

SDV - 5

M.Com. (Semester - III) Examination, November 2013  
ACCOUNTING AND FINANCE  
CO3A5 : Corporate Accounting

Duration: 2 Hours

Total Marks: 50

**Instructions :** 1) Q. No. 1 is compulsory.  
2) Answer any one of the internal choices of the remaining questions.

1. Answer the following : (5x2=10)
- a) Briefly explain the effects of liquidation of company.
  - b) Explain minority interest in case of holding companies.
  - c) Define internal reconstruction.
  - d) Mr. A held shares of ₹ 10 each, out of which he paid ₹ 3 on application but could not pay ₹ 3 on allotment and ₹ 2 on first call. Directors forfeited his shares. Show forfeiture entries.
  - e) Calculate the liquidator's remuneration if his remuneration is fixed at 2% on the amount paid to unsecured creditors. Unsecured creditors are ₹ 30,000 and the cash available is ₹ 30,294.

2. A) Explain in detail various modes of winding up of companies. 10

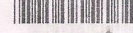
OR

- B) Define holding companies. Explain its advantages and disadvantages. 10

3. A) Given below are the profit and loss account of H Ltd. and its subsidiary S Ltd. for the year ended 31<sup>st</sup> March 2013.

	(₹ Lakhs)	
	H Ltd.	S Ltd.
<b>Incomes :</b>		
Sales and other income	5,000	1,000
Increase in stock	1,000	200
	<b>6,000</b>	<b>1,200</b>

P.T.O.

**Expenses :**

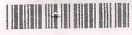
Raw material consumed	800	200
Wages and salaries	800	150
Production expenses	200	100
Administrative expenses	200	100
Selling and distribution expenses	200	50
Interest	100	50
Depreciation	100	50
	<b>2,400</b>	<b>700</b>
Profit before tax	3,600	500
Provision for tax	1,200	200
<b>Profit after tax</b>	<b>2,400</b>	<b>300</b>
Proposed dividend	1,200	150
<b>Balance of profit</b>	<b>1,200</b>	<b>150</b>

**Other information :**

H Ltd. sold goods to S Ltd. of ₹ 120 lakhs at cost plus 20%. Stock of S Ltd. includes such goods valuing ₹ 24 lakhs. Administrative expenses of S Ltd. include ₹ 5 lakhs paid to H Ltd. as consultancy fees. Selling and distribution expenses of H Ltd. include ₹ 10 lakhs paid to S Ltd. as commission. H Ltd. holds 80% of equity share capital of ₹ 1,000 lakhs in S Ltd. H Ltd. took credit to its profit and loss account, the proportionate amount of dividend declared and paid by S Ltd. for the year 2012-2013. Prepare Consolidated Profit and Loss Account of H and S Ltd. for the year ended 31<sup>st</sup> March 2013.

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OR



B) Soorya Ltd. passed a resolution to wind up voluntarily on 30<sup>th</sup> June 2013 when its Balance Sheet stood as under :

Liabilities	₹	Assets	₹
Share capital :		Land	27,500
Authorised and Subscribed		Plant and Machinery	50,000
1000, 6% preference shares of		Patents	1,15,000
₹ 100 each	1,00,000	Stock at cost	30,000
500 equity shares of ₹ 100		Sundry Debtors	55,000
each, ₹ 75 paid up	37,500	Cash at bank	15,000
1,500 equity shares of ₹ 100		Profit and Loss a/c	60,000
each, ₹ 60 paid up	90,000		
5% debentures (floating charge			
on all assets)	50,000		
Interest on debentures	2,500		
Creditors	65,000		
Income tax	7,500		
<b>Total</b>	<b>3,52,500</b>	<b>Total</b>	<b>3,52,500</b>

- The preference dividends were in arrears for two years. The arrears are payable on liquidation as per the articles of the company. Creditors include loan of ₹ 25,000 on the mortgage of land.
- The assets realised is as follows : Land : ₹ 60,000; Plant and Machinery : ₹ 87,500; Patents : ₹ 27,500; Stock : ₹ 30,000; and Sundry Debtors : ₹ 40,000.
- The expenses of liquidation amounted to ₹ 5,450.
- The liquidator is entitled to a commission of 3% on all assets realised and 2% on amounts distributed among unsecured creditors except preferential creditors.
- All payments were made on 31<sup>st</sup> August 2013.

You are required to prepare Liquidator's Statement of Account.



4. A) The following is the balance sheet of Naina Ltd. as on 31<sup>st</sup> March 2013.

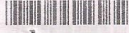
Liabilities	₹	Assets	₹
5%, 2000 cumulative preference	2,00,000	Goodwill	15,000
Shares of ₹ 100 each		Freehold property	2,00,000
4,000 equity shares of ₹ 100 each	4,00,000	Plant and Machinery	3,00,000
6% Mortgage debenture	1,00,000	Stock in trade	50,000
Bank overdraft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and Loss a/c	2,40,000
		Cash	5,000
<b>Total</b>	<b>8,50,000</b>	<b>Total</b>	<b>8,50,000</b>

The company got the following scheme of capital reduction approved by the court :

- a) The preference shares to be reduced to ₹ 75 per share fully paid up and equity shares to ₹ 40 fully paid up.
- b) The debenture holders took over the stock-in-trade and the book debts in full satisfaction of the amount due to them.
- c) The goodwill account is to be eliminated.
- d) The freehold properties to be increased by 30%.
- e) The value of plant and machinery to be depreciated by  $33\frac{1}{3}\%$ .
- f) The expenses of reconstruction amounted to ₹ 3,000.

Give the journal entries for the above and prepare the revised Balance Sheet. 10

OR



B) The Balance Sheet of a company as at 30/6/2013 was as follows :

Liabilities	₹	Assets	₹
Share capital (₹ 100 each)	2,50,000	Goodwill at cost	25,000
Profit and Loss a/c	93,500	Land and Building	1,10,000
Bank overdraft	21,500	Plant and Machinery	1,00,000
Creditors	90,500	Current assets and advances	2,40,000
Provision for taxation	19,500		
<b>Total</b>	<b>4,75,000</b>	<b>Total</b>	<b>4,75,000</b>

Following additional information was available :

- Profit after tax were as follows : 2008-2009 : ₹ 20,000 loss due to prolonged strike; 2009-2010 : ₹ 44,000 profit; 2010-2011 : ₹ 51,500 profit; 2011-2012 : ₹ 58,000 profit; 2012-2013 : ₹ 65,000 profit.
- Income tax rates so far been at an average rate of 40% but is likely to be 50% from 1/7/2013 onwards.
- Dividend was distributed @ 10% in the years 2009-2010 and 2010-2011 and 15% in the year 2011-2012 and 2012-2013. Market price of the share ruling on 30/06/2013 was ₹ 125.
- Profits given above were calculated after charging ₹ 20,000 for managerial remuneration but it is to be increased to ₹ 30,000 from 1/07/2013.
- The company has secured a contract and the advantage of it been valued at ₹ 2,000 p.a. for next five years.

You are required to calculate goodwill at 5 years purchase of expected future earnings in excess of the normal return on capital employed during the year 2012-2013.

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5. A) AB Ltd. and CD Ltd. are two companies carrying on business in the same line of activity. Their Balance Sheet as on 31/3/2013 are given below :

Liabilities	AB Ltd. ₹	CD Ltd. ₹	Assets	AB Ltd. ₹	CD Ltd. ₹
Fully paid up	6,00,000	2,00,000	Land and building	1,00,000	-
Equity shares of ₹ 10 each			Plant and machinery	7,00,000	3,00,000
			Investments	1,00,000	-
General reserve	4,00,000	2,00,000	Stock	9,00,000	4,00,000
Secured loan	6,00,000	1,00,000	Debtors	3,00,000	1,00,000
Current liabilities	6,00,000	4,00,000	Cash at bank	1,00,000	1,00,000
<b>Total</b>	<b>22,00,000</b>	<b>9,00,000</b>	<b>Total</b>	<b>22,00,000</b>	<b>9,00,000</b>

The two companies decide to amalgamate into ABCD Ltd. The following further information is given :

- 1) AB Ltd. holds 8,000 shares in CD Ltd. ₹ 12.50 each.
- 2) All assets and liabilities of the two companies, except investments are taken over by ABCD Ltd.
- 3) Each share in CD Ltd. is valued @ ₹ 25 for the purpose of the amalgamation.
- 4) Shareholders in AB Ltd. and CD Ltd. are paid-off by issuing to them sufficient number of equity shares of ₹ 10 each in ABCD Ltd. as fully paid up at par.
- 5) Each share in AB Ltd. is valued @ ₹ 15 for the purpose of the amalgamation. Show journal entries to close the books of CD Ltd. and Balance Sheet after amalgamation.

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OR



B) From the following information of ZeeTune Ltd. prepare Profit and Loss Appropriation a/c and Balance Sheet (in a vertical form) as at 31<sup>st</sup> March 2013 as required under Part I(B) of schedule VI of the Companies Act, 1956. **10**

**Trial Balance as at 31<sup>st</sup> March 2013**

<b>Debit Balances</b>	<b>₹ (000)</b>	<b>Credit Balances</b>	<b>₹ (000)</b>
Cash at Bank	275	12% debentures (1/4/2012)	1,500
Loose tools	50	Profit and Loss (1/4/2012)	50
Short term investment at	225	Security deposits from dealers	120
Cost (Market value ₹ 2,20,000)		Securities premium	500
Advances to staff	60	Investment allowance reserve	150
Debtors	1,225	Creditors	1,150
Stores	400	Provision for doubtful debts	25
Fixed assets	7,150	Provision for depreciation on fixed assets	1,500
Finished goods	750	Loan from customers	200
Amalgamation adjustment a/c	103	General reserve	2,100
Advance tax	200	Equity share capital (Rs. 100)	2,000
Work-in-progress	320	10% preference share capital (Rs. 100)	800
Interest on debentures (Net)	162	Profits during the year (before interest and tax)	905
Interest on other loans	80		
<b>Total</b>	<b>11,000</b>	<b>Total</b>	<b>11,000</b>