2014

(6th Semester)

COMMERCE

Paper: BC-619

(Corporate Accounting)

Full Marks: 75

Time: 3 hours

(PART : B-DESCRIPTIVE)

(Marks: 50)

The figures in the margin indicate full marks for the questions

Answer one question from each Unit

UNIT-I

 Zo Ltd. invited applications for 9000 Equity Shares of ₹10 each payable as ₹4 on application, ₹3 on allotment and the balance on final call.

Applications were received for 12000 shares. The directors of the company decided to make allotment as follows:

(i) To refuse allotment to applicants for 1000 shares

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(Turn Over)

- (ii) To give full allotment to application for 1000 shares
- (iii) To allot the remaining shares pro rata among the other applicants
- (iv) To utilize the surplus received on application in part payment of amount due on allotment

A holder of 100 shares (to whom full allotment was made) and another holder of 150 shares (to whom pro rata allotment was made) failed to pay the allotment money and these shares are forfeited. The final call has not yet been made.

Give the Journal Entries to record the above transactions.

2. ABC Ltd. issued 60000 Equity Shares of ₹ 10 each and 3000, 10% Preference Shares of ₹ 100 each, all shares being fully called and paid-up. On 31st March, 2012, Profit & Loss A/c showed an undistributed profit of ₹ 70,000 and General Reserve A/c stood at ₹ 1,20,000. On 2nd April, 2012, the directors decided to issue 1500, 16% Preference Shares of ₹ 100 each for cash and to redeem the existing Preference Shares at ₹ 105.

Show the Journal Entries to record these transactions. On 31st March, 2012, cash balance amounted to ₹2,00,000 and Sundry Creditors stood at ₹90,000.

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UNIT-II

- What is the need for valuation of shares?
 Discuss the two widely applied methods for the valuation of shares.
 4+6=10
- 4. XYZ Ltd. proposed to purchase the business carried on by Mr. Mawia. Goodwill for this purpose is agreed to be valued at three years purchase of the weighted average profit of the past four years. The appropriate weight to be used are:

Year	
2006	1
2007	2
2008	3
2009	4

The profits for these years were

Year	
2006	10,100
2007	10,400
2008	12,000
2009	15,000

On a scrutiny of the accounts of the following matters are revealed:

(i) On 1st September, 2007 a major repair was made in respect of the plant incurring ₹3,000 which amount was charged to revenue. The said sum is

agreed to be capitalized for goodwill calculation subject to adjustment of depreciation of 10% p.a. on reducing balance method

- (ii) The closing stock for the year 2007 was overvalued by ₹1,200
- (iii) To cover management cost of annual charges of ₹2,400 should be made for the purpose of goodwill valuation

Compute the value of Goodwill of the firm. 10

UNIT-III

5. The following balances appeared in the books of Sunshine Ltd. as on 31st March, 2011:

	Dr.	Cr.
	₹	₹
Equity Shares of ₹ 10 each		
fully paid-up		6,00,000
General Reserve		2,30,000
Unclaimed Dividend	8005	526
Trade Creditors		42,858
Buildings (at cost)	1,50,000	
Purchases	5,00,903	
Sales		10,83,947
Manufacturing Expenses	3,50,000	
Establishment Charges	26,814	
General Charges	31,078	

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(Continued)

	Dr.	Cr.
	M 700 7	₹
Machinery (at cost)	2,30,000	
Furniture (at cost)	5,000	
Opening Stock	1,72,058	
Book Debts	2,32,380	
Investments	2,88,950	ligas ·
Provision for Depreciation		
on Fixed Assets		91,000
Advance Payment of Income tax	50,000	
Cash at Bank	72,240	
Directors' Fees	1,800	
Interest on Investments		8,544
Profit & Loss A/c (01.04.2010)		16,848
Staff Provident Fund		37,500
	21,11,223	21,11,223

From the above mentioned balances and the following information, prepare the company's Balance Sheet as on 31st March, 2011 and its Profit & Loss A/c for the year ended on that date:

- (i) The Stock on 31st March, 2011 was valued at ₹ 1,48,680
- (ii) Provide ₹ 19,000 for depreciation on Fixed Assets
- (iii) Interest accrued on investments amounted to ₹2,750

- (iv) Make a provision of ₹50,000 for income tax
- (v) The directors propose a dividend @ 8% after transfer of ₹35,000 to General Reserve
- 6. Goodluck Ltd. was registered with a nominal capital of ₹6,00,000 divided into equity shares of ₹100 each. The following Trial Balance is extracted from the books on 31st March, 2005:

Debit	₹*	Credit	₹
Opening Stock	30,000	Sales	5,20,000
Buildings		Provision for	a ref
Machinery	1,00,000	Bad Debts	
Closing Stock	90,000	(01.04.2004)	3,000
Purchases	1,80,000	Equity Share	
Salaries	60,000	Capital	2,00,000
Directors' Fees	10,000	General Reserve	40,000
Rent	26,000	Profit & Loss A/c	25,000
Depreciation	20,000	Sundry Creditors	92,000
Bad Debts	6,000	Depreciation on:	
Interest Accrued		Building 50,000	
on Investment	2,000	Machinery 55,000	1,05,000
12000 shares of		14% Deben-	lant
A Ltd. of ₹ 10 each	1,	tures	2,00,000
₹8 paid-up	1,20,000	Interest on	
Debenture Interest	28,000	Debentures	
Loose Tools	23,000	accrued but	
Advance Tax	60,000	not due	14,000
Sundry Expenses	18,000	Interest on	
Sundry Debtors	1,25,000	Investment	12,000
Bank	30,000	Unclaimed	
		Dividend	7,000
	12,18,000		12,18,000
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You are required to prepare Profit & Loss A/c for the year ending 31st March, 2005 and Balance Sheet as at that date after taking into consideration the following information:

- 10
- (i) Provide for Doubtful Debts @ 4% on Debtors
- (ii) Make a provision for Income Tax for ₹ 76,000
- (iii) Outstanding Salaries and Rent were ₹ 4,000 and ₹ 3,000 respectively
- (iv) The directors recommended a dividend @ 25%

UNIT-IV

- What do you mean by amalgamation?
 Discuss the two types of amalgamation recognised by AS-14.
- 8. Given below are the Balance Sheets as on 31st December, 2012 of A Ltd. and B Ltd. which are amalgamated to form a new company AB Ltd.:

Balance Sheets

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	P.	₹		7	1
Equity Share	es		Goodwill	20,000	40,000
of ₹ 10 each	n		Buildings	40,000	20,000
fully paid	1,00,000	2,00,000	Plant	80,000	70,000

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(Turn Over)

Liabilities	A Ltd. ₹	B Ltd.	Assets	A Ltd.	B Ltd. ₹
Capital			Furniture	10,000	10,000
Reserve	40,000		Stock	80,000	1,00,000
General			Debtors	65,000	53,000
Reserve	20,000	10,000	Bank	5,000	2,000
Profit &			Profit &		-,
Loss A/c	30,000	mi -	Loss A/c		15,000
Secured					,
Loans	70,000	50,000			
Sundry		uze solu			
Creditors	40,000	50,000			
	3,00,000	3,10,000		3,00,000	3,10,000
		SOCIALISM CONTRACTOR OF PROPERTY AND INC.		CONTRACTOR OF THE PARTY OF THE	PERSONAL PROPERTY AND ADDRESS OF THE PERSON NAMED IN COLUMN 1997 AND ADD

The purchase consideration for the respective companies is

A Ltd.: Allotment of 20000 fully paid Equity Shares of ₹ 10 each

B Ltd.: Allotment of 15000 fully paid Equity Shares of ₹10 each

Give Journal Entries to close the books of A Ltd. and also prepare the Opening Balance Sheet of AB Ltd.

UNIT-V

What is a holding company? Explain, in brief, the preparation of a Consolidated Balance Sheet.

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10. From the following Balance Sheets and information given below, prepare a Consolidated Balance Sheet:
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					10
		Balance	e Sheets		
Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	7		₹	₹*
Share			Sundry		
Capital:			Assets	80,000	12,000
₹10 per			Stock-in-		
share fully			Trade	61,000	24,000
paid	1,00,000	20,000	Debtors	13,000	17,000
Profit &			Bills		
Loss A/c	40,000	12,000	Receivable	1,000	
Reserves	10,000	6,000	Shares in		
Creditors	20,000	12,000	S Ltd.:		
Bills Payable		3,000	1500 Share	S	
			of ₹10 ead	ch,	
			at cost	15,000	_
	1,70,000	53,000		1,70,000	53,000
				A Designation of the last of t	Cartific Commission of the Com

Additional Information:

- (i) All the profits of S Ltd. have been earned since the shares were acquired by H Ltd., but the reserve of ₹ 6,000 was already there at the time
- (ii) Bills accepted by S Ltd. are all in favour of H Ltd. which has discounted ₹ 2,000 of them
- (iii) The stock-in-trade of H Ltd. includes ₹ 5,000 bought from S Ltd. at a profit to the latter of 25% on cost

2014

(6th Semester)

COMMERCE

Paper No.: BC-619

(Corporate Accounting)

(PART : A—OBJECTIVE)

(Marks: 25)

The figures in the margin indicate full marks for the questions

Answer all questions

SECTION-A

(Marks: 10)

- **1.** Choose the correct answer and place its code in the brackets provided : $1 \times 5 = 5$
 - (a) Preference shares cannot be redeemed unless they are
 - (i) fully called-up of odd to 518 nonces (iii)
 - (ii) fully paid-up
 - (iii) partly paid-up
 - (iv) None of the above

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(b)	Deg	gree of control depends upon holding of				
	(i)	equity shares only				
	(ii)	both equity shares and preference shares				
	(iii)	both preference shares and debentures				
,	(iv)	preference shares only				
(c)		Annual Accounts of the company shall be ared as per the provision of				
		(Marks : 10) +				
	(i)	Section 211 of the Companies Act, 1956				
	(ii)	Section 212 of the Companies Act, 1956				
	(iii)	Section 210 of the Companies Act, 1956				
	(iv)	Section 209 of the Companies Act, 1956				
		[(iv) Ni]ne of the above				

(d) Di	iscount on Issue of Shares Ac e assets side of the Balance	count appears on Sheet under
Man (i)	Miscellaneous Expenditure	(a) Not only the
(ii,	Loans and Advances	
(iii	Fixed Assets	
(îv)		[sh]reholde
per	calculating purchase co	onsideration as
(f)	1	
(i)	be taken into consideration	1
	only payment to sharehol	
	taken into consideration	
(iii)		
	debentures are to be consideration	taken into
(iv)	None of the above	[]
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- **2.** State whether the following statements are *True* (*T*) or *False* (*F*) by putting a Tick (\checkmark) mark: $1 \times 5 = 5$
 - (a) Not only the shares of private companies and the unquoted shares of public companies need valuation, the quoted shares of public companies may also have to be valued.

(T / F)

(b) Debentureholders have voting right just like shareholders.

(T/F)

(c) Securities premium can be utilized for transfer to Capital Redemption Reserve Account.

(T / F)

(d) Minority shareholders are not concerned whether the profits are pre-acquisition or post-acquisition.

(T / F)

(e) No company shall make a public issue of equity shares, unless all the existing partly paid-up shares have been fully paid or forfeited.

synds and to see (T / F)

VI/C

3.

SECTION—B IN HOMESTIAN IN

(Marks: 15)

- **3.** Write on the following in not more than 5 sentences each: $3 \times 5 = 15$
 - (a) Debenture

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(b) Valuation of Shares

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(c) Purchase Consideration

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(d) Minority Interest

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(e) Forfeiture of Shares

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