

COM/VI/19

2016

(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. Goodluck Ltd. issued 10000 shares of ₹ 10 each payable ₹ 3 on application, ₹ 4 on allotment and ₹ 3 on first and final call.

Applications were received for 13000 shares and the following decision was made by the company :

- (i) To refuse allotment to applicants for 1000 shares

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(Turn Over)

- (ii) To give full allotment to applicants for 2000 shares
- (iii) To allot the remaining shares pro rata among other applicants and money overpaid on application was utilized towards sum due on allotment

Mr. A holding 500 shares (to whom full allotment was made) and Mr. B holding 400 shares (to whom pro rata allotment was made) failed to pay the allotment money.

All these shares were forfeited and subsequently reissued as fully paid at ₹ 8 per share.

Show the Journal Entries to record the above transactions.

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2. The following balances are extracted from the books of X Ltd. :

8000, 11% preference shares of ₹ 10 each, fully paid up

4000, 10% preference shares of ₹ 10 each, ₹ 8 paid up

20000 equity shares of ₹ 10 each fully paid up

General Reserve—₹ 1,50,000

Profit & Loss A/c—₹ 1,00,000

Capital Reserve—₹ 20,000

Securities Premium—₹ 15,000

Preference shares are redeemed at

10% premium to the extent possible

(3)

For this purpose 4000, ₹ 10 equity shares
are issued at 10% premium
Holders of 400, 11% preference shares are untraceable
For creation of capital redemption reserve, if any,
minimum use of free reserve is to be made

Pass Journal Entries. 10

UNIT—II

3. What do you mean by valuation of shares?
Discuss the two widely applied methods for
the valuation of shares. 4+6=10
4. The Balance Sheet of X Ltd. disclosed the
following position as on 31st March, 2015 :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Paid up Capital :		Goodwill at cost	30,000
30000 shares of		Land and Building	
₹ 10 each		at cost less	
fully paid	3,00,000	depreciation	1,75,000
Capital Reserve	60,000	Plant & Machinery	
Sundry Creditors	71,000	at cost less	
Provision for		depreciation	90,000
Taxation	55,000	Stock at cost	1,15,000
Profit & Loss A/c	26,000	Sundry Debtors	98,000
		Less : Provision	
		for Doubtful	
		Debts	3,000
		Cash at Bank	7,000
			<u>5,12,000</u>
	<u>5,12,000</u>		<u>5,12,000</u>

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You are asked to value the Goodwill of X Ltd. for which purpose the following information is supplied : 10

- (i) The reasonable return on capital invested in the class of business done by the company is 12 percent
- (ii) Adequate provision has been made in the accounts for income-tax and depreciation
- (iii) Rate of income-tax may be taken as 50%
- (iv) The average rate of dividend declared by the company for the past five years was 15 percent

UNIT—III

5. A Ltd. was incorporated with a nominal capital of ₹ 5,00,000 in equity shares of ₹ 10 each. On 31st March, 2015, 25000 shares were fully called up. The following balances were extracted from the Ledger of the company as on 31st March, 2015 :

<i>Particulars</i>	<i>₹</i>
Stock	50,000
Sales	4,25,000
Purchases	3,00,000
Wages (productive)	76,720

(5)

<i>Particulars</i>	<i>₹</i>
Discount Allowed	4,200
Discount Received	3,150
Salaries	18,500
Rent	6,000
General Expenses	8,950
Profit & Loss A/c	6,220
Printing and Stationery	2,400
Advertisement	3,800
Bonus	10,500
Debtors	38,700
Creditors	35,200
Plant and Machinery	80,500
Furniture	17,100
Cash at Bank	1,34,700
General Reserve	25,000
Loan from Managing Director	15,700
Bad Debts	3,200
Calls-in-Arrear	5,000

You are required to prepare Profit & Loss A/c for the year ended 31st March, 2015 and the Balance Sheet in the prescribed form as on that date. The following further information is given to you :

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- (i) Closing Stock was ₹ 91,500
- (ii) Depreciation is to be charged on Plant & Machinery and Furniture at 15% and 10% respectively

(iii) Outstanding liabilities on 31st March, 2015 were—

Wages—₹ 5,200
Salary—₹ 1,200
Rent—₹ 600

(iv) Dividend for the year ended 31st March, 2015 @ 5% is to be provided

(v) Make a provision for taxation @ 50%

6. XYZ Ltd. was registered with an authorized capital of ₹ 10,00,000 divided into shares of ₹ 10 each, of which 40000 shares had been issued and fully paid.

The following is the Trial Balance extracted on 31st March, 2014 :

Particulars	Dr. ₹	Cr. ₹
Stock (01.04.2013)	1,86,420	
Returns	12,680	9,850
Sundry Manufacturing Expenses	19,240	
Office Salaries and Expenses	17,870	
Directors' Remuneration	26,250	
Freehold Premises	1,64,210	
Furniture	5,000	
Debtors and Creditors	1,05,400	92,220
Cash at Bank	96,860	
Profit & Loss A/c as on 01.04.2013		38,640

(7)

<i>Particulars</i>	<i>Dr.</i>	<i>Cr.</i>
	₹	₹
Share Capital		4,00,000
Purchases and Sales	7,18,210	11,85,400
Manufacturing Wages	1,09,740	
Carriage Inwards	4,910	
Auditors Fees	8,600	
Preliminary Expenses	6,000	
Plant and Machinery	1,28,400	
Loose Tools	12,500	
Cash in Hand	19,530	
Advance Payment of Tax	84,290	
	<u>17,26,110</u>	<u>17,26,110</u>

You are required to prepare Profit & Loss A/c for the year ended 31st March, 2014 and a Balance Sheet as at that date after taking into consideration the following adjustments :

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- (i) Closing Stock on 31st March, 2014 was ₹ 1,20,000
- (ii) Depreciation of Plant and Machinery is to be provided @ 15% while on office furniture is to be @ 10%
- (iii) Make a provision for income-tax @ 50%
- (iv) The directors recommended a dividend @ 15% for the year ending 31st March, 2014 after a transfer of 5% of net profits to General Reserve

UNIT—IV

7. What do you mean by purchase consideration? Discuss the two types of amalgamation according to AS-14. 4+6=10

8. The Balance Sheets of A Ltd. and B Ltd. as at 31st December, 2015 are as follows :

Liabilities	A Ltd. ₹	B Ltd. ₹	Assets	A Ltd. ₹	B Ltd. ₹
Share Capital	3,00,000	1,50,000	Goodwill	30,000	20,000
General Reserve	50,000	30,000	Land and Building	1,40,000	75,000
Profit & Loss A/c	50,000	20,000	Plant and Machinery	1,10,000	50,000
Sundry Creditors	40,000	15,000	Stock	60,000	35,000
			Sundry Debtors	60,000	20,000
			Bank	40,000	15,000
	<u>4,40,000</u>	<u>2,15,000</u>		<u>4,40,000</u>	<u>2,15,000</u>

The two companies decided to amalgamate into a new company C Ltd. which will take over the assets and liabilities of both the companies.

The purchase consideration is agreed at ₹ 3,50,000 and ₹ 2,00,000 for A Ltd. and B Ltd., respectively. The entire purchase consideration is to be paid by C Ltd. in its fully paid shares.

The liquidation expenses of the two companies ₹ 2,000 and ₹ 1,000 respectively were met by the new company.

Give Journal Entries to close the books of A Ltd. and show the Opening Entries in the books of C Ltd. 10

UNIT—V

9. What do you mean by Minority Interest? Discuss, in brief, the preparation of a Consolidated Balance Sheet. 3+7=10
10. H Ltd. acquired 6400 equity shares of S Ltd. on 1st January, 2015. The following are the Balance Sheets of the two companies as at 31st December, 2015 :

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share Capital : Equity Shares of ₹ 100 each	16,00,000	8,00,000	Land and Buildings	4,00,000	2,40,000
General Reserve as on 01.01.2015	3,20,000	1,60,000	Plant and Machinery	4,00,000	4,80,000
Profit & Loss A/c as on 01.01.2015	80,000	48,000	Stock	1,20,000	80,000
Profit for the year 2015	1,60,000	64,000	Sundry Debtors	80,000	96,000
Sundry Creditors	80,000	80,000	Investment in shares of S Ltd.	8,00,000	—
Bills Payable	24,000	8,000	Bills Receivable	64,000	8,000
	<u>22,64,000</u>	<u>11,60,000</u>	Cash at Bank	4,00,000	2,56,000
				<u>22,64,000</u>	<u>11,60,000</u>

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Additional Information :

- (i) Bills Receivable of H Ltd. include ₹ 8,000 accepted by S Ltd.
- (ii) Sundry Debtors of H Ltd. include ₹ 40,000 due from S Ltd.
- (iii) Stock of S Ltd. includes goods purchased from H Ltd. for ₹ 48,000 which were invoiced by H Ltd. at a profit of 20% on sale

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd.

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(6th Semester)

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) Which of the following cannot be utilized for the purpose of redemption of preference shares?

(i) Proceeds from issue of fresh equity shares

(ii) Proceeds from issue of fresh preference shares

(iii) Proceeds from issue of fresh debentures

(iv) None of the above []

(b) Goodwill may be valued on the basis of

(i) actual profits

(ii) superprofits

(iii) future profits

(iv) None of the above

[]

(c) 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) None of the above

[]

(d) Forfeited Share A/c is finally closed by transfer of its balance to

(i) Securities Premium A/c

(ii) General Reserve A/c

(iii) Capital Reserve A/c

(iv) None of the above

[]

(e) Loss on Issue of Debentures A/c is

(i) a liability

(ii) an asset

(iii) an expense

(iv) a gain

[]

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

3.

(a) Debentureholders are the creditors of the company, not the owners.

(T / F)

(b) Pooling method of accounting is applicable for amalgamation in the nature of purchase.

(T / F)

(c) Minority interest is always calculated at the date when the holding company takes the control.

(T / F)

(d) Corporate dividend tax is payable only on dividend actually paid.

(T / F)

(e) Discount on reissue of forfeited shares cannot exceed the amount received on forfeited shares.

(T / F)

(5)

SECTION—II

(Marks : 15)

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

(a) Debenture

(b) Amalgamation

3. Write on the following in not more than 2 sentences each:

(a) Debiture

(T / F)

(b) Primary increase in share capital

(T / F)

(c) Corporate dividend

(T / F)

(d) Dividend

(T / F)

(7)

(c) Holding Company

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(d) Valuation of Goodwill

(9)

(e) Forfeiture of Shares

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