

# D P VIPRA COLLEGE BILASPUR CG



DEPARTMENT OF COMMERCE

AS-14

AMALGAMATION OF COMPANIES

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The slide features a decorative design with several horizontal green bars of varying lengths. On the right side, there is a large graphic composed of overlapping diamond shapes in teal, olive green, and yellow. The text 'AS-14' is positioned above the main title, and the main title 'AMALGAMATION OF COMPANIES' is centered below it.

AS-14

# AMALGAMATION OF COMPANIES

# AMALGAMATION-MEANING

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Refers to the process of merger of two or more companies into a single entity OR Where one company takes over the other by outright purchase. Therefore, the term 'amalgamation' contemplates two kinds of activities:

1. Two or more companies join to form a new company.
2. Absorption and blending of one by the other

# Definitions

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Amalgamation means an amalgamation pursuant to the provisions of the Companies Act, 2013 or any other statute which may be applicable to companies and includes 'merger'. Transferor company means the company which is amalgamated into another company. Transferee company means the company into which a transferor company is amalgamated. Consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

# Types of Merger / Amalgamation

**Congeneric mergers** - Mergers takes place between companies operating in same industry

Further classified into:

- ▶ **Horizontal merger** – Merger take place between companies engaged in same business activities
- ▶ **Vertical merger** – Merger take place between companies which are engaged in different functions within same business activities.

**Conglomerate mergers** - Merger takes place between companies operating in different industry

**Other type of mergers**

- ▶ **Up-stream merger** – Subsidiary company is merged with its Parent company
- ▶ **Down-stream merger** – Parent company is merged with its Subsidiary company
- ▶ **Reverse merger** – Sound financial company is merged with loss making company or unlisted company is merged with listed company to get automatic listing

# *PURCHASE CONSIDERATION*



For the amalgamation means the aggregate of the shares and other securities issued and payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

# 4 methods to calculate purchase consideration

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1. Lump sum payment method
2. Net asset method
3. Net payment method
4. Intrinsic- worth method or swap method

**Thank you**

