

B - 700

(Pages : 04)

SDV 33

[Total No. of Questions : 5]

M.Com. (Semester - III) Examination, Nov. - 2011

ACCOUNTING & FINANCE

CO3A5 : Corporate Accounting

Duration : 2 Hours

Total Marks : 50

Instructions : 1) Question No. 1 is compulsory.

2) Answer any of the internal choices of remaining questions.

Q1) Answer the following questions:

[5 × 2 = 10]

- What are divisible profits?
- Define goodwill.
- What are capital profits and revenue profits?
- What do you mean by net assets?
- State the order of payment in the event of liquidation of a company.

Q2) a) Explain the determinants of goodwill value.

OR

b) Discuss the limitations of financial statements.

Q3) a) The summarised Balance Sheet of X Ltd as on 31<sup>st</sup> Dec, 2010 was as follows:

	Rs.		Rs.
6% redeemable pref. shares of Rs.10 each	1,00,000	Freehold property	2,80,000
Equity shares of Rs.10 each	2,00,000	Other fixed assets	1,80,000
General Reserve	1,00,000	Current assets including Bank balance	2,90,000
P & L A/c balance	1,80,000		
5% Debentures	50,000		
Current liabilities	1,20,000		
	7,50,000		7,50,000

The directors decided to:

- redeem the preference shares at par,
- redeem the debentures at a premium of 2 per cent,
- issue one bonus share of Rs.10 each to every shareholder holding two shares of Rs. 10 each

P.T.O.

Assuming that the above resolutions were duly approved by the shareholders, you are required to:

- 1) Pass the necessary Journal entries to give accounting effect to the above; and
- 2) Prepare the B.S. after passing the Journal entries.

OR

- b) The following particulars available:
- i) Profit for the past three years - Rs. 50,000, Rs. 60,000 and Rs. 55,000 respectively.
  - ii) Normal rate of return 10%
  - iii) Average capital employed Rs. 3,00,000.
  - iv) The profits included non - recurring profits on an average basis of Rs. 4000 out of which it was deemed that even non - recurring profits had a tendency of appearing at the rate of Rs. 1000 p.a.

Compute the value of goodwill as per:

- 1) Five years purchase of super profit;
- 2) Capitalisation of super profit; &
- 3) an annuity method.

Q4) a) The Balance Sheets of H Ltd and S Ltd are given below:-

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Equity Share Capital	50,000	1,00,000	Investments in S Ltd		
Prof. share capital	25,000	10,000	9000 Equity shares	95,000	-
Profit & Loss A/c	15,000	25,000	750 Pref. Shares	8,000	-
Reserve fund	5,000	2,500	Sundry assets	12,000	1,42,500
Sundry Creditors	20,000	5,000			
	1,15,000	1,42,500		1,15,000	1,42,500

On the date of acquisition, the reserves of S Ltd were nil and there was a debit balance of profit & loss A/c of Rs. 10,000.

Prepare the consolidated Balance Sheet.

OR

- b) The capital of x Ltd was as follows:-
- i) 3000 A Equity shares of Rs. 100 each; Rs. 85 per share paid - up;
  - ii) 1000 B Equity shares of Rs. 100 each, Rs. 80 per share paid - up.
- c) 1000 preference shares of Rs. 100 each fully paid. These shares under the articles of association have preference as to repayment of capital.

The various creditors amounted to Rs. 76,500 including the liquidator's remuneration of Rs. 2500. The liquidator made a call of the remaining Rs. 20 per share on B equity shares which was paid in full. Assets realised Rs. 1,91,000.

A call of Rs. 15 per share on partly paid A equity shares was made. This was paid in full with the exception of 100 shares.

Prepare the liquidator's. Final statement of Accounts.

- Q5) a) On 31<sup>st</sup> March, 2011 X Ltd and Y Ltd agreed to amalgamate and form a new company called Joint Ltd. The following were the Balance Sheets of X Ltd and Y Ltd as on 31<sup>st</sup> March, 2011:

Liabilities	X Ltd Rs.	Y Ltd Rs.	Assets	X Ltd Rs.	Y Ltd Rs.
Equity shares of Rs. 10 each	2,00,000	1,60,000	Land & Building	1,00,000	90,000
General Reserve	20,000	30,000	Plant & machinery	48,000	38,000
P & L A/c	4,000	10,000	Patent	5,000	4,000
Creditors	6,000	2,000	Stock	28,000	30,000
			Debtors	36,000	32,000
			Bills Receivable	4,000	4,000
			Cash at Bank	9,000	4,000
	2,30,000	2,02,000		2,30,000	2,02,000

On 31<sup>st</sup> March, 2011 both the companies agreed to abide by the following:

- Joint Ltd will take over all the assets and liabilities of X Ltd and Y Ltd at their book values.
- The purchase consideration is to be discharged by Joint Ltd in the form of its fully paid equity shares of 10 each at per.

You are required to prepare the Balance Sheet of Joint Ltd soon after the amalgamation in the nature of merger.

OR

- b) The following is the Balance sheet of Amar Ltd as on 31<sup>st</sup> March, 2011.

Liabilities	Rs.	Assets	Rs.
20,000, 8% pref. shares of Rs. 20 each fully paid	4,00,000	Goodwill	75,000
50,000 Equity shares of Rs. 10 each fully paid	5,00,000	Land & Building	2,50,000
Sundry creditors.	90,000	Plant & Machinery	2,75,000
		Book Debts	1,20,000
		Stock	1,00,000
		P & L A/c	1,40,000
Total	9,60,000	Total	9,60,000

Company passed the following scheme of reconstruction.

- i) Preference shares be reduced to equal number fully paid equity shares of Rs. 12 each;
- ii) Equity share value be reduced by Rs. 6/- per share;
- iii) Goodwill & Dr. balance of P & L A/c be written off fully; &
- iv) Land & Building and Plant & machinery be written low to Rs. 1,05,000 and Rs. 2,10,000 respectively.

Give the necessary Journal entries relating to the addressail reconstruction scheme.

Particulars	Rs.	Rs.
Cash at Bank	2,30,000	2,30,000
Equity shares of Rs. 10 each	2,00,000	1,60,000
General Reserve	20,000	30,000
P & L A/c	1,000	10,000
Debtors	6,000	2,000
Stock	28,000	30,000
Plant & machinery	48,000	38,000
Land & Building	1,00,000	90,000

On 31<sup>st</sup> March, 2011 both the companies agreed to abide by the following:

- (i) Joint Ltd will take over all the assets and liabilities of X Ltd and Y Ltd at their book values.
- (ii) The purchase consideration is to be discharged by joint Ltd in the form of its fully paid equity shares of 10 each at par.

You are required to prepare the Balance Sheet of joint Ltd soon after the amalgamation in the nature of merger.

(b) The following is the Balance sheet of Joint Ltd as on 31<sup>st</sup> March, 2011:

Liabilities	Rs.	Assets	Rs.
Total	9,60,000	Total	9,60,000
Sundry creditors	1,00,000	P & L A/c	1,40,000
Equity shares of Rs. 10 each fully paid	5,00,000	Stock	1,00,000
Equity shares of Rs. 20 each fully paid	3,60,000	Book Debts	1,20,000
		Plant & Machinery	2,75,000
		Land & Building	2,50,000
		Goodwill	75,000