusion: No need to Climinate UP
Case 2: - Inventory took over at 10%. Lesser Valu
Here Inventory took over at 108000
But actual Cost of Inventory 96000
Unrealised profit to = 12000 Le climinated
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05) Page 20

Jase 3: - Irrentory took over at 20 Value	
Maximum Unrealized profit to be Climat	12 24 by
First Inventory is taken over at 1	44000 270d centry,
Now Climmate UP only to the ente	ent of 2400
Hence Net Inventory Balance in B	<u>L</u> S
Inventory 120000 144000 (-) UP 24000	
G, S/NCE-2005	
FOR SMA	
V'Smart Academ	
A. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)	Page 20





1500ks OF Iror Co. (Dissolution)
Itep 1:- Pose all Assets & Liabilities to Drealisation A/c at BV
Cash Bank Shau be Closed only if taxon over otherwise make a Separate account.
Close Capitals & Ras to Chareholders A/C (PSH & ESH)
(B/s ont 2anof Koro)
Step 2:- Purchase Consideration that he accoved
Tree a/c Dr. To Healisation (Pc ont due onit)
Sty3:- Pc shall be greceived of We Soops Cash Dr. Charles I seen or
Pc ont Receive onat) Shows Deby Dr>5 To Tree 60.

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Step 4: - Dischare PC to PSH First & transfe
the Difference to Realisation A/C
(PSH ont PC Pay onzt)
Steps: Those Assets [Liab: which are not taxus over by Tree Shau be Settled in Cash by Tror along with Eupensen:
Cash Dr. Realisation Dr. To Realisation To Cost (Sale OF Asset) (Passment of Liab Exp.)
Step 6:- Close Realisation A/C & transfer Gain/Loss to ESH A/C
(Realisation ont Close on2t)
Step F:- Pc to be discharged to ESH along With Cash Bank Balance (Pc ont discharge onat ESH ont)
Final Balance = Pc for ESH (+) Cash OF ESH available

Important Key Points to Solve the Question

- 1) Whenever any Duestion is silent about taking over of any Asset [Light, always assume that all such Assets [Light, are taken over & necorded in the Books OF Tree Co.
- 2) Debtors ave taxen over at Br Subject to a provision of Sil (08)

Debtoss are fallen at 511. lesses than BV

Both Statements have same interpretation & we will always create provision separately & Record Debtoss at Gross Value.

- 3) In Amalgamatian in the nature of Morger, Unrecorded Assets [Liab. Can also be taken over & heunded at their agreed Values.
- 4) Amalg, in the of Manger => All Ross of Tror Shall become Ross of Tree & taken in the following Segvence:
 - a) Sec. premium
 - by Kevaluation Reserve
 - c) Capital Reserve
 - d) any other Reserve (except GR &
 - e) GR

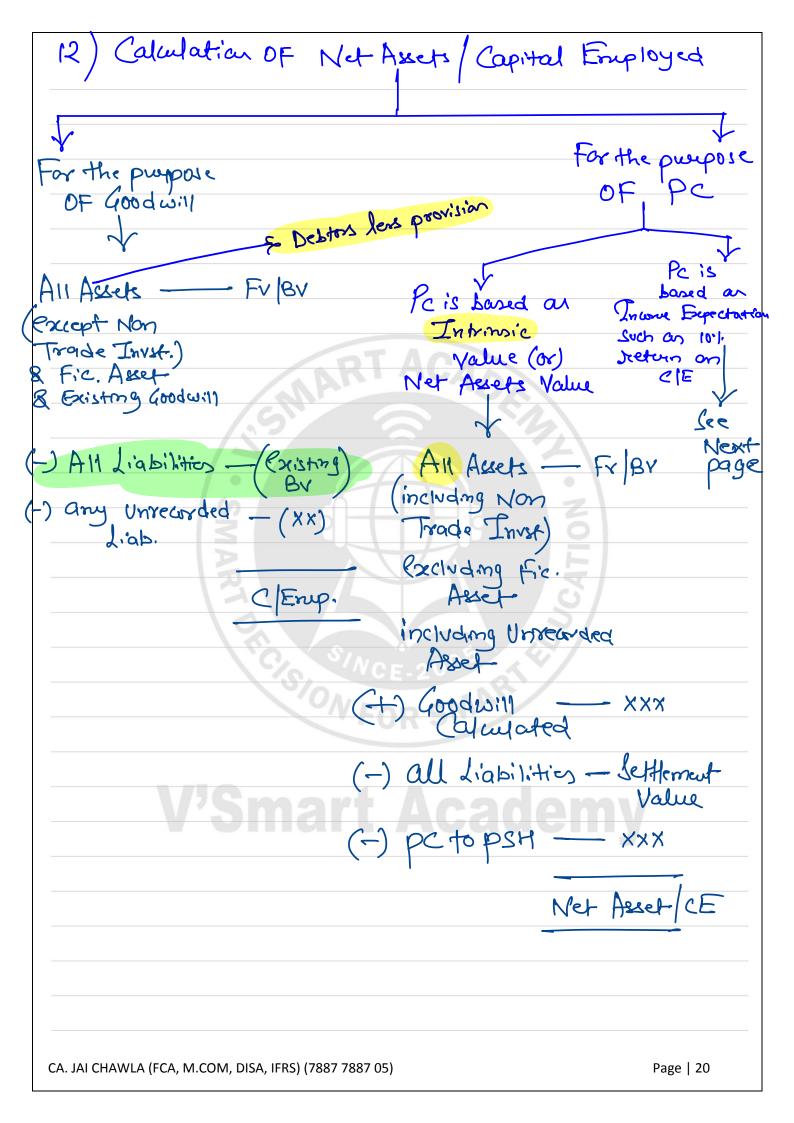
- Note: any Adjustment of taken over Chall be reflected in P&l First & then GR.
- 5) Debrof Tror shall always be taken over at Settlement Value in both methods (Purchase as well as morgen)
 - * Sefflement value can be at premium (or) at Discount (or) at Same Book Value,
- b) Whenever pc is Calculated by Net Assets
 then Debr Shau Le Considered always
 at Settlement Value.

Also in Indenty of Assets Liabilities Debn Will be Jeconded at Settlement Value.

- if not Separatly given.
- 7) Inter Co. Dests are not Considered in pc Calculation.
- 8) When there are more than 1 Tror Corupanies then while passing Ind Entry of Accets & Liability. Always pass leparate entroies for all Tror Corupanies. So that Goodwill & CR OF Each Tror Can be identified.

9) Treatment of amalgamation Expenses bosne by
Tree lo.
Expense Shall be first Setoff with CR balance available if any.
CR doctonie available if any
Cic maria available if city,
IF there is insufficient CR Balance
or No CR Balance Then Goodwill
Shall be Debited.
CR a/c Dr. (to the extent
available Bali)
CR a/c Dr. (to the extent available Bali)
(2nd priority)
-I- Qaay
To Bank
10) Final Bos of Tree after Amalgament must Show Goodwill & CR Separately, if there are two transferor co. With one having Goodwill & another having CR.
Show (moderal) & CR Separately, if there are
Les de la Francisco de la
Two transitions with one having 4000will
2 another having CR.
\mathcal{J}
10 WSmart Acadomy
11) IF Questian ask to whoff (or amortise)
the Goodwill after amalgamation
the Fourier Ext. Challe and in
the Goodwill after amalgamation then Following Entry Shall be passed:
CRayabr. (if available)
Pal(or) GR Dr.
To Goodwill

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Capital Eneployed When Pc is based ar	Income
Expertation OF SH on their Preisting	CIE OF
Business	
	Fv Bv
(including Unrecorded & Non Frade Invst)	- XXX
(including Unrecorded Liab)	- at Existing Values.
(The transfer of the teaching	ralucs.
(+) Goodwill if any	Xxx
(-) Payable to PSH -	- ×××
	Capital
<u> </u>	Eschlosed
5	FOR ESH
	11 12 0
13) When Goodwill is given for Tree & Tros, for Calwarion of PC. While preparing Final B/s of Tree, Go Tros that he hecorded. Esser it is pure	It is given
while preparing fixed BK of Tree Co	rodwill ac
Tros that be decorded . Conce it is pur	chased goodwi
But Tree's own goodwill even though g	iven in Question
Can not be shown in Bls as it is a Self	generated.
Tree's Goodwill is given so that Iv of Tree Can be Calculated.	por shore
ot pre can se calculated,	

14) The see his of any Accomplished method
(Purchase or morger) Pc Calculation
Would be Same.
It means, while Calculating PC
it shall always I effect the fair value
Even though Amalgamation is in the
nature of Merger,
OT AO
15) Also, Settlement of Debn Holders of Tros
at different value other than Book value
may happen under Amelgamatian in
Hence, in and outry of A/L helording!
Debn may be heward at Settlement Value
instead of Book value.
16) (PC 1/4 C C-14 AC S 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
16) IF Mode of Settlement Of Debenturcholders OF Tror is not given then Debenturcholders Shau always be Settled by issue of Same
Shall always be getted by issue of Come
Desenture With Same Interest Rate,
Tomat Adademy
It Fighthough Assets Cuch on "Coll of The
Dein's as "Planting Cost of Thre of
Charles OF Tray (a. Charle alivary Le
Debn'' or "Prelminary emp" (or) "Pre incorporation Depr' OF Trox 6. Shall always be Woff from Pel afc of Trox. 6. before take orey
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05) (Refer & 302 B) Page 20

18) Consider these adjust	ment & with following
A/c Treatment:	
(£)	2
Debentures of Trav	Debentures Of Troy
(200000) That be	(200000) Shau Le
discharge at 5.1.	given New Debender
discount by issue	OF that and
OF New Debenture	which is Sufficient
at par	to dischange at
	5il. discont
le pela	Sil. discont after take over
200000 - 21).	
Settlement 200000 - 51. Value = 190000	Settlement
	Settlement 2,00,000
Nem DEPU 12 130000	
of par tobe issued	New Debn Shall be
-ON FO	1850ed at 951-
	per Debn
19) Pc (modern) : c appear	ing in the Tour
19) If Goodwill is appear then Should we Con	solution it solutions
- PRC17 SMU44 WE 37	91484 M 07 (10)
Calculation OF	
Net Asset / Cap. Emp	Calculation OF Net Assets
For Calculating	For the Purpose of pc
Goodwill	
	If Pc is based If Selected
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)	an Intrinsic Appelle &
ı	Value (or) Liabilities

