

VI/COM (xix)

2015

(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

1. A company issued for public subscription 40000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

On Application—₹ 2 per share

On Allotment—₹ 5 per share

(including premium)

On First Call—₹ 2 per share

On Second Call—₹ 3 per share

Applications were received for 60000 shares. Allotment was made pro rata to the applicants for 48000 shares, the remaining applications being rejected. Money overpaid on application was utilized towards sum due on allotment.

Mr. X, to whom 1600 shares were allotted, failed to pay the allotment money and first call money, his shares were forfeited. Mr. Y, to whom 2000 shares were allotted, failed to pay the two calls, his shares were also forfeited.

All the forfeited shares were reissued to Mr. C at ₹ 8 per share.

Show the Journal Entries to record the above transactions.

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2. X & Co. Ltd. issued 50000 Equity Shares of ₹ 10 each and 3000, 10% Preference Shares of ₹ 100 each, all shares being fully called and paid up. On 31st March, 1992, Profit & Loss A/c showed an undistributed profit of ₹ 50,000 and General Reserve A/c stood at ₹ 1,20,000. On 1st April, 1992, the directors decided to issue 1500, 16% Preference Shares of ₹ 100 each for cash and to redeem the existing Preference Shares at ₹ 105 utilizing as much profits as would be required for the purpose.

Show the Journal Entries to record these transactions. Prepare also a Summarized Balance Sheet showing the position of the company on completion of the redemption. On 31st March, 1992, cash balance amounted to ₹ 1,85,000 and Sundry Creditors stood at ₹ 87,000.

10

UNIT—II

3. What do you mean by valuation of goodwill? Discuss any two methods of goodwill valuation in detail. 4+6=10
4. From the following details, find out the value of each Equity Share : 10

*Balance Sheet
as at 31st March, 2014*

<i>Liabilities</i>	<i>₹</i>	<i>Assets</i>	<i>₹</i>
Equity Share		Land and	
Capital (₹ 10)	4,00,000	Buildings at cost	1,50,000
7% Preference Share		Plant and	
Capital (₹ 100)	2,00,000	Machinery at cost	2,50,000
General Reserve	50,000	Stock at	
Profit & Loss A/c	40,000	market price	2,50,000
Workmen's		Debtors	1,20,000
Savings A/c	20,000	Cash and Bank	75,000
Provident Fund	25,000	Prepaid Expenses	15,000
Depreciation Reserve	80,000		
Creditors	45,000		
	<u>8,60,000</u>		<u>8,60,000</u>

Information :

- (i) Goodwill is worth ₹ 80,000
- (ii) Depreciation reserve is excess to the extent of ₹ 30,000
- (iii) Debtors of ₹ 10,000 are likely to prove bad
- (iv) There is a disputed liability of ₹ 15,000 (not provided in the accounts) out of which ₹ 10,000 is likely to materialize

UNIT—III

5. Sunshine Ltd. was registered with an authorized capital of ₹ 6,00,000 in Equity Shares of ₹ 10 each. The following is the Trial Balance drawn up on 31st March, 2012 :

	Dr. ₹	Cr. ₹
Subscribed and Fully Called-up Capital		4,00,000
Calls-in-Arrears	7,500	
Wages	84,850	
Freight and Carriage	13,130	
Premises	3,00,000	
Plant and Machinery	3,30,000	
Interim Dividend Paid	37,500	
Stock as on 01.04.2011	75,000	
Fixtures	7,200	

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	Dr. ₹	Cr. ₹
Sundry Debtors	87,000	
Goodwill	25,000	
Cash in Hand	750	
Cash at Bank	39,900	
Purchases	1,85,000	
Preliminary Expenses	5,000	
General Expenses	16,860	
Director's Fees	5,700	
Salaries	14,500	
Bad Debts	2,110	
Debentures Interest Paid	9,000	
6% Debentures		3,00,000
Profit & Loss A/c		14,500
Bills Payable		38,000
Sundry Creditors		50,000
Sales		4,15,000
General Reserve		25,000
Bad Debts Reserve		3,500
	<u>12,46,000</u>	<u>12,46,000</u>

Prepare a Trading and Profit & Loss A/c and Balance Sheet after making the following adjustments : 10

- (i) Depreciate Plant and Machinery by 10%
- (ii) Write off ₹ 500 from Preliminary Expenses

(6)

- (iii) Stock as on 31st March, 2012 was ₹ 95,000
- (iv) Provide half-year's debenture interest due
- (v) Provision for Bad and Doubtful Debts to be maintained at 5% on Sundry Debtors

6. The following is the Trial Balance of ABC Ltd. as on 31st March, 2013 :

Dr.	₹		Cr.	₹
Stock as on 01.04.2011	75,000	Purchases Returns	10,000	
Purchases	2,45,000	Sales	3,40,000	
Wages	30,000	Discount	3,000	
Carriage	950	Profit & Loss A/c	15,000	
Furniture	17,000	Share Capital	1,00,000	
Salaries	7,500	Creditors	17,500	
Rent	4,000	General Reserve	15,500	
Sundry Trade Expenses	7,050	Bills Payable	7,000	
Dividend Paid	9,000			
Debtors	27,500			
Plant and Machinery	29,000			
Cash at Bank	46,200			
Patents	4,800			
Bills Receivable	5,000			
	<u>5,08,000</u>			<u>5,08,000</u>

(7)

Prepare Trading and Profit & Loss A/c for the year ended 31st March, 2012 and a Balance Sheet as on that date after considering the following adjustments : 10

- (i) Stock as on 31st March, 2012 was ₹ 88,000
- (ii) Provide income tax at 50%
- (iii) Depreciate Plant and Machinery at 10%; Furniture at 5%
- (iv) On 31st March, 2012, Outstanding Rent amounted to ₹ 500 and Salaries ₹ 300
- (v) The Board recommends payment of a dividend @ 15% per annum. Transfer the minimum required amount to General Reserve

UNIT—IV

7. What do you mean by amalgamation? Differentiate between 'amalgamation in the nature of merger' and 'amalgamation in the nature of purchase'.

4+6=10

8. The Summarized Balance Sheets of X Ltd. and Y Ltd. as at 31st December, 2005 are as under :

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
	₹	₹		₹	₹
Equity			Land and		
Shares of			Buildings	30,000	—
₹ 100 each	1,00,000	60,000	Plant and		
6% Debentures of			Machinery	1,10,000	50,000
₹ 10 each	20,000	—	Stock	16,000	8,000
Reserve	34,000	—	Debtors	14,000	9,000
Dividend			Cash	3,000	1,000
Equalization					
Funds	4,000	—			
Employees' Provident					
Funds	3,000	—			
Trade Creditors	10,000	8,000			
Profit & Loss A/c	2,000	—			
	<u>1,73,000</u>	<u>68,000</u>		<u>1,73,000</u>	<u>68,000</u>

The two companies agree to amalgamate and form a new company called Z Ltd. which takes over the assets and liabilities of both the companies.

The purchase consideration is agreed at ₹ 1,20,000 and ₹ 60,000 for X Ltd. and Y Ltd., respectively. The entire purchase consideration is to be paid by Z Ltd. in its

fully paid shares. In return for debentures in X Ltd., debentures of the same amount and denomination are to be issued by Z Ltd.

Give Journal Entries to close the books of X Ltd. and show the Opening Entries in the books of Z Ltd. 10

UNIT—V

9. What do you mean by Consolidated Balance Sheet? What are the advantages and disadvantages of Holding Companies? 4+6=10
10. Prepare a Consolidated Balance Sheet from the following Balance Sheets of H Ltd. and S Ltd. : 10

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹
Equity Shares of ₹ 10 each	1,00,000	20,000
Profit & Loss A/c	40,000	12,000
Reserve Fund	10,000	6,000
Creditors	20,000	12,000
Bills Payable	—	3,000
	<u>1,70,000</u>	<u>53,000</u>
<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹
Sundry Assets	80,000	12,000
Stock	61,000	24,000
Debtors	13,000	17,000
Bills Receivable	1,000	—
1500 Shares in S Ltd.	15,000	—
	<u>1,70,000</u>	<u>53,000</u>

Following other information are also given :

- (i) Company S Ltd. has earned all the profits only since the above 1500 shares were acquired by H Ltd.
- (ii) On the date of acquisition of shares, S Ltd. got reserves of ₹ 6,000
- (iii) The Bills Payable of S Ltd. were all in favour of H Ltd. which had discounted ₹ 2,000 them
- (iv) Stock of H Ltd. includes goods of ₹ 5,000 purchased from S Ltd. at a profit of 25% on cost

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COMMERCE

Paper : BC-619

(Corporate Accounting)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—I

(Marks : 10)

1. Choose the correct answer and place its code in the brackets provided : 1×5=5

(a) Transferor company means

(i) the company which is amalgamated into another company

(ii) the company into which a transferor company is amalgamated

(iii) Both (i) and (ii)

(iv) None of the above

[]

(b) Forfeiture of shares is

- (i) buying back of shares from shareholders
- (ii) compulsory termination of membership and confiscation of the shares
- (iii) a high price of shares to be sold
- (iv) All of the above []

(c) The necessity for the valuation of shares of a company may arise

- (i) when a block of shares is to be purchased
- (ii) when shares are to be taken as a security against loan
- (iii) when a class of shares is converted into another class of shares or debentures
- (iv) All of the above []

(d) When the holding company acquires all the shares of the subsidiary company, the latter company becomes

(i) a wholly owned subsidiary

(ii) a parent

(iii) a partly owned subsidiary

(iv) None of the above []

(e) The annual accounts of a company have to be prepared in accordance with the requirement of

(i) Section 205 and Schedule II of the Companies Act, 1956

(ii) Section 121 and Schedule VII of the Companies Act, 1956

(iii) Section 211 and Schedule VI of the Companies Act, 1956

(iv) Section 221 and Schedule VI of the Companies Act, 1956

[]

(4)

2. State whether the following statements are *True (T)* or *False (F)* by putting a Tick (✓) mark in the brackets provided : 1×5=5

(a) Contingent Liabilities for which no provision has made should be referred to on the Balance Sheet by means of footnotes.

(T / F)

(b) The profits earned by the subsidiary company before the holding company acquires its control, is known as Revenue Profit.

(T / F)

(c) Superprofit is the actual profit over the normal profit of an enterprise.

(T / F)

(d) The Institute of Chartered Accountants of India has issued AS-14 on 'Accounting for Amalgamation'.

(T / F)

(e) Under Section 79 of the Companies Act, the shares to be issued at a discount must not be of a class already issued.

(T / F)

(5)

SECTION—II

(Marks : 15)

3. Write on the following in not more than 5 sentences
each : 3×5=15

(a) Minority Interest

(b) Valuation of Shares

(7)

(c) Purchase Consideration

(8)

(d) Pro-rata Allotment

(9)

(e) Issue of Shares at Premium

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