

2018

COMMERCE

CORPORATE ACCOUNTING (Honours)

Paper : 2H1

(Honours in Accounting /
Management / Finance)

(Revised New Syllabus)

Time : 4 hours

Full Marks : 100

The figures in the margin indicate full marks.

GROUP—A

Answer any **four** of the following questions :

15×4=60

1. The following are the balances of Sun Co. Ltd. as on 31st December, 2016 :

	₹
Redeemable Preference Share Capital	
2500 shares of ₹ 100 each fully paid-up	2,50,000
Less : Calls-in-Arrears	
(final call of ₹ 20 on 60 shares)	1,200
	<u>2,48,800</u>
Equity Share Capital :	
30000 shares of ₹ 10 each fully called-up	3,00,000
General Reserve	1,12,000
Securities Premium	15,000

8MRD/157

(Turn Over)

Preference shares were redeemable on 1.7.2017 at a premium of 10%. On getting a reminder about payment of calls-in-arrear, shareholders holding 50 shares paid their dues by 31.5.2017. The shareholder holding the remaining 10 shares on which calls were due became insolvent and was unable to pay the balance. Consequently the directors forfeited those shares and reissued them as fully paid on 10.6.2017, on receiving ₹ 500.

Payments were completed by 30.9.2017, except in the case of one shareholder holding 100 shares who was out of India.

Further 15000 equity shares of ₹ 10 each were issued at par for the purpose of the above redemption.

Show the entries and prepare the Balance Sheet assuming that minimum reduction is to be made from General Reserve.

15

2. (a) Discuss the factors that affect the value of goodwill of a firm.

(b) Given the following information :

(i) Five years' purchase of superprofit method

(ii) Capitalization of superprofit method from the details given hereunder :

(1) Capital employed—₹ 1,50,000

(2) Normal rate of profit 10%

(3) Net profit for five years :

1st year—₹ 14,400

2nd year—₹ 15,400

3rd year—₹ 16,900

4th year—₹ 17,400

5th year—₹ 17,900

(4) The profits included

- Non-recurring profits on an average basis of ₹ 1,000 out of which it was deemed that even non-recurring profits has a tendency of appearing at the rate of ₹ 600 p.a.

- Debenture interest—₹ 1,000

(5) Fixed assets revalued by ₹ 10,000 more than the existing book value of the asset

Calculate the Goodwill.

5+10=15

3. Himani Finance Ltd. has done the following transactions in 12% State Govt. Stock between 1st September, 2015 and 30th June, 2017 and all these transactions are cum-interest excepting those marked ex-interest. Interest is payable on 30th June

and 31st December. The accounting periods end on 30th June every year :

1.10.15	Purchased ₹ 10,000 stock @ ₹ 101.50, brokerage ₹ 1.50
1.10.15	Purchased ₹ 25,000 stock @ ₹ 102.50, brokerage ₹ 1.50
1.11.15	Sold ₹ 15,000 @ ₹ 104.50, brokerage ₹ 1.50
1.11.15	Purchased ₹ 5,000 stock @ ₹ 103.50 (including brokerage)
15.1.16	Sold ₹ 10,000 stock @ ₹ 106.50, brokerage ₹ 1.50, ex-interest
1.3.16	Sold ₹ 4,000 stock @ ₹ 103.50, brokerage ₹ 1.50
15.7.16	Purchased ₹ 15,000 stock @ ₹ 102.50, brokerage ₹ 1.50, ex-interest
31.3.17	Sold ₹ 15,000 stock @ ₹ 105.50, brokerage ₹ 1.50
1.5.17	Purchased ₹ 2,000 stock @ ₹ 103.50, brokerage ₹ 1.50

Write up Investment Account in the books of Himani Finance Ltd., showing the Profit & Losses on the transactions using the FIFO method. [Detailed calculation to be shown] 15

4. Bengal Ltd. acquired 12000 shares of Woodland Ltd. of the face value of ₹ 10 each at a price of ₹ 1,70,000 on 1.4.2016. The Balance Sheets of the two companies as at 31.3.2017 were as follows :

Liabilities	Bengal Ltd. (₹)	Woodland Ltd. (₹)	Assets	Bengal Ltd. (₹)	Woodland Ltd. (₹)
Share Capital (in shares of ₹ 10 each)	10,00,000	2,00,000	Goodwill	3,00,000	70,000
General Reserve	4,20,000	1,00,000	Land and Buildings	4,00,000	1,00,000
Sundry Creditors	2,40,000	92,000	Plant and Machinery	5,00,000	1,00,000
			Stock	2,00,000	40,500
			Debtors	3,00,000	1,34,500

8MRD/157

(Continued)

Liabilities	Bengal Ltd. (₹)	Woodland Ltd. (₹)	Assets	Bengal Ltd. (₹)	Woodland Ltd. (₹)
Bills Payable	80,000	60,000	Investments	2,00,000	—
Profit and Loss Account			Bills		
(on 1.4.2016)	90,000	40,000	Receivable	20,000	30,000
Profit for the year ended			Bank and Cash	80,000	62,000
31.3.2017	1,70,000	45,000			
	20,00,000	5,37,000		20,00,000	5,37,000

Stock in hands of Woodland Ltd. include goods purchased from Bengal Ltd. at ₹ 20,000 which includes profit charged by the latter company at 25% at cost. Both the companies have proposed 10% dividend for 2016-2017. Out of the debtors and bills receivable of Bengal Ltd. ₹ 50,000 and ₹ 16,000 respectively represented due from Woodland Ltd.

Prepare a Consolidated Balance Sheet of Bengal Ltd. and their subsidiary Woodland Ltd. as at 31.3.2017. 15

5. The following is the Balance Sheet of Sun Ltd. on 31st December, 2017 :

Balance Sheet as at 31st December, 2017	
Liabilities	Assets
Issued & Subscribed Capital :	Goodwill
30000 Equity Shares of ₹ 10 each fully paid-up	Land & Building
20000, 12% Pref. Shares of ₹ 100 each fully paid-up	Plant & Machinery
11% Debentures	Furniture
Sundry Creditors	Stock
Bank Overdraft	Sundry Debtors
	Cash in Hand
	Profit & Loss A/c
	7,16,125
	7,16,125

8MRD/157

(Turn Over)

The preference dividends are in arrear for 5 years and the company is handicapped by the anti-quoted nature of plant. According to expert opinion, substantial profits can be earned if new capitals are available and modern plants are acquired. A capital reduction scheme is submitted as follows :

- (i) Equity shares to be reduced to ₹ 5 each
- (ii) All arrears of preference dividends to be cancelled

(iii) Each preference share to be reduced to ₹ 75 and then exchanged for new 12% pref. shares of ₹ 50 each and 5 equity shares of ₹ 5 each

(iv) The debit balance of Profit and Loss Account to be written-off. Plant and Machinery to be written down by ₹ 47,500 and Goodwill is to be reduced as much as possible

(v) The debentures are to be redeemed at 5% premium holders being given the option to subscribe at par for new 12% debentures

Approval of the court is obtained, 100000 new equity shares are issued at par (sufficient new equity shares are created by increasing the authorised share capital) payable in full on application. The new whole issue is under written for a commission of 2% and is fully taken up. Holders of old

debenture to the extent of ₹ 50,000 exercised their option and subscribed for new debentures. Expenses in connection with the scheme amounted to ₹ 3,375.

Show the Journal Entries necessary to record the reduction and set out the new Balance Sheet of the company.

15

6. (a) A liquidator has been appointed on terms that he would receive remuneration 2½% on assets realized and 5% of the amount distributed among unsecured creditors. The assets realized is ₹ 15,000. The surplus regarding unsecured creditors was ₹ 4,15,000. Show the amount of liquidator's remuneration if—

- (i) liquidation expenses amounted to ₹ 14,350;
- (ii) preferential creditors were ₹ 97,000;
- (iii) unsecured creditors (including preferential creditors) were ₹ 4,30,000.

(b) How are unclaimed dividends treated in the books of accounts of a company?

(c) Explain how AS-6 guides the accounting for depreciation. 5+5+5=15

7. (a) Define and distinguish between amalgamation and reconstruction.

(b) What do you mean by purchase consideration as per AS-14?

(c) Discuss various methods of purchase consideration. $6+4+5=15$

8. (a) List out the important provisions regarding accounts of banking companies as per the Banking Regulations Act, 1949.

(b) In what respect a Bank Balance Sheet differ from a Company Balance Sheet? $9+6=15$

GROUP—B

9. Answer any **four** of the following questions : $5 \times 4 = 20$

(a) The capital structure of a company is as follows :

12% Preference Shares of ₹ 100 each	₹ 7,50,000
Equity Shares of ₹ 10 each	8,00,000
Reserve and Surplus	6,00,000
6% Debentures	6,50,000
12% Term Loan	10,00,000

The average annual profit of the company before payment of interest and income tax is ₹ 12,50,000. Income tax rate is 40%.

Calculate the value of each equity share of the company assuming that the price-earning ratio is 10:50.

(b) Following is the Balance Sheet of Siliguri Dealers Ltd. as at 31st March, 2017 :

	₹	Sundry Assets	₹
Share Capital : 10000 Equity Shares of ₹ 100 each	10,00,000		21,90,000
Securities Premium Account	3,00,000		
Capital Redemption Reserve	1,80,000		
Capital Reserve Account	3,80,000		
General Reserve Account	1,50,000		
Profit and Loss Account	1,80,000		
	<u>21,90,000</u>		<u>21,90,000</u>

Directors recommended issue of 3 bonus shares of every 5 shares held. Securities Premium Account includes a premium of ₹ 10,000 for issue of shares to vendors pursuant to a scheme of amalgamation. Capital Reserve Account includes ₹ 80,000 being profit on sale of land.

Show the relevant Journal Entries in the books of the company.

- (c) Write a short note on own debenture.
- (d) What is dividend equalization reserve?
- (e) Define contributor.
- (f) Write a short note on profit prior to incorporation.
- (g) State the features of double-account system.
- (h) Write a note on non-performing assets.

GROUP—C

10. Answer any **ten** of the following questions : $2 \times 10 = 20$

- (a) What is surrender value?
- (b) What do you mean by marketable securities?
- (c) Can a company pay dividend on calls-in-advance?
- (d) Mention four important points of distinction between shares and debentures.
- (e) What is net worth?
- (f) What is reinsurance?

- (g) What are CRR and SLR?
- (h) Define authorized share capital.
- (i) What do you mean by forfeiture of share?
- (j) Define superprofit.
- (k) Write two advantages of general insurance.
- (l) What is a non-cumulative sinking fund?
- (m) What is SEBI?
- (n) Name some fixed income-bearing securities.
- (o) What is catastrophe reserve?

★★★

B II (Three Year H)
Under 1+1+1 System

2017

COMMERCE

CORPORATE ACCOUNTING (Honours)

Paper : 2H1

(Honours in Accounting /
Management / Finance)

(Revised New Syllabus)

Time : 4 hours

Full Marks : 100

The figures in the margin indicate full marks.

GROUP—A

Answer any **four** of the following questions :

15×4=60

1. (a) State the grounds for compulsory winding-up of a company under Section 433 of the Companies Act, 1956.

- (b) The following is the Balance Sheet of A Ltd. as at 31st March, 2016 :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
2000 Equity Shares		Land and	
of ₹ 100 each,		Building	4,00,000
₹ 75 per share		Plant and	
paid-up	1,50,000	Machinery	3,80,000

MR7/152

(Turn Over)

Liabilities	₹	Assets	₹
6000 Equity Shares of ₹ 100 each,		Current Assets :	
₹ 60 per share paid-up	3,60,000	Stock at Cost	1,10,000
2000, 10% Preference Shares of ₹ 100 each fully paid-up	2,00,000	Sundry Debtors	2,20,000
10% Debentures (having floating charge on all assets)	2,00,000	Cash at Bank	60,000
Interest Accepted on Debentures (also secured on above)	10,000	Profit & Loss A/c	2,40,000
Sundry Creditors	4,90,000		
	<u>14,10,000</u>		<u>14,10,000</u>

On that date, the company went into voluntary liquidation. The dividends for preference shares were in arrears for the last two years. Sundry creditors include a loan of ₹ 90,000 on mortgage of land and buildings. The assets realized were :

	₹
Land and Buildings	3,40,000
Plant and Machinery	3,60,000
Stock	1,20,000
Sundry Debtors	1,60,000

Interest accrued on loan on mortgage of building up to the date of payment amount to ₹ 10,000. The expenses of liquidation amounted to ₹ 4,600. The

liquidator is entitled to a remuneration of 3% on assets realized (except cash and bank) and 2% on the amounts distributing among equity shareholders. Preferential creditors included in sundry creditors amounted to ₹ 30,000. All payments were made on 30th June, 2016.

Prepare the Liquidator's Final Statement of Account. 5+10=15

2. Your client intends to invest not more than ₹ 15,000 in equity shares of Fortune Co. Ltd. and wants you to advise him as to the maximum number of shares he can expect to acquire with the said amount on the basis of the following information available to him :

(i) Issued and paid-up capital :

	₹
6% Preference Shares of ₹ 100 each	5,00,000
Equity Shares of ₹ 10 each	3,00,000
	<u>8,00,000</u>

(ii) Average net profits of the business is ₹ 70,000

(iii) Expected normal yield is 7% in case of such equity shares

(iv) Total tangible assets (other than goodwill) is ₹ 9,49,000 and the total outside liabilities is ₹ 95,000

(v) Goodwill is to be calculated as five years' purchase of superprofits, if any.

Show the workings in detail. Ignore income tax.

15

3. The following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. as on 31st March, 2016 :

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Preference Share			Goodwill	20,000	10,000
Capital	1,00,000	40,000	Machinery	6,00,000	1,80,000
Equity Share			Furniture	1,00,000	34,000
Capital			Investments		
(₹ 100 each)	11,00,000	2,00,000	(1600 shares in S Ltd.)	3,20,000	—
Reserves	4,00,000	1,50,000	Other		
Profit & Loss A/c	2,00,000	50,000	Assets	10,60,000	3,46,000
Creditors	3,00,000	1,00,000	Discount on Issue of Shares		
Proposed Dividend	—	40,000		—	10,000
	<u>21,00,000</u>	<u>5,80,000</u>		<u>21,00,000</u>	<u>5,80,000</u>

The following informations are also available :

(i) On the date of acquisition of shares by H Ltd., Reserves and Profit & Loss A/c of S Ltd. stood at ₹ 50,000 and ₹ 30,000 respectively

(ii) Machinery (book value of ₹ 2,00,000) of S Ltd. was revalued at ₹ 3,00,000 by H Ltd.

(iii) Furniture (book value of ₹ 40,000) of S Ltd. was revalued at ₹ 30,000 by H Ltd.

(iv) S Ltd. made a bonus issue during the year of one equity share for every five shares held by its shareholders out of pre-acquisition profits. The effect has yet to be recorded in the books

(v) Included in the creditors of S Ltd. is ₹ 20,000 for goods supplied by H Ltd.

(vi) Also included in the stock of S Ltd. are goods to the value of ₹ 8,000 supplied by H Ltd. at a profit of 25% on sales

Prepare a Consolidated Balance Sheet as on that date.

15

4. (a) The following is the Balance Sheet of X Co. Ltd. as at 31.12.2016 :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
Authorized :		Freehold Property	2,00,000
30000 Equity Shares		Investments	Nil
of ₹ 10 each	3,00,000	Current Assets :	
Issued and Paid-up :		Loans & Advances :	
20000 Equity Shares		Stock	1,20,000
of ₹ 10 each	2,00,000	Debtors	1,00,000

Liabilities	₹	Assets	₹
Reserves and Surplus :		Cash and Bank Balance	1,80,000
Profit & Loss A/c (Cr.)	1,80,000		
Secured Loans :			
6% Debentures	1,20,000		
Unsecured Loan	Nil		
Current Liabilities and Provisions :			
Sundry Creditors	1,00,000		
	<u>6,00,000</u>		<u>6,00,000</u>

At the Annual General Meeting, it was resolved :

- (i) To pay a dividend of 10%
- (ii) To issue one bonus share for every four shares held
- (iii) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 14 for every four shares held prior to the bonus distribution
- (iv) To repay the debentures at a premium of 4%

All the shareholders took up the option in (iii) above.

Show the necessary Journal Entries and also prepare the revised Balance Sheet. Ignore income tax.

- (b) State the difference between Bonus issue and Right issue.

MR7/152

(Continued)

5. A Ltd. and B Ltd. agreed to amalgamate and form a new company C Ltd. On 31.03.2016, the Balance Sheets of the two companies were as follows :

Liabilities	A Ltd. ₹	B Ltd. ₹	Assets	A Ltd. ₹	B Ltd. ₹
Equity Shares of ₹ 10 each	1,50,000	80,000	Property	1,05,000	60,000
General Reserve	80,000	—	Plant and Machinery	25,000	15,000
Profit & Loss A/c	20,000	—	Motor Vehicles	10,000	—
5% Debentures	—	20,000	Stock	60,000	78,000
Creditors	75,000	60,000	Debtors	82,000	21,000
Investment Allowance	—	32,000	Cash	43,000	26,000
Reserve	<u>—</u>	<u>8,000</u>		<u>3,25,000</u>	<u>2,00,000</u>

The assets and liabilities are to be taken over at book values with the following exceptions :

- (i) Goodwill of A Ltd. and B Ltd. to be valued at ₹ 80,000 and ₹ 30,000 respectively
- (ii) Motor vehicles of A Ltd. are to be valued at ₹ 30,000
- (iii) Debentures of B Ltd. are to be discharged by the issue of 5% debentures of C Ltd. at a premium of 4%

MR7/152

(Turn Over)

- (iv) Debtors and cash of B Ltd. are to be retained by the liquidator and creditors of B Ltd. are to be paid out of proceeds thereof

Compute the basis on which shares of ₹ 10 each in C Ltd. will be issued to shareholders in the existing companies.

Show the Journal Entries in the books of C Ltd. and draw up the initial Balance Sheet on 01.04.2016 after the amalgamation.

15

6. Sunshine Co. Ltd. invited applications for 10000 shares of ₹ 10 each at a premium of ₹ 5 per share payable as follows :

On application—₹ 3 per share, on allotment—₹ 6 per share (including premium) and the balance by two calls of equal amount

Applications were received for 18000 shares and allotment was made on application of 15000 shares at the rate of two shares for every three shares applied for. Mr. A failed to pay the allotment money for 40 shares allotted to him and these shares were forfeited when he failed to pay the first call. Mr. B failed to pay the calls in respect of 120 shares allotted to him and these shares were forfeited after the second call.

MR7/152

(Continued)

40 shares allotted to Mr. A originally and another 40 shares allotted to Mr. B were later issued to Mr. C as fully paid on payment of ₹ 9 per share.

You are required to show the relevant entries in the Cashbook and Journal of the company. Detailed working note should be given.

15

7. Write short notes on the following :

$$5+5+(2\frac{1}{2}\times 2)=15$$

- (a) Rebate on bills discounted
(b) Non-performing asset
(c) (i) Whole-life policy
(ii) Endowment life policy

8. (a) What is meant by reconstruction of companies?

(b) Distinguish between internal and external reconstruction.

(c) Discuss different methods of alteration and reduction of share capital. $4+5+6=15$

GROUP—B

9. Answer any **four** of the following questions :

$$5\times 4=20$$

- (a) What are the sources of funds and income of a bank?

5

MR7/152

(Turn Over)

- (b) The directors of Z Ltd. having received a complain about the defectiveness of their machinery, decided to replace it by one of greater capacity and power. The old machinery was obtained at a cost of ₹ 20,000, but the cost has in the meantime increased by 50% in the aggregate. The estimated cost of the new machinery is ₹ 50,000 and the old machinery would realize ₹ 5,000 only. You are required to allocate the cost of ₹ 50,000 between capital and revenue expenditures and give the necessary Journal Entries in the books of the company.

- (c) What is meant by reserve for unexpired risk and additional risk reserve?

- (d) Distinguish between reserve capital and capital reserve.

- (e) X Ltd. had in their capital, 50000 equity shares of ₹ 10 each and 3000, 10% preference shares of ₹ 100 each, all shares being fully called up and paid up. The company had also ₹ 50,000 in their Profit & Loss A/c (Cr.), ₹ 1,20,000 in General Reserve and ₹ 20,000 in Securities Premium A/c. Now the directors have decided to issue 1500, 16% preference shares of ₹ 100

each for cash and to redeem the existing preference shares at ₹ 105 each. The bank balance of the company was ₹ 1,85,000.

Show the necessary Journal Entries to record to above in the company's book. 5

- (f) Distinguish between floating charge and fixed charge on the assets of a company. When does a fixed charge become a floating charge? 3+2=5

- (g) Write a short note on AS-13. 5

- (h) How are unclaimed dividends treated in the books of accounts of a company? 5

GROUP—C

10. Answer any **ten** of the following questions : 2×10=20

- (a) What is minimum subscription?
 (b) Define Accounting Standard.
 (c) When are transactions known as 'cum-interest' and 'ex-interest' purchase or sale?
 (d) What is surrender value in insurance business?
 (e) What is interim dividend?

- (f) How is expected rate of return calculated?
- (g) How is the value of right shares computed?
- (h) Why is capital redemption reserve created?
- (i) How do you treat 'advance payment of tax' in company accounts?
- (j) Define unsecured creditors.
- (k) Name four items to be shown under the head 'reserves and surplus' of a company's Balance Sheet.
- (l) What is price-earnings ratio? How is it calculated?
- (m) What is purchased goodwill?
- (n) What is catastrophe reserve?
- (o) Who are known as 'dissenting shareholders' in case of amalgamation of a company?

B II (Three Year H)
Under 1+1+1 System

2016

COMMERCE (Honours)

CORPORATE ACCOUNTING

Paper : 2H1

(Honours in Accounting /
Management / Finance)

(Revised New Syllabus)

Time : 4 hours

Full Marks : 100

The figures in the margin indicate full marks.

GROUP—A

Answer any **four** questions of the following :

15×4=60

1. (a) State the provisions of Section 80 of the Companies Act, 1956 regarding redemption of preference share.
- (b) The following is the Balance Sheet of Kanti Paul & Co. Ltd. as on 31st December, 2015 :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
Issued and		Land & Buildings	16,00,000
Subscribed Capital :		Plant &	
10000, 8% Redeemable		Machinery	12,00,000
Preference Shares		Furniture &	
of ₹ 100 each	10,00,000	Fittings	2,00,000

RM16/108

(Turn Over)

Liabilities	₹	Assets	₹
1000, 8% Redeemable Preference Shares of ₹ 100 each paid up to ₹ 50 each	50,000	Investment at cost (Market Value ₹ 5,60,000)	6,00,000
200000 Equity Shares of ₹ 10 each	20,00,000	Current Assets :	
Reserves & Surplus :		Stock	9,40,000
Securities		Debtors	4,50,000
Premium A/c	2,00,000	Bills Receivable	4,00,000
General Reserve	15,00,000	Cash at Bank	3,50,000
Profit & Loss A/c	4,00,000	Cash in Hand	1,10,000
Current Liabilities	7,00,000		
	<u>58,50,000</u>		<u>58,50,000</u>

On 1st January, 2016, it was decided to redeem the preference shares at a premium of 5%. To finance the redemption, all the investments were sold at market price. 20000 equity shares of ₹ 10 each were issued at ₹ 9 per share and 2000, 6% debentures of ₹ 100 each were issued. On 1st February, 2016, the company made a bonus issue of one equity share of ₹ 10 each for every two shares held on that date. It was also decided to use General Reserve as minimum as possible.

Give the Journal Entries (including cashbook entries) to give effect to the above decisions.

5+10=15

2. The following are the Balance Sheets of Sourav Ltd. and Sachin Ltd. as on 31st December, 2015 :

Liabilities	Sourav Ltd. ₹	Sachin Ltd. ₹	Assets	Sourav Ltd. ₹	Sachin Ltd. ₹
Share Capital	30,00,000	10,00,000	Land & Buildings	20,60,000	7,20,000
Reserve	19,00,000	40,00,000	Machinery	6,00,000	5,42,000
Profit & Loss A/c	16,00,000	7,20,000	Sundry Debtors	12,00,000	2,76,000
Current A/c with Sachin Ltd.	36,000	—	Stock	6,80,000	4,04,000
Sundry Creditors	2,64,000	3,22,000	Investments (shares in Sachin Ltd.)	16,00,000	—
			Other Investments	2,60,000	70,000
			Cash at Bank	4,00,000	30,000
			Current A/c with Sourav Ltd.	—	40,000
	<u>68,00,000</u>	<u>20,82,000</u>		<u>68,00,000</u>	<u>20,82,000</u>

Additional Information :

(i) Sourav Ltd. acquired 80% shares of Sachin Ltd. on 1st April, 2015. On 1st January, 2015, the Reserve and Profit & Loss A/c of Sachin Ltd. were ₹ 20,000 and ₹ 4,00,000 respectively

(ii) Land and Buildings of Sachin Ltd. whose book value on 1st January, 2015 was ₹ 8,00,000 were revalued at ₹ 7,60,000 at the date of acquisition, but it was not recorded in the books

- (iii) Sachin Ltd. declared 16% dividend for the year 2014 and paid it on 1st June, 2015. Sourav Ltd. credited the entire amount of dividend received from Sachin Ltd. to its Profit & Loss A/c
- (iv) Stock of Sourav Ltd. includes ₹ 60,000 for goods purchased from Sachin Ltd.
- (v) Sundry Creditors of Sourav Ltd. includes ₹ 1,20,000 purchased from Sachin Ltd. on which Sachin Ltd. made a profit of ₹ 30,000
- (vi) On 31st December, 2015, Sourav Ltd. remitted cash ₹ 4,000 on Current Account of Sachin Ltd.

From the above information, prepare a Consolidated Balance Sheet of Sourav Ltd. and its subsidiary Sachin Ltd. as on 31st December, 2015.

3. The following is the Balance Sheet of Kapil Dev & Co. Ltd. as on 31st December, 2015 :

Liabilities	₹	Assets	₹
Share Capital :		Goodwill	40,000
Shares of ₹ 10 each		Plant and Machinery	2,00,000
General Reserve	2,00,000	Land and Building	30,000
Profit & Loss A/c :		Investment	10,000
On 01.01.2015	10,000	Stock	40,000
Profit for the Year	80,000	Debtors	90,000
			40,000

RM16/108

(Continued

Liabilities	₹	Assets	₹
Debentures (₹ 100 each)	50,000	Cash and Bank	50,000
Creditors	20,000	Discount on Issue of Debentures	10,000
Provision for Taxation	10,000		
			<u>4,00,000</u>
			<u>4,00,000</u>

The assets were revalued as follows :

Plant and Machinery—₹ 1,00,000
Land and Building—₹ 80,000
Investment—₹ 50,000

Profit includes ₹ 2,000 income from investment

Calculate the value of Goodwill on the basis of 3 years' purchase of superprofit, if normal rate of return on this type of business is 12%.

15

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

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Share Capital (₹ 10)	20,00,000	16,00,000	Fixed Assets	32,00,000	24,00,000
10% Preference Share Capital (₹ 100)	20,00,000	4,00,000	Investments :		
Reserves	5,60,000	4,00,000	20000 Equity Shares of B Ltd.	2,40,000	—
10% Debentures (₹ 100)	—	4,00,000	Current Assets	20,00,000	8,00,000
Loan from A Ltd.	—	1,20,000	Loan to B Ltd.	1,20,000	—
Other Liabilities	10,00,000	2,80,000			
	<u>55,60,000</u>	<u>32,00,000</u>		<u>55,60,000</u>	<u>32,00,000</u>

(Turn Over)

A Ltd. decides to acquire the business of B Ltd. on the following conditions :

(i) A Ltd. will issue 14 equity shares of ₹ 10 each at a premium of 20% and pay ₹ 5 in cash for every 10 equity shares of B Ltd.

(ii) Preference shareholders of B Ltd. are to be given 6% preference share of ₹ 100 in A Ltd. for every share held. These shares are to be issued at a premium of 5%

(iii) 7% debentures of B Ltd. are to be redeemed at 8% premium by issue of 7% debentures of A Ltd. at 10% discount

(iv) Liquidation expenses amounting to ₹ 40,000 are to be paid by A Ltd.

(v) The fixed assets of B Ltd. are revalued at ₹ 32,00,000 on takeover

Prepare the Journal Entries in the books of A Ltd. and also prepare the Balance Sheet after the acquisition. 10+5=15

5. On 1st March, 2015, P Ltd. purchased ₹ 60,000, 5% Government stock at ₹ 95 cum-interest. On 1st May, 2015, the company sold ₹ 20,000 of stock at ₹ 97 cum-interest. On 15th December, 2015, another ₹ 20,000 of stock was sold at ₹ 93 ex-interest. On

RM16/108

(Continued)

31st December, 2015, the closing date of the financial year, the market price of the stock was ₹ 92.

Half-yearly interest is receivable on 30th June and 31st December every year.

Prepare a Ledger A/c in the investment ledger assuming that the stock transfer book is closed 20 days before the date of payment of interest. Ignore income tax and brokerage. 15

6. (a) What do you mean by slip system of accounting?

(b) Discuss the various items of assets and liabilities as appear in the Bank Balance Sheet.

(c) In what respect does a Bank Balance Sheet differ from a Company Balance Sheet? 3+6+6=15

7. (a) Distinguish between Revenue A/c of Life Insurance Business and Revenue A/c of General Insurance Business.

(b) Define Life Assurance Fund.

(c) How is profit ascertained by the Life Insurance Companies? 5+5+5=15

RM16/108

(Turn Over)

8. (a) What do you mean by Accounting Standards?

(b) Briefly explain the necessity and scope of Accounting Standards.

(c) Write a short note on AS-14. $3+7+5=15$

GROUP—B

9. Answer any **four** of the following questions :

$5 \times 4 = 20$

(a) Mr. X is appointed as a liquidator of a company to realize the assets and to pay the liabilities. The liabilities side of the Company Balance Sheet shows that 5000 equity shares of ₹ 100 each were issued and paid up. In addition to this 1000 equity shares of ₹ 100 each were issued but the shareholders paid up to ₹ 60 each. An amount of ₹ 2,10,000 was available for the equity shareholders. Calculate the loss per share to be borne by the fully paid and partly paid equity shareholders.

(b) How are unclaimed dividends treated in the books of accounts of a company?

(c) State the features of Double Account System.

RM16/108

(Continued)

(d) Calculate the maximum remuneration payable to the part-time directors and the whole-time manager of B Ltd. from the following information :

	₹
Balance of Profit & Loss A/c before charging any remuneration for the current year but taking into consideration	21,85,000
(1) Extension of buildings charged to Profit & Loss A/c	49,40,000
(2) Government subsidy	40,00,000
(3) Depreciation (calculated as per Section 350)	
(4) Provision for taxation	10,28,500
(5) Workmen's compensation	2,37,50,000
(6) Loss on sale of fixed assets	9,53,000
(7) Profit on sale of investments	3,43,000
	17,38,000

(e) Write a short note on profit prior to incorporation.

(f) Can a company buy its own shares? State the provisions of the Companies Act, 1956 in this regard.

(g) State the important guidelines issued by SEBI with regard to issue of debentures by a company.

(h) Write short notes on the following :

(i) Break-up value of shares

(ii) Yield value of shares

RM16/108

(Turn Over)

GROUP—C

10. Answer any **ten** of the following questions :

2×10=20

- (a) What is capital profit? Give two examples.
- (b) Mention four important points of distinction between shares and debentures.
- (c) What do you mean by internal reconstruction?
- (d) How will you treat profit on re-issue of shares in accounts?
- (e) What is reserve capital?
- (f) Give four examples of contingent liabilities.
- (g) What do you mean by preferential creditors? Give two examples.
- (h) What is a non-cumulative sinking fund?
- (i) What are CRR and SLR?
- (j) Define authorized share capital.

(k) Define superprofit.

- (l) Give two points of difference between interim dividend and final dividend.
- (m) What is net worth?
- (n) What is sweet equity share?
- (o) What is re-insurance?
- (p) Can a company pay dividend on calls in advance?
- (q) What are the provisions of the Companies Act in regard to forfeiture of shares?

For Library Use

B II (Three Year H)
Under 1+1+1 System

2014

COMMERCE (Honours)

Paper : 2H1

CORPORATE ACCOUNTING

(Honours in Accounting / Management)

(Revised New Syllabus)

Time : 4 hours

Full Marks : 100

The figures in the margin indicate full marks.

GROUP—A

Answer any **four** questions : 15×4=60

1. (a) Write the provisions of Section 80 of the Companies Act, 1956 regarding the redemption of preference shares. 7

- (b) The Balance Sheet of Sun Ltd. as on 31.12.2013 was as under :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets	1,30,000
10000 Equity Shares		Investments	30,000
of ₹ 10 each		Stock	20,000
1000 Preference Shares		Debtors	50,000
₹ 100 each	1,00,000	Bank	40,000
Less : Calls-in-arrear (₹ 20×100)	2,000		
Securities Premium Account	98,000		
Reserve Fund	12,000		
Profit and Loss Account	29,000		
Creditors Account	10,000		
	21,000		
	<u>2,70,000</u>		<u>2,70,000</u>

14MR—5680/90

(Turn Over)

On 01.01.2014, fixed assets standing in the books at ₹ 20,000 were sold for ₹ 18,000. On the same date, it was decided to redeem the preference shares at a premium of 10% by issuing sufficient number of equity shares at a discount of 10%, subject to leaving a balance of ₹ 10,000 in reserve fund. All payments were made except to holders of 50 shares who could not be traced.

Give necessary entries as per the provisions of Section 80 of the Companies Act, 1956. [Detailed working should be shown]

2. The following are the summarized Balance Sheets of Alpha Ltd. and Beta Ltd. as on 31.12.2013 :

Liabilities	Alpha Ltd. (₹)	Beta Ltd. (₹)	Assets	Alpha Ltd. (₹)	Beta Ltd. (₹)
Share Capital	15,00,000	5,00,000	Fixed Assets	13,30,000	6,31,000
Reserve	9,50,000	20,000	Investments	9,30,000	35,000
Profit and Loss Account	8,00,000	3,60,000	Debtors	6,00,000	1,38,000
Current Account with Beta Ltd.	18,000	—	Stock	3,40,000	2,02,000
Creditors	1,32,000	1,61,000	Cash at Bank	2,00,000	15,000
	<u>34,00,000</u>	<u>10,41,000</u>	Current Account with Alpha Ltd.	—	20,000
				<u>34,00,000</u>	<u>10,41,000</u>

Additional Information :

- (i) Alpha Ltd. acquired 80% shares of Beta Ltd. at a cost of ₹ 8,00,000 on 01.04.2013. On 01.01.2013, the Reserve and Profit & Loss Account of Beta Ltd. were ₹ 10,000 and ₹ 2,00,000 respectively

(ii) Fixed Assets of Beta Ltd. includes some Land and Building whose book value on 01.01.2013 was ₹ 4,00,000 and ₹ 3,60,000 on 31.12.2013 was revalued at ₹ 3,80,000 at the date of acquisition, but no entry has been passed in the books

(iii) Beta Ltd. declared 16% dividend for the year 2012 and paid on 1st June, 2012. Alpha Ltd. credited the entire amount of dividends received from Beta Ltd. to its Profit and Loss Account

(iv) Stock of Alpha Ltd. includes ₹ 30,000 for goods purchased from Beta Ltd.

(v) Creditors of Alpha Ltd. includes ₹ 60,000 purchased from Beta Ltd. on which Beta Ltd. made a profit of $33\frac{1}{3}\%$ on cost

(vi) On 31.12.2013, Alpha Ltd. remitted cash ₹ 2,000 on Current Account to Beta Ltd.

From the above information, prepare a consolidated Balance Sheet of Alpha Ltd. and its subsidiary beta Ltd. as on 31.12.2013. 15

3. The following is the Balance Sheet of X Ltd. as on 31.12.2013 :

Liabilities	₹	Assets	₹
10000 Equity Shares of ₹ 10 each	1,00,000	Goodwill	20,000
General Reserve	15,000	Plant & Machinery	40,000
1% Debentures	25,000	Land & Building	45,000
(₹ 100 each)		Investments	20,000
		Stock	25,000

Liabilities	₹	Assets	₹
Profit and Loss Account :		Debtors	20,000
Balance on 01.01.2013	5,000	Bank	25,000
Profit for the year	40,000	Discount on Issue of Debentures	5,000
Creditors	10,000		
Provision for Taxation	5,000		
	<u>2,00,000</u>		<u>2,00,000</u>

The assets were revalued as under :

Plant and Machinery—₹ 50,000
Land and Building—₹ 40,000
Investment—₹ 25,000
Profit includes—₹ 1,000 income from investment

Calculate the value of Goodwill on the basis of 3 years' purchase of superprofit. [Normal rate of return in this type of business is 12%]

4. The following is the Trial Balance of ABC Ltd. as on 31.03.2013 :

	₹		₹
Stock on 01.04.2013	75,000	Purchases Return	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit and Loss Account	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 for 2011-12	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>

Prepare a Profit and Loss Account on 31.03.2013 and a Balance Sheet as on that date after considering the following : 15

- Stock on 31.03.2013 is ₹ 88,000
- Provide income tax @ 50%
- Depreciate Plant and Machinery at 15%; Furniture at 10% and Patents at 5%
- On 31.03.2013, Outstanding Rent amounted to ₹ 800 and Salaries ₹ 900
- The Directors recommended a dividend of 15% p.a. for the year 2012-13 after transferring minimum required amount to General Reserve
- Provide ₹ 510 for Doubtful Debts
- Provide for managerial remuneration @ 10% of profit before tax

5. A Co. Ltd. and B Co. Ltd. agreed to amalgamate and form a new company AB Co. Ltd. On 31.03.2013, the Balance Sheets of the two companies were as follows :

Liabilities	A Co. Ltd. (₹)	B Co. Ltd. (₹)	Assets	A Co. Ltd. (₹)	B Co. Ltd. (₹)
Equity Shares of ₹ 10 each	1,50,000	80,000	Property Plant and Machinery	40,000	10,000
General Reserve	80,000	—	Motor Vehicles	10,000	—
Profit and Loss Account	20,000	20,000	Stock	50,000	75,000
5% Debentures	—	60,000	Debtors	82,000	24,000
Creditors	75,000	32,000	Cash	43,000	26,000
Investment Allowance Reserve	—	8,000			
	<u>3,25,000</u>	<u>2,00,000</u>		<u>3,25,000</u>	<u>2,00,000</u>

The Assets and Liabilities are to be taken over at book values with the following exceptions :

- Goodwill of A Co. Ltd. and B Co. Ltd. to be valued at ₹ 1,00,000 and ₹ 50,000 respectively
- Motor Vehicles of A Co. Ltd. are to be valued at ₹ 30,000
- Debentures of B Co. Ltd. are to be discharged by the issue of 5% Debentures of AB Co. Ltd. at a premium of 10%
- Debtors and Cash of B Co. Ltd. are to be retained by the liquidator and Creditors of B Co. Ltd. are to be paid out of the proceeds thereof

Compute the basis on which shares of ₹ 10 each in AB Co. Ltd. will be issued to shareholders in the existing companies. Show also the Journal entries in the books of AB Co. Ltd.

5+10

6. (a) Distinguish between Internal and External reconstructions. 5

- (b) State the procedure for reduction of share capital as per Section 100 to Section 104 of the Companies Act, 1956. 10

7. Explain the following : 5×3=15

- (a) Provision for Unexpired Risks

- (b) Reinsurance

- (c) Consideration for Annuities Granted

8. (a) What do you mean by slip system of accounting? 3

- (b) Discuss various items of assets and liabilities in a Bank Balance Sheet. 6

- (c) In what respect does a Bank Balance Sheet differ from a Company Balance Sheet? 6

GROUP—B

9. Answer any **four** questions : 5×4=20

- (a) A liquidator has been appointed on terms that he would receive remuneration 2½% on assets realized and 5% of the amount distributed

among unsecured creditors. The assets realized is ₹ 12,00,000. The surplus regarding unsecured creditors was ₹ 3,07,500. Show the amount of liquidator's remuneration if—

- (i) liquidation expenses amounted to ₹ 12,450;
- (ii) preferential creditors were ₹ 93,000;
- (iii) unsecured creditors (including preferential creditors) were ₹ 4,25,000.

(b) The capital structure of a company is as follows :

12% Preference Shares of ₹ 10 each	5,00,000
Equity Shares of ₹ 100 each	8,00,000
Reserve and Surplus	3,50,000
10% Debentures	6,50,000
13% Term Loan	12,00,000

The average annual profit of the company before payment of interest and income tax is ₹ 9,21,000. Income tax rate is 40%.

Calculate the value of each equity share of the company assuming that the price-earnings ratio is 10.50.

(c) From the following details of Siliguri Electric Supply Company, you are required to draw a General Balance Sheet as on 31.12.2013 under Double Account System :

Total Capital Expenditure as per Capital Account	₹ 5,70,000
Total Receipts as per Capital Account	6,00,000
Sundry Creditors	50,000
Profit and Loss Account	40,000
Reserve Fund Account	1,00,000
Depreciation Fund on Fixed Assets	80,000
Reserve Fund Investment	
(Costing—₹ 1,00,000)	1,10,000
Other Current Assets	2,00,000

(d) Write a short note on contra-items in Bank Balance Sheet. 5

(e) State five important guidelines issued by SEBI with regard to issue of debentures by a company. 5

(f) Write short notes on any two of the following : $2\frac{1}{2} \times 2 = 5$

- (i) Money at call and short notice
- (ii) Clearing house
- (iii) Capital adequacy ratio

(g) Write short notes on the following : $2\frac{1}{2} \times 2 = 5$

(i) Cum-dividend and ex-dividend transactions

(ii) Distinction between Rights shares and Bonus shares

(h) How are unclaimed dividends treated in the books of accounts of a company? 5

GROUP—C

10. Answer any **ten** questions : $2 \times 10 = 20$

(a) State two points of difference between Debentures and Redeemable Preference Shares.

(b) What is surrender value?

(c) What is minimum subscription?

(d) What do you mean by CRR and SLR?

(e) How is expected rate of return calculated?

(f) What is a wholly owned subsidiary?

(g) What is NACAS?

(h) What is debenture redemption fund?

(i) How is the value of rights computed?

(j) Can a company pay dividend on calls-in-advance?

(k) What do you mean by commission ceded?

(l) Define GAAP.

(m) What is interim dividend?

(n) Name four items to be shown under the head 'Reserve and Surplus' of a Company Balance Sheet.

★★★