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UNIVERSITY OF NORTH BENGAL

B.Com. Honours Part-II Examination, 2019

B.COM.

PAPER- 2H1 (Revised New Syllabus)

CORPORATE ACCOUNTING

Time Allotted: 4 Hours

Full Marks: 100

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.

GROUP-A

Answer any *four* questions from the following

1. The following is the Balance Sheet of a Limited Company as on 30th June, 2018 9+6 = 15

Liabilities	Rs.	Assets	Rs.
Share Capital		Fixed Assets	13,70,000
Issued and Subscribed		Investment at Costs	
5,000, 6% Redeemable		(Market value	
Preference Shares of		Rs 2,80,000)	3,00,000
Rs 100 each	5,00,000	<u>Current Assets</u>	
90,000 Equity Shares		Stock in Trade	9,00,000
of Rs 10 each	9,00,000	Debtors	1,00,000
Share Premium Account	1,00,000	Cash at Bank	1,75,000
General Reserve	7,50,000	Cash in Hand	5,000
Profit and Loss Account	2,00,000		
Current Liabilities	4,00,000		
	28,50,000		28,50,000

It was decided on 1.7.2018 to redeem the preference shares as a premium of 5%. To finance the redemption, all the Investments were realized at the market value stated on the Balance Sheet and 10,000 Equity Shares of Rs. 10 each were issued at Rs. 9 per share, payable in full. The company also issued 10,000 6% Debentures of Rs. 100 each.

On 1st August, 2018 the company made a bonus issue of one Equity Share fully paid for each two equity shares held on that date. It was also decided that only the minimum reduction should be made in revenue reserves.

You are required to draft Journal entries, including those relating to the Bank Accounts to record these transactions, and the Balance Sheet after redemption of Preference Shares.

2. A Ltd and B Ltd agreed to amalgamate by transferring their undertakings to a new company, AB Ltd formed for that purpose. On the date of transfer, Balance Sheets of the two companies were:

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
<u>Authorised and Issued Capital</u>			Sundry Assets	60,000	31,000
Ordinary Shares of Rs. 10 each	75,000	25,000	Freehold Property	3,000	—
5% Debentures	—	3,000	Debtors	18,000	5,000
Reserve	—	2,000	Investments	13,000	3,000
Mortgage Loan (Secured on freehold property)	5,000		Bank	10,000	2,000
Sundry Creditors	4,000	10,000			
Profit and Loss A/c	20,000	1,000			
	<u>1,04,000</u>	<u>41,000</u>		<u>1,04,000</u>	<u>41,000</u>

The purchase consideration consisted of:

- The Assumption of the liabilities of both companies.
- The Discharge of the Debentures of B Ltd, by the issue of Rs 3,500, 4% Debentures is AB Ltd.
- Issue at a premium of Rs 5 per share of ordinary shares of Rs 10 each in AB Ltd.

For the purpose of transfer, the assets are to be revalued as:

	A Ltd (Rs.)	B Ltd (Rs.)
Sundry Assets	65,000	35,000
Freehold Property	5,000	—
Debtors	17,100	4,500
Investments	14,900	4,000
Goodwill	11,000	4,000

- (a) Write-up Realisation Accounts, the Shareholders Accounts and the accounts of AB Ltd in the books of A Ltd and B Ltd, to give effects to the above transactions and set out the journal entries necessary to open the books of AB Ltd. Ignore the expenses.

3. On 1.1.2018 X Ltd purchased 24,000 Equity Shares in Y Ltd. On that date Y Ltd had Rs. 2,500 in General Reserve and Rs. 37,500 (Dr.) in P & L A/c. Their Balance Sheets on 31.12.2018 is given below:

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Liabilities	X Ltd (Rs.)	Y Ltd (Rs.)	Assets	X Ltd (Rs.)	Y Ltd (Rs.)
Equity Share capital (Shares of Rs. 10 each)	7,50,000	3,00,000	Fixed Assets	6,85,000	1,60,000
General Reserve	90,000	7,500	Current Assets	1,05,000	1,71,500
Profit & Loss A/c	60,000	—	Investment in Y Ltd	2,00,000	—
Sundry Creditors	90,000	31,500	Profit & Loss A/c	—	7,500
	9,90,000	3,39,000		9,90,000	3,39,000

Fixed Assets standing in the books of Y Ltd at Rs. 90,000 was considered worth Rs. 75,000 on the date of acquisition of shares for the purpose of determining the value of shares. 20% depreciation has been written off since acquisition. Stock of X Ltd on which Y Ltd made Rs. 7,500 profit. Prepare the Consolidated Balance Sheet.

4. The following particulars are available in relation to a company:

8+7 = 15

- Capital: 3,500 7% Preference Shares of Rs. 100 each, fully paid; 83,000 equity shares of Rs. 10 each, fully paid.
- External Liabilities: Rs. 4,75,000
- Reserves and Surplus: Rs. 3,35,000
- The Average Normal Profit (after taxation) earned every year by the Company Rs. 1,54,250.
- The normal profit earned on the market value of equity shares, fully paid, of the same type of companies is 9.5%.

Calculate the value of each equity share by:

- Asset-Backing method assuming that out of the total assets, those worth Rs. 27,000 are fictitious.
- The Earning-Capacity Method.

5. (a) Write the treatments of: (any *two*) 3+3
- (i) Repairs and Renewals
 - (ii) Depreciation of Fixed Assets
 - (iii) Cost of Extension and Replacement of Fixed Assets in respect of Electric Supply Companies.
- (b) H Gas Co. Ltd rebuilds part of its works at a cost of Rs. 3,30,000. The part of the old works thus replaced cost of Rs. 1,30,000. A sum of Rs. 8,400 is realised by selling old materials and old materials valued at Rs 4,600 are used in reconstruction and included in the cost of Rs. 3,30,000 mentioned above. 9
- The cost of materials and labour is 12.5% and 15% respectively higher now compared to when the old works were built. The proportion of materials to labour in the works was 7 : 3. Give the Journal Entries.
6. (a) What do you mean by Goodwill? 2
- (b) What are the needs for valuation of Goodwill? 5
- (c) What are the factors affecting the valuation of Goodwill? 8
7. (a) What is Liquidation of Companies? 3
- (b) Discuss elaborately the Mode of Liquidation of Companies. 12
8. (a) What is Capital Reduction? 3
- (b) What are the Forms of Capital Reduction? 3
- (c) Explain the procedures of Capital Reduction. 9

GROUP-B

Answer any *four* questions from the following

9. P Ltd issued 30,000 shares of Rs. 10 each at a discount of Re. 1 per share payable as:- Rs. 2 on application, Rs. 4 on allotment and Rs. 3 on call. Show the Journal Entries (including cash transaction) assuming that the shares were fully subscribed and money was duly received. 5
10. From the following information calculate the value of goodwill by super profit method and capitalisation method: 5
- (i) Average Capital Employed in the business Rs. 7,00,000.
 - (ii) Net trading profit of the firm for the past three years Rs. 1,47,600, Rs. 1,48,100 and Rs. 1,52,500.

- (iii) Rate of interest expected from capital having regard to the risk involved — 18%.
- (iv) Fair remuneration to the partners for their services Rs. 12,000 per annum.
- (v) Sundry Assets (excluding goodwill) of the firm Rs. 7,54,762.
- (vi) Sundry Liabilities Rs. 31,329.
11. Write a short note on fictitious assets. 5
12. What do you mean by life insurance fund? 5
13. What is Reserve Capital? How does it differ from Capital Reserve? 2+3
14. Distinguish between Interim Dividend and Final Dividend. 5
15. What do you mean by Provision for Unexpired Risk? 5
16. A liquidator has been appointed on terms that he would receive remuneration 2.5% on assets realised and 5% of the amount distributed among unsecured creditors. The assets realised is Rs. 12,00,000. The surplus regarding unsecured creditors was Rs. 3,07,500. Show the amount of liquidator's remuneration if: 5
- (i) Liquidation expenses amounted to Rs. 12,450.
- (ii) Preferential Creditors were Rs. 93,000.
- (iii) Unsecured creditors (including preferential creditors) were Rs. 4,25,000.

GROUP-C

17. Answer any *ten* questions:
- (a) What are CRR and SLR? 2
- (b) What is Net worth? 2
- (c) What do you mean by internal reconstruction? 2
- (d) What is a non-cumulative sinking fund? 2
- (e) What is authorised share capital? 2
- (f) What is purchase consideration? 2
- (g) What do you mean by marketable securities? 2
- (h) What do you mean by forfeiture of shares? 2
- (i) What is NACAS? 2

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| (j) What is interim dividend? | 2 |
| (k) Define GAAP. | 2 |
| (l) What are non-performing assets? | 2 |
| (m) What is super profit? | 2 |
| (n) What are cum-interest and ex-interest in case of investment? | 2 |
| (o) Define 'Unsecured Creditors'. | 2 |

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