



M.Com. (Sem. – III) (Accounting and Finance) Examination, April 2015
C03A5 : CORPORATE ACCOUNTING (OB – 10)

Duration : 2 Hours

Total Marks : 50

Instructions : 1) Q. No. 1 is compulsory.
 2) Q. No. 2 to 5 offers internal choice.

1. Answer the following :

(5×2=10)

- Minority Interest
- Normal Rate of return
- Fair Value
- Differentiate between Amalgamation and Acquisition
- Modes of winding up.

2. A) Explain the term :

- Materiality
- True and fair
- Share capital.

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OR

B) Distinguish between the dissolution of a company and winding up of a company.

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3. A) The balance sheet of S. G. Ltd. discloses the following financial position as on 31st March, 2002.

Balance Sheet			
Liabilities	Amount	Assets	Amount
30,000 equity shares of Rs. 10 each paid	3,00,000	Goodwill at cost	30,000
Capital Reserve	60,000	Land (WDV)	1,75,000
Creditors	71,000	Plant (WDV)	90,000
Provision for Tax	55,000	Stock at cost	1,15,000
Profit and Loss Account	26,000	Book debt	98,000
		Less Provision	– 3,000
		Cash at Bank	7,000
	5,12,000		5,12,000

P.T.O.



Computer the value of Goodwill which is equal to the capitalized value of super profit at Normal rate of return.

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Following information is available :

- 1) The reasonable return on capital invested in the class of business done by the company is 12%.
- 2) The rate of tax may be taken at 50%.
- 3) Average rate of dividend declared by the company for the past 5 years was 15%.

OR

B) The position of valueless Ltd. on its liquidation is

Issued and paid up capital

3000-11% Preference shares of Rs. 100 each, fully paid.

3000 Equity share of Rs. 100 each, fully paid

1000 Equity shares of Rs. 50 each, Rs. 30 per share paid.

Calls in Arrears are Rs. 10,000 and Call received in advance Rs. 5,000. Pref. dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of Pref. dividend arrears in priority to return on equity capital.

Prepare Liquidators Final Statement of Account.

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4. A) Mr. A intends to invest Rs. 33,000 in equity shares of a limited company and seeks your advise as to the maximum number of shares he can expect to acquire based on the fair value of the shares to be determined by you.

The following information is available

Issued and paid up capital 6% preference shares of Rs.100 each	Rs. 5,50,000
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Equity shares of Rs. 10 each	<u>Rs. 3,50,000</u>
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Rs. 9,00,000

Average net profit of the business is Rs. 75,000. Expected normal yield is 8% in case of such equity shares. It is observed that the net assets on revaluation are worth Rs. 70,000 more than amounts at which they are stated in the books. Goodwill is to be calculated at 5 years purchase of the super profits.

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OR



- B) The following balance-sheets are presented by X Ltd. and Y Ltd. as on 31st December, 2004 which amalgamate and formed Z limited.

Balance Sheet as at 31st December 2004

Liabilities	Amount X Co. Ltd.	Amount Y Co. Ltd.	Assets	Amount X Co. Ltd.	Amount Y Co. Ltd.
Equity Shares of 10 each	1,00,000	1,50,000	Goodwill	40,000	50,000
General Reserve	10,000	10,000	Land	30,000	60,000
Profit and Loss A/c	10,000	5,000	Plant	50,000	60,000
Capital Reserve	20,000	—	Stock	30,000	40,000
Loans	20,000	65,000	Debtors	30,000	40,000
Creditors	40,000	30,000	Cash	20,000	10,000
	2,00,000	2,60,000		2,00,000	2,60,000

Additional Information :

- a) The shareholders of X Ltd. be allotted 20,000 equity shares of Rs. 10 each.
b) The shareholders of Y Ltd. be allotted 10,000 equity shares of Rs. 10 each.

Prepare the opening balance sheet in the books of Z Ltd. assuming that amalgamation is in the nature of purchase.

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5. A)

Balance Sheet as at 31-12-2001

Liabilities	Amount H Ltd.	Amount S. Ltd.	Assets	Amount H Ltd.	Amount S. Ltd.
Share Capital of Rs. 10 each	1,00,000	50,000	Sundry Assets	60,000	63,000
Reserve	10,000	5,000	Investments 4000		
Profit and Loss A/c	10,000	4,000	Shares in S Ltd.	65,000	—
Sundry Liabilities	5,000	4,000			
	1,25,000	63,000		1,25,000	63,000

H Ltd. acquired the share of S Ltd. on 1st January, 2001 on that date the profit and loss account of S Ltd. had a credit balance of Rs. 1,000 and in reserve Rs. 3,000.

Prepare a Consolidated Balance Sheet.

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OR



B) Below is given the Balance Sheet of D Ltd. as at 31st March 2009

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Liabilities	Rs.	Assets	Rs.
Authorized Capital		Leasehold Premises	4,50,000
10,000 Preference Shares of		Plant	80,000
Rs. 50 each	5,00,000	Debtors	1,00,000
10,000 Equity Shares of		Stock	70,000
Rs. 50 each	5,00,000	Preliminary Expenses	50,000
	10,00,000		
Subscribed Capital		Profit and Loss A/c	1,24,000
8,000 fully paid preference		Cash at Bank	1,000
shares of Rs. 50 each	4,00,000		
8,000 fully paid Equity			
shares of Rs. 50 each	4,00,000		
Sundry Creditors	40,000		
Bank Overdraft	35,000		
	8,75,000		8,75,000

Due to heavy losses the company decided upon the following scheme of reconstruction :

- The Preference Shares were to be reduced to a value of Rs. 30 each. The Equity Shares also were to be reduced to the value of Rs. 30 each.
- The balance available was to be used to write-off the debit balance of the Profit and Loss Account, Rs. 20,000 from Stock, the full amount of the Preliminary Expenses Account, a provision of Rs. 30,000 was to be made against the Sundry Debtors. The Leasehold Premises were to be reduced by Rs. 66,000 and the Plant Account to be reduced to Rs. 50,000

You are requested to journalize the above transaction and show the Capital Reduction Account and prepare the reconstructed Balance Sheet.