

AS:14

Accounting for Amalgamation

As per AS-14

Amalgamation can be of two types

1. Amalgamation in nature of purchase, which is not in nature of Merger.
2. Amalgamation in nature of Merger, which satisfy 5 conditions together.
 - (i) All assets & liabilities are taken over. vendor
 - (ii) Assets & liabilities to be recorded at Book value of transferor company in the Books of transferee co. (purchaser) * transferor
 - (iii) At least holder of 90% Eq. shares in transferor co. agree to become Eq. shareholder of transferee company. (Except shares already held by transferee company.)
 - (iv) agreed Eq. shareholder should only be issued Equity shares as Purchase consideration. (Except cash for Fraction share)
 - (v) Business of transferor company is to be continued.

* Except to follow uniform Accounting policies .

Accounting for Amalgamation

In the Nature
of Purchase

Purchase Method
of Accounting
1-1 to 5-3

In the Nature
of Merges .

Pooling of Interest
Method .
6.1 to -----

Pooling of Interest Method of Accounting

- In the vendor company
- NO change
- In the Books of transferee (Purchase co.)

Journal Entries

Particulars	L.F	Dr. (£)	Cr. (£)
1. Business Merges A/c ——— Dr. To Liquidator of vendor co. A/c		P.C	P.C
2. All assets A/c ——— Dr. Free Reserve of purchase co. A/c ——— Dr. To All liabilities A/c To Specified Reserve A/c To Business Merges A/c To Free Reserve of vendor co. A/c		B.V Bal. fig	B.V B.V P.C Bal. fig.
3. Liquidator of vendor company A/c ——— Dr. To Eq. share capital A/c To Preference share capital A/c			

of vendor.

4. Liability A/c. ——— Dr.
 To Bank A/c
 To Reserve
5. Free Reserve A/c ——— Dr.
 To Bank A/c
6. Creditor A/c ——— Dr.
 To Debtor A/c
7. Unrealised profit A/c ——— Dr.
 Free Reserve A/c ——— Dr.
 To Stock Reserve A/c
8. Statutory Reserve.
 - NO Entry
 - already recorded.

Illustration

	Balance	Sheet of Vendor, Co.	
Liabilities	₹	Assets	₹
Eq. Share capital	200	Assets	1000.
Free Reserve	100		
Specified Reserve	200		
Liability	500		

Purchase Consideration (i) 200 (ii) 270 (iii) 400 (iv) 600
 (v) 150.

Solⁿ :- Journal Entry

S.N	Particulars	case 1	case 2	case 3	case 4	case 5
	Assets A/c _____ Dr.	1000	1000	1000	1000	1000
	Free Reserve of purchasing Co. A/c _____ Dr.	-	-	100	150	-
	R & L A/c _____ Dr.	-	-	-	150	-
	To liability A/c	500	500	500	500	500
	To specific Reserve A/c	200	200	200	200	200
	To Best Merger A/c.	200	270	400	600	150
	To Free Reserve A/c.	100	30	-	-	100
	To capital Reserve A/c	-	-	-	-	50

NOTE :- Excess of P.C over the Paid up capital of vendor co. is adjusted from,

(1) Free Reserve of vendor co.



(2) Free Reserve of Purchase co.



(3) Profit & Loss A/c (Debit)

Note :- If P.C is less than paid up capital of vendor co. - surplus is recorded in capital Reserve.