

B.Com 3rd Sem

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4 (Sem-3) ADA

2018

ADVANCED CORPORATE ACCOUNTING

Paper – 3.6

(Accountancy Major)

Full Marks – 80

Pass Marks – 24

Time – Three hours

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

1. Answer the following as directed : $1 \times 8 = 8$
 - (a) In the absence of any information, the average of intrinsic value and yield value of a share is taken as Fair Market Value. (State whether 'true' or 'false')
 - (b) What is meant by 'Profit prior to incorporation' ?
 - (c) What is Capital Reduction Account ?

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- (d) To reduce share capital, Tribunal's order is not always necessary. (State whether 'true' or 'false')
- (e) Liquidator's Final Statement of Account is prepared on _____ basis. (Fill in the blank)
- (f) State the meaning of 'contributories' in respect of winding up of company.
- (g) Consolidated Financial Statements are the financial statements of a group as those of a single enterprise. (State whether 'true' or 'false')
- (h) Write the meaning of a 'Parent Company' for the purpose of AS-21.

2. Answer the following as directed : $3 \times 4 = 12$

- (a) Explain three advantages of 'Assets backing Method'.
- (b) Write a short note on 'Alteration of share capital'.
- (c) Briefly explain the features of Liquidator's Final Statement of Account.

(d) Mention three ways how a company can become a holding company.

3. Answer as directed :

(a) Pass journal entries of the following : 5

(i) Conversion of fully paid Equity shares of Rs. 10,00,000 into equity stock.

(ii) Consolidation of 1,00,000, 12% Preference shares of Rs. 10 each fully paid up into 10,000, 12% Preference shares of Rs. 100 each.

Or

Briefly describe the situations which call for internal reconstruction of a company. 5

(b) The following particulars are related to Abhishek Service Ltd. :

Total Assets Rs. 19,25,000

6% debentures of Rs. 10 each Rs. 4,80,000

Other external liabilities Rs. 2,25,000

Share Capital :

40,000 Equity shares of Rs. 10 each fully paid Rs. 4,00,000

50,000 Equity shares of Rs. 10 each, Rs. 8 paid Rs. 4,00,000

Calculate the value of each category of Equity shares of the company. 5

Or

Explain the methods of computing profit or loss prior to incorporation. 5

(c) Critically examine the different aspects of determining liquidator's remuneration in the context of a company's liquidation. 5

(d) Write a brief note on Accounting Standard - 21. 5

4. Roy and Dutta working in a partnership, registered a Joint Stock Company under the name of "Sagarika Ltd." on 1st September, 2015 to take over their existing business with effect from 1st April, 2015.

From the following Profit and Loss Account for the year ended 31st March, 2016 and the other details, prepare a Statement of Profit and Loss apportioning the profits between pre and post incorporation period indicating your basis for apportionment. 10

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salaries	10,000	By Gross	
" Debenture interest	5,000	profit b/f	84,000
" Depreciation	2,000		
" Interest on purchase consideration (upto 30.9.2015)	10,800		
" Selling commission	12,000		
" Director's fees	800		
" Preliminary expenses written off	1,000		
" Provision for taxes	5,000		
" Dividend on equity shares @5%	6,000		
" Balance c/f	31,400		
	<u>84,000</u>		<u>84,000</u>

Sales for the year were Rs. 2,25,000, out of which Rs. 1,50,000 was related to the period from 1st September, 2015 to 31st March, 2016.

Or

Explain the different methods of valuation of shares. 10

5. Eastern Ltd. had the following Balance sheet as on 31st March, 2017 :

Particulars	Amount (Rs.)
I. Equity and Liabilities :	
1. Shareholders' fund :	
(a) Share capital	
2,000 Equity shares of Rs. 100 each fully paid	2,00,000
(b) Reserves and Surplus :	
Surplus (Debit Balance of Profit and Loss A/c) (Rs. 99,000)	
Preliminary expenses (Rs. 6,000)	(1,05,000)
2. Non-current Liability :	
200, 7½% debentures	2,00,000
3. Current liabilities :	
(a) Trade payables :	
Sundry creditors	70,000
Bills payable	30,000
(b) Bank overdraft	60,000
TOTAL	4,55,000

Particulars	Amount (Rs.)
II. Assets :	
1. Non-current Assets :	
(a) Tangible Assets :	
Plant and Machinery	2,00,000
Land and Building	90,000
(b) Intangible Assets :	
Goodwill	60,000
2. Current Assets :	
(a) Stock	47,000
(b) Trade Receivables :	
Sundry Debtors	46,000
(c) Cash and cash equivalent	12,000
TOTAL	4,55,000

The following scheme of reconstruction was adopted :

- (a) The shares were to be reduced to Rs. 50 each.
- (b) The existing debentures be converted into 100, 8% debentures of Rs. 2,000 each fully paid.

(c) The assets be revalued as under :

Land and Building Rs. 82,000

Plant and Machinery Rs. 1,80,000

Stock Rs. 44,500

Sundry debtors subject to bad debts provision of Rs. 5,000.

(d) Goodwill, preliminary expenses and debit balance of Profit and Loss A/c to be completely written off.

Pass Journal entries to give effect to the scheme and prepare the New Balance sheet of Eastern Ltd. as on 31st March, 2017.

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Or

Explain the different forms of internal reconstruction of a company. 10

6. Moon Light Ltd. went into voluntary liquidation on 31st March, 2017. The liquidator's remuneration was 3% on realisation of assets and 2% on distribution among the shareholders.

The following was the position of the company as on 31st March 2017 :

	Amount Rs.
Cash realised on assets	10,00,000
Expenses of liquidation	10,000
Unsecured creditors (including preferential creditors Rs. 8,000)	70,000
5,000, 6% Preference shares of Rs. 30 each (Dividend for two years is in arrear)	1,50,000
10,000 Equity shares of Rs. 10 each, Rs. 9 paid	90,000
Reserves	2,00,000
Profit and Loss A/c (credit)	50,000

Prepare Liquidator's Final Statement of Account.

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Or

Explain the procedure of compulsory winding up
of a company.

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7. The Balance sheets of H. Ltd. and its subsidiary S. Ltd. on 31st March 2017 stood as follows :

Particulars	H. Ltd. (Rs.)	S. Ltd. (Rs.)
I. EQUITY & LIABILITIES :		
1. Shareholders funds :		
(a) Share capital :		
Equity shares of 10 each	50,000	10,000
(b) Reserves and Surplus :		
Reserve	10,000	—
Surplus (Balance of Statement of Profit and Loss)	20,000	6,000
Preliminary expenses	(8,000)	(4,000)
2. Current liabilities :		
Trade payables :		
Creditors	8,000	8,000
Bills payable	3,000	2,000
TOTAL	83,000	22,000
II. ASSETS :		
1. Non-current Assets :		
(a) Tangible Assets	56,500	12,000
(b) Non current investment :		
Equity shares in S. Ltd.	6,500	—
2. Current Assets	20,000	10,000
TOTAL	83,000	22,000

H. Ltd. acquired 60% interest in S. Ltd. All the profits of S. Ltd. was earned after the shares were acquired by H. Ltd.

Prepare the consolidated Balance Sheet of H. Ltd. and its subsidiary S. Ltd. on 31st March, 2017.

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Or

- (i) What will be the treatment of fictitious assets of wholly owned subsidiary and partly owned subsidiary in consolidated Balance sheet. 5
- (ii) Write a short note on the need for consolidation of financial statement. 5