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GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND ECONOMICS, PONDA-GOA

M. COM. (SEMESTER – III) EXAMINATION, NOVEMBER 2014
ACCOUNTING AND FINANCE
CO3A5 : CORPORATE ACCOUNTING

Duration : 2 hours   Max. Marks: 38

Instructions : Answer all the questions

Q.1) Answer the following **(3 x 2 = 6)**

a) What are the factors affecting value of goodwill?
b) Distinguish between internal reconstruction and external reconstruction.
c) What is minority interest?

Q2.A) What are the different ways in which a company can be wound up? Explain. **(8)**

OR

Q2.B) What is purchase consideration? Explain the different methods of calculating the purchase price. **(8)**

Q3.A) White Limited agreed to acquire the business of Green Limited as on 31st December 2013 on which date the Balance Sheet of Green Limited was summarised as follows :

Liabilities	**₹**	**Assets**	**₹**
Capital: Fully paid shares of ₹10 each	6,00,000	Goodwill	1,00,000
General Reserve	1,70,000	Land & Building	3,00,000
Profit & Loss	1,10,000	Plant	3,40,000
6% Debentures	1,00,000	Stock	1,68,000
Creditors	20,000	Debtors	56,000
		Cash	36,000
Total	**10,00,000**	**Total**	**10,00,000**

The consideration payable by White Ltd. was:-

a. The issue of 90,000 ₹10 Shares at an agreed value of ₹12.50 per share
b. A cash payment of ₹ 2.50 for every share of Green ltd.

c. The issue of such an amount of fully paid 5% Debentures in White Ltd. at 96% as is sufficient to discharge the 6% Debentures in Green Ltd. at a premium of 20%.

The Directors of White Ltd. valued land & Buildings at ₹4,00,000 and created a provision of 5% on debtors against doubtful debts. The expenses of liquidation of ₹6,000 paid by White Ltd.

Give journal entries to close the books of Green Ltd. and to record the acquisition of business in the books of White Ltd.

(8)

OR

Q3.B) Following is the extract of Trial Balance of XYZ Ltd. as on 31/03/2014. Prepare the Balance Sheet of the company as per Revised Schedule VI after taking into account additional information.

Debit	₹	**Credit**	₹
Furniture and Fittings	17,000	Share Capital	1,00,000
Plant and Machinery	29,000	General Reserve	15,500
Bills Receivables	5,000	Bills Payable	7,000
Debtors	27,500	Creditors	17,500
Cash at Bank	47,190	5% Debentures	50,000
Patents and Trade Marks	4,800	Profit and Loss A/c (31.03.13)	15,000

Additional Information:

(i) Closing stock on March 31st, 2014 was valued at ₹1,48,000.

(ii) Net Profit for the year ending 31/03/2014 was ₹28350 after making provision for tax @50%.

(iii) Outstanding expenses are as follows: Rent – ₹800, Salaries – ₹7,200.

(iv) Depreciation to be charged on Plant and Machinery@15%, on furniture and fittings @10%, and on patents and trademarks @5%.

(v) Directors proposed dividend @15% for the year ending 31/03/2014 and transfer ₹2,000 to General Reserve.

(vi) Six months interest is accrued but not due on Debentures. (8)

Q4.A) From the Balance Sheets given below prepare a consolidated balance Sheet of A Ltd. and its subsidiary company B Ltd.

BALANCE SHEETS

As on 31st March, 2013

Liabilities	A Ltd. ₹	B Ltd. ₹	**Assets**	A Ltd. ₹	B Ltd. ₹
Share Capital : Shares of ₹10 each	25,00,000	6,00,000	Land and Building	6,40,000	2,00,000
General Reserve	3,60,000	1,20,000	Machinery	12,60,000	3,40,000
Profit and Loss A/c	2,40,000	1,80,000	Furniture	1,40,000	60,000
Trade Creditors	3,50,000	1,00,000	40,000 shares	5,00,000	---

			in B. Ltd.		
			Stock in Hand	4,10,000	2,50,000
			Debtors	3,80,000	1,00,000
			Bank Balance	1,20,000	50,000
Total	**34,50,000**	**10,00,000**	**Total**	**34,50,000**	**10,00,000**

At the date of Acquisition of A Ltd. of its holding of 40,000 shares in B Ltd., the latter company had undistributed profits and reserves amounting to ₹1,00,000, none of which has been distributed since then. **(8)**

OR

Q4.B) On 31/12/2013 the balance sheet of a Limited Company disclosed the following position.

Liabilities	**₹**	**Assets**	**₹**
Issued capital in Rs.10 shares	4,00,000	Goodwill	4,0000
Reserves	90,000	Fixed Assets	5,00,000
Profit and Loss a/c	20,000	Current Assets	2,00,000
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
Total	**7,40,000**	**Total**	**7,40,000**

On 31/12/2013 the fixed assets were independently valued at ₹5,50,000 and the goodwill at ₹50,000. The Net Profits after tax for 3 years were 2011 – ₹51,600; 2012 – ₹52,000 and 2013 ₹51,650 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%. Compute the value of the company's shares by -

(a) The Assets Backing Method and
(b) The Yield Method. **(8)**

Q5.A) T Ltd. was placed in voluntary liquidation on 31/12/2012 when its Balance Sheet was as follows:

Liabilities	**₹**	**Assets**	**₹**
Issued Share Capital: 50,000 equity shares of ₹10 each fully paid less calls-in-arrears amounting to ₹25,000	4,75,000	Freehold Factory	5,80,000
		Plant and Machinery	2,89,000
		Motor Vehicles	57,500
		Stock	1,86,000

6,000, 5% Cumulative Preference shares of ₹100 each fully paid	6,00,000	Debtors	74,000
Share Premium A/c	5,0000	Profit and Loss A/c	2,14,000
5% Debentures A/c	1,00,000		
Interest on Debentures	2,500		
Bank O/D	58,000		
Creditors	1,15,000		
Total	**14,00,500**	**Total**	**14,00,500**

The Preference dividends are in arrears from 2009 onwards. Amount paid up on the preference shares is with a premium thereon of ₹10 per share. The Bank O/D was guaranteed by the Directors who were called upon by the bank to discharge their liability under the guarantee. The Directors paid the amount to the bank.
The liquidator realized the assets as follows:
Freehold factory – ₹7,00,000, Plant and Machinery – ₹2,40,000
Motor Vehicles – ₹59,000, Stock – ₹1,50,000, Debtors – ₹60,000
Calls-in-arrears – ₹25,000
Creditors were paid less discount of 5%. The Debentures and accrued interest were repaid on 31/03/2013. Liquidation costs were ₹3,820 and liquidator's remuneration was 2% on the amount realized.
Prepare the liquidator's Statement of Account. **(8)**

OR

Q5.B) The Balance Sheet of M/S Rama Ltd as at 31/12/2012 is as follows:

Liabilities	₹	Assets	₹
Paid up capital: 8,000 equity shares of ₹100 each fully paid	8,00,000	Fixed Assets: Land, Building , Machinery	 14,00,000
Secured Loan: 8% Debentures Accrued Interest	 14,00,000 70,000	Current assets: Stock Sundry Debtors Investments Cash at Bank Cash in Hand	 1,00,000 40,000 15,000 1,03,000 2,000
Sundry Creditors	4,50,000	Profit and Loss A/c	10,70,000
Income tax liability	10,000		
Total	**27,30,000**	**Total**	**27,30,000**

The fixed assets are heavily overvalued. A scheme of reconstruction was prepared and passed. The salient points of the scheme are as follows:

(i) Each share shall be sub-divided into 10 fully paid equity shares of ₹10 each.

(ii) After such sub-division , each shareholder shall surrender to the company 90% of his holding, for the purpose of re-issue to Debenture holders and creditors so far as required and otherwise for cancellation.

(iii) Of those surrendered 50,000 equity shares of ₹10 each shall be converted into 8% Preference shares of ₹10 each fully paid for Debenture holders.

(iv) The Debenture holders total claim shall be reduce to ₹5,00,000. This will be satisfied by the issue of 50,000 preference shares of ₹10 each fully paid.

(v) The claim of sundry creditors shall be reduced by 80% and the Balance shall be satisfied by allotting them equity shares of ₹10 each fully paid from the shares surrendered.

(vi) Shares surrendered and not re-issued shall be cancelled.

Assuming that he scheme is fully approved by all parties interested and by the court, draft the necessary Journal Entries of the company after the scheme has been carried into the effect. **(8)**

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