

VI/COM (xix)

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

1. 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

- (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.

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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

3. 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		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	

(5)

	Dr. ₹	Cr. ₹
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	
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
	<u>21,11,223</u>	<u>21,11,223</u>

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 : 10

- (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	2,90,000	Provision for	
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
12000 shares of		14% Deben-	
A Ltd. of ₹ 10 each,		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
	<u>12,18,000</u>		<u>12,18,000</u>

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

7. What do you mean by amalgamation? Discuss the two types of amalgamation recognised by AS-14. 2+8=10
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.
	₹	₹		₹	₹
Equity Shares of ₹ 10 each			Goodwill	20,000	40,000
fully paid	1,00,000	2,00,000	Buildings	40,000	20,000
			Plant	80,000	70,000

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	—	Loss A/c	—	15,000
Secured					
Loans	70,000	50,000			
Sundry					
Creditors	40,000	50,000			
	<u>3,00,000</u>	<u>3,10,000</u>		<u>3,00,000</u>	<u>3,10,000</u>

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.

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UNIT—V

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

3+7=10

10. From the following Balance Sheets and information given below, prepare a Consolidated Balance Sheet : 10

Balance Sheets

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>	<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
₹	₹	₹		₹	₹
Share Capital :			Sundry Assets	80,000	12,000
₹ 10 per share fully paid	1,00,000	20,000	Stock-in-Trade	61,000	24,000
Profit & Loss A/c	40,000	12,000	Debtors	13,000	17,000
Reserves	10,000	6,000	Bills Receivable	1,000	—
Creditors	20,000	12,000	Shares in S Ltd. :		
Bills Payable	—	3,000	1500 Shares of ₹ 10 each, at cost	15,000	—
	<u>1,70,000</u>	<u>53,000</u>		<u>1,70,000</u>	<u>53,000</u>

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

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(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 : 1×5=5

(a) Preference shares cannot be redeemed unless they are

(i) fully called-up

(ii) fully paid-up

(iii) partly paid-up

(iv) None of the above

[]

(2)

(b) Degree 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) The Annual Accounts of the company shall be prepared as per the provision of

- (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

[]

(d) Discount on Issue of Shares Account appears on the assets side of the Balance Sheet under

(i) Miscellaneous Expenditure

(ii) Loans and Advances

(iii) Fixed Assets

(iv) Investment []

(e) For calculating purchase consideration as per AS-14

(i) only payment to equity shareholders are to be taken into consideration

(ii) only payment to shareholders are to be taken into consideration

(iii) payments to shareholders as well as debentures are to be taken into consideration

(iv) None of the above []

(4)

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

(T / F)

(5)

SECTION—B

(Marks : 15)

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

(a) Debenture

(b) Valuation of Shares

(c)

(7)

(c) Purchase Consideration

(8)

(d) Minority Interest

(9)

(e) Forfeiture of Shares

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