

II/BCO (v)

2010

COMMERCE

Paper : BC-2.1

(Corporate Accounting)

Full Marks : 100

Pass Marks : 30

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 60)

*The figures in the margin indicate full marks
for the questions*

Answer any **three** questions

1. Answer any *two* of the following : 10×2=20

- (a) What do you mean by Valuation of Goodwill? Discuss any one method in detail.
- (b) Discuss in detail the needs and steps involved in 'Internal Reconstruction'.
- (c) Differentiate between 'Amalgamation in nature of merger' and 'Amalgamation in nature of purchase'.

2. ABC Ltd. issued for public subscription 20000 equity shares of Rs 10 each at par payable Rs 2 per share on application, Rs 3 per share on allotment and the balance in two calls of equal amount. Applications were received for 30000 shares. The shares were allotted pro-rata to the applications for 24000 shares, the remaining applications being rejected. Money overpaid on application was utilized towards sums due on allotment. All money due were received except that a shareholder named Pi Sailo to whom 1000 shares were allotted failed to pay allotment money and two calls money. Her shares were forfeited and subsequently reissued to Mr. Fela at Rs 9 per share as fully paid-up.

Pass necessary Journal Entries in the books of ABC Ltd. and show your calculations clearly.

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3. ABC Ltd. was incorporated with a nominal capital of Rs 5,00,000 in equity shares of Rs 10 each. On March 31, 2009, 25000 shares were fully called up. The following balances were extracted from the ledger of the company as on March 31, 2009 :

Particulars	Rs	Particulars	Rs
Stock	50,000	Advertisement	3,800
Sales	4,25,000	Bonus	10,500
Purchases	3,00,000	Debtors	38,700

(3)

	Rs		Rs
Wages	70,000	Creditors	35,200
Discount Allowed	4,200	Plant and Machinery	80,500
Discount Received	3,150	Furniture	17,100
Insurance	6,720	Cash at Bank	1,34,700
Salaries	18,500	General Reserve	25,000
Rent	6,000	General Expenses	8,950
Profit & Loss A/c	6,220	Bad Debts	3,200
Printing & Stationery	2,400	Calls-in-arrear	5,000
Loan from a Director	15,700		

Prepare the Profit & Loss A/c for the year ended March 31, 2009 and a Balance Sheet as on that date after considering the following adjustments :

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- (i) Stock as on March 31, 2009 was Rs 91,500
- (ii) Depreciate Plant and Machinery at 15% ; Furniture at 10%
- (iii) On March 31, 2009 Outstanding Wages amounted to Rs 5,200; Salaries Rs 1,200 and Rent Rs 600
- (iv) Dividend for the year ended March 31, 2009 @ 5% is to be provided

4. The following are the Balance Sheets as on December 31, 2009 of X Ltd. and Y Ltd. :

<i>Liabilities</i>	<i>X Ltd.</i>	<i>Y Ltd.</i>
	Rs	Rs
Equity Shares of Rs 100 each	1,00,000	60,000
6% Debentures of Rs 10 each	20,000	—
Reserve	34,000	—
Dividend Equalisation Fund	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>
 <i>Assets</i>		
Land and Building	30,000	—
Plant and Machinery	1,10,000	50,000
Stock	16,000	8,000
Debtors	14,000	9,000
Cash	3,000	1,000
	<u>1,73,000</u>	<u>68,000</u>

In January 2010, 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 authorised capital of Z Ltd. is Rs 10,00,000, consisting of 100000 equity shares.

The purchase consideration is agreed at Rs 1,20,000 and Rs 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 Y Ltd., and show the opening entries in the books of Z Ltd. Also prepare the opening Balance Sheet of Z Ltd. 20

5. Prepare a Consolidated Balance Sheet from the Balance Sheets of H Ltd. and S Ltd. : 20

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	Rs	Rs
Equity Shares of Rs 10 each	10,000	2,000
Profit & Loss A/c	4,000	1,200
Reserve Fund	1,000	600
Creditors	2,000	1,200
Bills Payable	—	300
	<u>17,000</u>	<u>5,300</u>
 <i>Assets</i>		
Sundry Assets	8,000	1,200
Stock	6,100	2,400
Debtors	1,300	1,700
Bills Receivables	100	—
150 shares in S Ltd.	1,500	—
	<u>17,000</u>	<u>5,300</u>

Following other additional informations are also given :

- (i) Company S Ltd. has earned all the profits only since the above 150 shares were acquired by H Ltd.

- (ii) On the data of acquisition of shares S Ltd. got reserves of Rs 600
- (iii) The bills payable of S Ltd. were all in favour of H Ltd. which had discounted Rs 200 of them
- (iv) Stock of H Ltd. includes goods of Rs 500 purchased from S Ltd. at a profit of 25% on cost

6. The following are the summarise of the Balance Sheets of Thanga & Sons Pvt. Ltd. as on December 31, 2008 and 2009 :

<i>Liabilities</i>	2008 Rs	2009 Rs
Share Capital	2,00,000	2,50,000
General Reserve	50,000	60,000
Profit & Loss A/c	30,500	30,600
Bank Loan (short-term)	70,000	—
Creditors	1,50,000	1,35,200
Provision for Taxation	30,000	35,000
	<u>5,30,500</u>	<u>5,10,800</u>
<i>Assets</i>		
Land and Building	2,00,000	1,90,000
Plant	1,50,000	1,74,000
Stock	1,00,000	74,000
Debtors	80,000	64,200
Cash	500	600
Bank	—	8,000
	<u>5,30,500</u>	<u>5,10,800</u>

(7)

Additional Information :

- (i) Depreciation was written off on Plant Rs 14,000 in 2009
- (ii) Dividend of Rs 20,000 was paid during 2009
- (iii) Income tax provision made during the year was Rs 25,000
- (iv) A piece of land has been sold during the year at cost

You are required to prepare a statement showing sources and application of funds for the year 2009 and a schedule of change in working capital.

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(PART : A—OBJECTIVE)

(Marks : 40)

The figures in the margin indicate full marks for the questions

SECTION—I

(Marks : 10)

1. Choose the correct answer and place its code in the brackets provided : 1×3=3

(a) Which of the following statements is true?

(i) Holding Company merges Subsidiary Company in itself

(ii) Subsidiary Company retains its separate identity

(iii) Subsidiary Company holds at least 50% of its shares

(iv) All of the above ()

(b) While calculating cash from operation — are added.

(i) decrease in current assets

(ii) increase in debtors

(iii) decrease in current liabilities

(iv) All of the above ()

(c) Payment of taxes is

(i) application of funds

(ii) sources of funds

(iii) funds from operation

(iv) loss from operation ()

2. State whether the following statements are *True (T)* or *False (F)* by putting a Tick (✓) mark : 1×3=3

(a) Decrease in working capital is a source of funds.

(T / F)

(b) C
ca

(c) T
L

3. Fill in

(a) C

(b) V

(c)

(d)

(3)

(b) Cancellation of un-issued capital is a part of capital reduction.

(T / F)

(c) The minimum number of Directors in a Public Limited Company is 03.

(T / F)

3. Fill in the blanks :

1×4=4

(a) Cash-flow Statement is required for the financial planning of

(b) While preparing Consolidated Balance Sheet, pre-acquisition profit is treated as

(c) Under the pooling of interest method shares are issued by the transferee company at

(d) Assets in the Balance Sheet of a company are arranged in the order of

(4)

SECTION—II

(Marks : 30)

(b) Ki

4. Write on the following in not more than 5 sentences each : $3 \times 10 = 30$

(a) Main objectives of reconstruction

(5)

(b) Kinds of Shares

(6)

(c) Difference between External and Internal
Reconstruction

(d) Indi

(7)

(d) Indian Accounting Standard-3

(8)

(e) Distinction between Cash-flow Statement and
Funds-flow Statement

(f) Con

(9)

(f) Concept of Holding Company