

VVM's
Shree Damodar College of Commerce and Economics
Comba –Margao Goa
M.Com. (Semester-III) Examination, November 2014

CO3A5: CORPORATE ACCOUNTING

Duration: 2Hour

Total Marks: 38

- Instructions:** 1) Answer all the questions
2) Figures to the Right Indicate Full Marks

1. Answer the following questions:-

(3x2=6)

- a) Explain cost of control
- b) Distinguish between internal and external reconstruction
- c) Enumerate the factors affecting goodwill of a joint stock company

2. X) What are preferential creditors? State the various types of preferential creditors in event of the company's winding up?

(8)

OR

Y) How does pooling of interest method differ from the purchase method of accounting for amalgamation?

(8)

3. X) The Breakfast Food Ltd went into voluntary liquidation on 30th June 2013.

The Balance sheet as on 30th June 2013 was as follows:-

(8)

Liabilities	Amount	Assets	Amount
1,000, 6% Preference shares of Rs.100 each	1,00,000	Land	50,000
500 Equity shares of Rs 100 each, Rs75 paid up	37,500	Plant & Machinery	1,15,000
1500 Equity shares of Rs100 each, Rs60 paid up	90,000	Patents	30,000
5% Debentures	50,000	Stock at cost	27,500
Interest on Debentures	2,500	Sundry debtors	55,000
Creditors	65,000	Cash in hand	15,000
Income tax	7,500	Profit and loss a/c	60,000
	3,52,500		3,52,500

- a) The preference dividends were in arrears for 2 years. The arrears are payable on liquidation as per articles of the company. Creditors include a loan of Rs25,000 on mortgage of land and building.
- b) The assets are realized as follows:- Land Rs60,000, Plant & Machinery Rs87,500, patents Rs27,500, stock Rs30,000, debtors Rs40,000
- c) The expenses of liquidation amounted to Rs5,450
- d) The liquidator is entitled to a commission of 3% on all assets realized except cash and 2% on amount distributed among unsecured creditors except preferential creditors
- e) All payments were made on 31st December 2013
- f) You are required to prepare liquidators statement of account.

OR

3.Y) Following are the balance sheet of H Ltd and S Ltd as on 31st march 2014 (8)

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share capital Shares of Rs10 each	5,00,000	2,00,000	Other fixed assets	3,00,000	1,00,000
General reserve	1,00,000	50,000	Plant & machinery	1,00,000	1,00,000
Profit and loss a/c	60,000	35,000	60% Shares in S Ltd	1,62,400	-
Creditors	80,000	80,000	Debtors	52,600	39,000
Bills payable	40,000	-	Bills Receivable	-	20,000
			Current Assets	1,65,000	1,00,000
			Preliminary expenses	-	6,000
	7,80,000	3,65,000		7,80,000	3,65,000

H Ltd acquires shares on 1st April 2013 on which date the general reserve and profit and loss account showed balances of Rs40,000 and Rs8,000 respectively. No part of the preliminary expenses was written off during the year 31st march 2014. The fixed assets are undervalued by Rs.20,000 the Plant and Machinery was overvalued by Rs10,000. Debtors of S L td include Rs9,000 due from H Ltd in respect of goods supplied. Prepare a consolidated balance sheet.

4.X) The following is the balance sheet of UMA ltd as on 31/12/2013 (8)

Liabilities	Amt	Assets	Amt
Share capital 4000 equity shares of Rs 100 each, fully paid	4,00,000	Goodwill	70,000
3000, 8% preference shares of Rs100 each	3,00,000	Land & Building	1,50,000
Profit prior to incorporation	10,000	Plant & Machinery	3,50,000
4% Debentures	3,00,000	Patents	20,000
Sundry Creditors	2,00,000	Stock	2,20,000
		Debtors	1,00,000
		Cash	5,000
		Preliminary Expenses	21,000
		Profit & Loss a/c	2,74,000
	12,10,000		12,10,000

The following scheme of reconstruction was approved;

- 8% preference shares to be converted into 9% preference shares the amount being reduced by 30%
- Equity shares be reduced to fully paid shares of Rs50 each
- Land & Building be appreciated by 20%
- The debenture holders are agreeable to have their claims reduced by 20%
- All intangible and fictitious assets are to be written off
- Utilize profits prior to incorporation if necessary
- The company issued 2000 equity shares of Rs.50 each to the public and all were subscribed, the amount to be utilized for acquiring new plant and machinery

- h) Pass journal entries to implement the above scheme and prepare capital reduction account and reconstructed balance sheet.

OR

4.Y) From the following balance sheet of Martin Ltd as at 31st march 1994 find out the value of goodwill according to super profit method assuming three years purchase. The Balance sheet is as follows: (8)

Liabilities	Amt	Assets	Amt
Share capital		Building at cost	80,000
Preference share capital	1,00,000	Furniture	2,000
Equity share capital	1,40,000	Stock	2,23,000
Reserve fund	14,000	5% investments	1,50,000
Profit and loss a/c:		Book debts	50,000
Balance on 1/4/93	20,000	Cash in hand	53,000
Profit for the year	2,10,000	Preliminary expenses	2,000
Depreciation fund on Buildings	28,000		
Creditors	48,000		
	5,60,000		5,60,000

The following information is supplied to you:

- Present value of building is Rs2,00,000
- Normal rate of return is 10%
- Profit for the past three years have shown an increase of Rs40,000 annually
- Investment consists of 1500, 5% gold bonds of Rs100 each
- Assume taxation at the rate of 60%

5.X) Following is the balance sheet of X Ltd as on 31/3/2014 (8)

Liabilities	Amt	Assets	Amt
Preference share capital	5,00,000	Plant and Machinery	5,00,000
Equity share capital	10,00,000	Land and building	10,00,000
Profit and Loss a/c	2,00,000	Investments	2,00,000
General reserve	3,00,000	Stock	3,00,000
Debentures	2,00,000	Debtors	4,00,000
Creditors	3,00,000	Cash	10,000
		Bank	90,000
	25,00,000		25,00,000

X Ltd is absorbed by Y Ltd on the above date on the following terms:

- Equity shares are to be redeemed at 6% premium by issuing equity shares in Y Ltd at par
- Nine preference shares in Y Ltd are to be issued for five preference shares held in X Ltd. The face value of preference shares of both the companies is same
- Stock is not taken over by Y Ltd and it is realized at Rs1,00,000
- The fair value of assets taken over is as under;
- Plant and machinery Rs4,00,000, Land and Building Rs17,00,000, Investments Rs1,00,000 and debtors at book value less 10%
- Prepare realization account and equity shareholders account. Also pass journal entries in the books of Y Ltd.

OR

5.y) On 31st March 2014 the balance sheet of ABC Ltd disclosed the following position (8)

Liabilities	Amount	Assets	Amount
Issued capital in Rs10 shares	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current assets	2,00,000
Profit and loss account	20,000	Goodwill	40,000
5% debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

Additional information

- a) On 31st march 2014, the fixed assets were independently valued at Rs 3,50,000 and goodwill at Rs50,000.
- b) The net profit for three years were:

Year	Amount
2011-12	51,600
2012-13	52,000
2013-14	51,650

- c) 20% of profits is to be transferred to reserves
- d) The normal rate of return for similar business is 10%

Compute the value of company share by fair value method
