

AMALGAMATION (AS 14)

1. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as
 - a) Amalgamation
 - b) Absorption
 - c) Internal reconstruction
 - d) External reconstruction
2. When one of the existing companies take over business of another company or companies, it is known as
 - a) Amalgamation
 - b) Absorption
 - c) Internal reconstruction
 - d) External reconstruction
3. While calculating purchase price, the following values of assets are considered
 - a) Book value
 - b) New Values fixed
 - c) Average values
 - d) Market Values
4. Which of the following statement is correct?
 - a) The amount of Goodwill or Capital Reserve is found out in the books of purchasing company only
 - b) The amount of Goodwill or Capital Reserve is found out in the books of vendor company only.
 - c) $\text{Goodwill} = \text{Net Assets} - \text{Purchase price}$
 - d) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.
5. If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt accounting policies.
 - a) LIFO method
 - b) FIFO method
 - c) Weighted Average Method
 - d) Uniform
6. If amalgamation is in the, the General Reserve or Profit and Loss A/c balance will not be shown in the balance sheet.
 - a) Form of Merger
 - b) Form of Purchase
 - c) Net assets method
 - d) Consideration method
7. Zee Ltd.'s purchase consideration is ₹ 12,345 and Net Assets ₹ 3,568, then.....
 - a) Goodwill ₹ 8,777
 - b) Capital Reserve ₹ 8,777
 - c) Goodwill ₹ 15,913
 - d) Capital Reserve ₹ 15,913

8. For amalgamation in the nature of merger, the shareholders holding at least _____ or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company.
- 51%
 - 90%
 - 99%
 - 100%
9. Goodwill arising on amalgamation is to be amortised:
- Within 8 years.
 - Within 5 years unless a longer period is justified.
 - Within 10 years.
 - Within 3 years.
10. Under the pooling of interest method where it will be adjusted, the difference between share capital of the transferor company and the considerations paid.
- Goodwill or Capital reserve.
 - The general reserve or other reserves of the transferee company.
 - Amalgamation Adjustment Account.
 - All of the above.
11. ABC Ltd. take over PQR Ltd. on April 01, 2023 and discharges consideration for the business as follows:
- Issued 42,000 fully paid equity shares of ₹ 10 each at par to the equity shareholders of PQR Ltd.
 - Issued fully paid up 15% preference shares of ₹ 100 each to discharge the preference shareholders (₹ 1,70,000) of PQR Ltd. at a premium of 10%.
 - It is agreed that the debentures of PQR Ltd. (₹ 50,000) will be converted into equal number and amount of 13% debentures of ABC Ltd.
- Determine the amount of purchase consideration as per AS 14.
- ₹ 6,07,000
 - ₹ 5,90,000
 - ₹ 6,40,000
 - ₹ 6,57,000
12. XYZ Co. Ltd. having share capital of ₹ 50 lakhs divided into equity shares of ₹ 10 each was taken over by PQR Co. Ltd. PQR Co. Ltd. issued 11 equity shares of ₹ 10 each for every 10 shares of XYZ Co. Ltd. How the difference will be adjusted in the books of PQR Co. Ltd. for the shares issued under the 'Pooling of interests method' of amalgamation as per AS 14?
- Difference of ₹ 5,00,000 will be Adjusted through Goodwill.
 - Difference of ₹ 5,00,000 will be Adjusted through Revaluation Reserve.
 - Difference of ₹ 5,00,000 will be Adjusted through General Reserve
 - Difference of ₹ 5,00,000 will be Adjusted through Security Premium.
13. Priyanka Ltd. is absorbed by Harshita Ltd. Priyanka Ltd. gives the following information on the date of absorption:

Particular	Amount
Sundry Assets	13,00,000
Share capital:	
2,000 7% Preference shares of ₹ 100 each (fully paid-up)	2,00,000
5,000 Equity shares of ₹ 100 each (fully paid-up)	5,00,000
Reserves	3,00,000

6% Debentures	2,00,000
Trade payables	1,00,000

Additional information: Harshita Ltd. has agreed

- (i) to issue 9% Preference shares of ₹ 100 each, in the ratio of 3 shares of Harshita Ltd. for 4 preference shares in Priyanka Ltd.
- (ii) to issue to the debenture-holders in Priyanka Ltd. 8% Mortgage Debentures at ₹ 96 in lieu of 6% Debentures in Priyanka Ltd. which are to be redeemed at a premium of 20%;
- (iii) to pay ₹ 20 per share in cash and to issue six equity shares of ₹ 100 each issued at the market value ₹ 125 in lieu of every five shares held in Priyanka Ltd.

What will be the purchase consideration?

- a) 10,00,000
 - b) 7,50,000
 - c) 12,40,000
 - d) 8,50,000
14. The Amalgamation Adjustment Account appears in the books, it is shown under the heading of in the balance sheet.
 - a) Reserve and Surplus
 - b) Fixed Assets
 - c) Investments
 - d) Non Current Liabilities
 15. When purchasing company bears the liquidation expenses, it will debit the expenses to
 - a) Vendor Company's Account
 - b) Bank Account
 - c) Goodwill Account
 - d) Realisation Account
 16. When the Vendor (seller) company agrees to bear liquidation expenses, it will debit
 - a) Realisation Account
 - b) Bank Account
 - c) Goodwill Account
 - d) None
 17. As per AS-14 purchase consideration is what is payable to
 - a) Shareholders
 - b) Creditors
 - c) Debenture holders
 - d) Shareholders and Debenture holders.
 18. Which of the following statement is correct:
 - a) In case of merger – ESH can be issued equity shares or Preference shares as a part of Purchase consideration.
 - b) In case of purchase – ESH can be issued Preference shares also as a part of Purchase consideration.
 - c) Both (a) and (b) are correct.
 - d) Both (a) and (b) are incorrect.
 19. State which statement is correct:
 - a) In case of merger – assets and liabilities can only be taken over at bookvalues.
 - b) In case of purchase – assets and liabilities can be taken over at bookvalues or agreed values.
 - c) Both (a) and (b) are correct.
 - d) Both (a) and (b) are incorrect.

20. State which statement is correct:
- In case of merger – All Reserves and surplus of vendor company are taken over by Purchasing company.
 - In case of Purchase – None of the Reserves and surplus of vendor company are taken over by Purchasing company.
 - Both (a) and (b) are correct.
 - Only (a) is correct.
21. State which statement is correct:
- In case of merger – We use pooling of interest method for accounting.
 - In case of Purchase – We use purchase method or pooling of interest method depending upon whether it is taken over at agreed values or book values.
 - Both (a) and (b) are correct.
 - Only (a) is correct.
22. State which statement is incorrect:
- In case of merger – We can issue either preference shares or equity shares to PSH.
 - In case of Purchase – We can issue either preference shares or equity shares to PSH.
 - In case of merger – We can issue only preference shares to PSH.
 - none of the above.
23. In case of amalgamation, the entry for elimination of unrealized profit or loss on stock is made
- By the vendor company
 - By the purchasing company
 - By the third party
 - By the court
24. If expenses of liquidation of the vendor company are paid by the purchasing company then, in purchasing company's book, the account debited is
- Goodwill account.
 - Liquidation expense account.
 - Vendor company account.
 - Realisation account.
25. Amalgamation adjustment reserve is opened in the books of the amalgamated company to incorporate
- Assets of the amalgamating company.
 - Non- Statutory reserves of the amalgamating company.
 - Statutory reserves of the amalgamating company.
 - General reserve of the amalgamating company.
26. Amalgamation Adjustment Reserve is presented in the financial statements of the transferee company as
- Other current asset.
 - Separate line item with a negative sign under the head 'Reserves and Surplus'
 - Other non-current assets.
 - Investment of the company
27. A company into which the vendor company is merged is called
- Transferee company.
 - Transferor company.
 - Selling company.
 - Acquiree company.

28. If the purchase consideration is more than net assets (at agreed values) of the transferor company, difference shall be recorded as _____ in the books of the transferee company.
- a) Goodwill.
 - b) Capital Reserve.
 - c) Profit.
 - d) Loss.

Answers:

- 1. (a)
- 2. (b)
- 3. (b)
- 4. (a)
- 5. (d)
- 6. (b)
- 7. (a)
- 8. (b)
- 9. (b)
- 10. (b)
- 11. (a)
- 12. (c)
- 13. (a)
- 14. (a)
- 15. (c)
- 16. (a)
- 17. (a)
- 18. (b)
- 19. (c)
- 20. (d)
- 21. (d)
- 22. (c)
- 23. (b)
- 24. (a)
- 25. (c)
- 26. (b)
- 27. (a)
- 28. (a)