



SDV – 10

M.Com. (Semester – III) Examination, November 2012

ACCOUNTING AND FINANCE

CO3A5 : Corporate Accounting

Duration : 2 Hours

Max. Marks : 50

Instructions : 1) Question No.1 is compulsory.

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

1. Answer the following :

(5x2=10)

- a) Explain Winding up under the supervision of a court.
- b) What is wholly owned and partially owned subsidiary companies ?
- c) Explain super profit method of valuation of goodwill.
- d) Pass Journal entry for setting off call against bonus payable.
- e) A Ltd. takes over the business of B Ltd. at the following values -

	₹
Fixed Assets	3,00,000
Current Assets	1,00,000
Debentures	50,000
Current Liabilities	1,00,000

Calculate the amount of purchase consideration.

- 2. a) What is liquidation ? What are preferential creditors ? State the various preferential creditors as per Sec. 530 of the Companies Act, 1956 in the event of the company's winding up. 10

OR

- b) Define holding Companies. State its merits and demerits. 10

- 3. a) From the following details, prepare the consolidated Balance Sheet as at 31/3/2012 10

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Equity share Capital (₹ 10 each)	2,00,000	50,000	Equipment	1,25,000	47,500
Profit & Loss a/c	25,000	10,000	4,500 Equity shares in S Ltd. acquired on April 1, 2011	70,000	—
External Liabilities	3,75,000	2,40,000	Other assets	4,05,000	2,52,500
Total	6,00,000	3,00,000	Total	6,00,000	3,00,000

P.T.O.



On April 1, 2011, Profit and Loss Account of S Ltd. showed a credit balance of ₹ 4,000 and equipment of S Ltd. Was revalued by H Ltd. at 20% above its book value of ₹ 50,000 (but no such adjustment effected in the books of S Ltd.). Prepare the Consolidated Balance Sheet as at 31st March, 2012. **10**

OR

b) **Diamond Ltd. Balance Sheet**
As on 31.03.2012

Liabilities		₹	Assets		₹
Share Capital :			Land and buildings		1,10,000
2,000 Shares of ₹ 100 each	2,00,000		Plant and Machinery		1,30,000
General Reserve	40,000		Patents and Trade Marks		20,000
Profit and Loss Account	32,000		Stock		48,000
Sundry Creditors	1,28,000		Debtors		88,000
Income tax	60,000		Bank Balance		52,000
			Preliminary Expenses		12,000
Total	4,60,000		Total		4,60,000

The expert valuer valued the land and buildings at ₹ 2,40,000 ; goodwill at ₹ 1,60,000; plant and machinery at ₹ 1,20,000. Out of the total debtors, it is found that debtors of ₹ 8,000 are bad. The profits of the company have been as follows :

Year	₹
2010	80,000
2011	90,000
2012	1,06,000

The company follows the practice of transferring 25% of profits to general reserve. Similar type of companies earn at 10% of the value of their shares. Ascertain the value of the company's shares under :

- Intrinsic value method
- Yield value method
- Fair value method

4. a) Following are the details regarding Unfortunate Ltd., which went into voluntary liquidation as on 31st Dec. 2011 : **10**

3,000 Equity Share Capital of ₹ 100 each ₹ 80 called and paid	2,40,000
6% preference shares of ₹ 100 each fully called up	1,00,000
Less : Calls in arrears (expected to realise in full)	<u>5,000</u> 95,000
5% Debentures having a floating charge on the assets (interest paid upto 30 th June, 2011)	1,00,000
Mortgage on land and buildings	80,000



Trade Creditors	2,65,500
Wages outstanding	20,000
Secretary's Salary (@ ₹ 500 pm) outstanding	3,000
Managing Director's Salary (@ ₹ 1500 pm) outstanding	6,000

Assets	Estimated to Produce (₹)	Book value (₹)
Land and Buildings	1,30,000	1,20,000
Plant	1,30,000	2,00,000
Tools	4,000	20,000
Patents	30,000	50,000
Stock	74,000	87,000
Accounts Receivable	60,000	90,000
Investments (pledged with bank for an overdraft of ₹ 1,90,000)	1,70,000	1,80,000

On 31st December, 2006 the Balance Sheet of the company showed a general reserve of ₹ 40,000 accompanied by a debit balance of ₹ 25,000 in the profit and loss account. In 2007 the company made a profit of ₹ 40,000 and declared a dividend of 10% on equity shares. The company suffered a total loss of ₹ 1,09,000 besides loss of stock due to fire of ₹ 40,000 during 2008, 2009 and 2010. For 2011 accounts were not made.

The cost of winding up is expected to be ₹ 15,000. You are required to prepare the Statement of Affairs of the company as on 31st Dec., 2011.

OR

b) The share capital of a company consisted of 15,000 shares of ₹ 20 each fully paid up. For the purpose of reconstruction it was decided to sub divide shares of ₹ 20 each into shares of ₹ 5 each. After that, member decide to surrender three out of the four shares held for reorganisation of the company. Pass Journal entries if :

- A) The company decides to cancel the shares surrendered by the members.
- B) The company reissues 2/3 of the surrendered shares for settlement of liabilities of the book value of ₹ 1,75,000. Out of the remaining 1/3 of the surrendered shares, 20% are reissued to public for ₹ 12,000 and 80 are cancelled at a later stage.

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5. a) The Balance Sheet of S Ltd. as at 31/3/2012 was as follows :

Balance Sheet			
As on 31st March 2012			
Liabilities	₹	Assets	₹
Share capital(₹ 10 each)	8,00,000	Fixed Assets	8,50,000
Debentures	5,00,000	Current Assets	5,10,000
Debenture interest		Profit & Loss a/c	2,50,000
Outstanding	25,000		
Creditors	2,85,000		
Total	16,10,000	Total	16,10,000



On the above date, S Ltd. is absorbed by P Ltd. who holds $\frac{1}{4}$ of the share capital of S Ltd. purchased at a cost of ₹ 1,85,000 and all the debentures of S Ltd. acquired at face value. The purchase consideration being the taking over of the assets and liabilities of S Ltd. at a book value subject to revaluation of fixed assets which were reduced by ₹ 1,50,000. The payment to outside share holders is to be made by issue of ₹ 10 shares at par on the basis of such shares being worth ₹ 15 each and the shares of S Ltd. being worth ₹ 5 each. Pass journal entries in the books of S Ltd. and P Ltd.

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OR

b) The following are the balances of Johri Ltd. as on 31st March, 2012 :

Credit	₹	Debit	₹
Share Capital(₹ 10 each)	8,40,000	Bank	2,10,200
Provision for depreciation :		Motor Van	50,000
Leasehold Property	42,000	Properties	16,00,000
Other properties	1,00,000	Opening Stock	2,40,000
Motor Van	20,000	Miscellaneous Expenses	4,64,640
Sales	41,30,000	Purchases	27,75,000
Rent received	72,000	Cost of investment	1,35,000
Investment Income (net of T.D.S. @ 10%)	6,750	Debenture Interest	21,000
9% debentures (issued in 2011)	3,00,000	Debtors	6,20,000
Bank overdraft	14,650	Interim Dividend	33,600
Creditors	3,02,000	Calls in arrears	2,000
Profit and Loss A/c (1/4/2011)	1,15,040		
General Reserve	2,00,000		
Share Suspense a/c	6,000		
Unclaimed Dividend	3,000		
Total	61,51,440	Total	61,51,440

Additional information :

- Closing stock was ₹ 3,34,000
- Forfeiture of 1,000 shares on which 2,000 remained unpaid and re-issue of these shares for ₹ 6,000, as fully paid was not recorded and the amount received was credited to share suspense a/c.
- Depreciate : Motor Van @ 20% on W.D.V.
- Leasehold properties were purchased on 1/4/2005 for ₹ 2,80,000 for a period of 40 years.
- Depreciate other properties @ 3% on W.D.V.
- Create provision for tax @ 50%.
- Ignore figures for the previous years.
- Provide for debentures interest payable on 31st March every year. Prepare the final accounts of the company.

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