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**M. COM. (SEMESTER – III) EXAMINATION, November 2015**  
**CO3A5 CORPORATE ACCOUNTING (OB 10A)**

Duration: 2 hours

Total Marks: 38

*Instructions: 1) Answer all questions.*

**Q1.] Briefly answer the following:**

**(3 x 2 = 6)**

- a) Explain the different types of Amalgamation.
- b) What are the limitations of Holding Company?
- c) What are the different methods of valuing Goodwill?

**Q2.A] What are the various factors affecting valuation of shares?**

**(8)**

**OR**

**Q2.B] What is the difference between external reconstruction and internal reconstruction?**

**(8)**

**Q3.A] The A company and B company whose business are of similar nature decided to amalgamate a new company called AB Company Ltd is formed to take over their assets and liabilities. The following are their Balance Sheets**

**Balance Sheet as on 31<sup>st</sup> December 2013**

	A Co. ₹	B Co. ₹		A Co. ₹	B Co. ₹
Share Capital 7500 shares of 10 each	75000		Goodwill	30000	20000
4550 shares of 10 each		45500	Plant	18300	13450
Sundry Creditors	3300	2000	Land	10000	-
Reserves	4200	-	Stock In Trade	16000	11550
Profit & Loss A/c	800	4500	Sundry Debtors	7500	6000
			Cash	1500	1000
	<b>83300</b>	<b>52000</b>		<b>83300</b>	<b>52000</b>

Assuming that the Assets & Liabilities are worth at their book values, what amount each company will get? Pass necessary journal entries in the books of the companies.

**(8)**

**OR**

**Q3.B]** The following balances were extracted from the books of HBP Ltd. for the year ended 31<sup>st</sup> March, 2013:

Building (Cost Rs. 40,000)	3,00,000
Furniture (Cost Rs. 1,000)	500
Motor Vehicles (Cost Rs. 3,500)	3,000
Equity shares of companies (Market value Rs. 22,000)	20,000
500 Preference Shares of Rs. 10 each of Companies (Rs. 6 paid up)	3,000
Stock-in-Trade at Cost	20,000
Sundry Debtors unsecured, considered good	14,000
Cash at Bank	8,750
Share Capital:	
50,000 Equity Shares of Rs. 10 each	50,000
6% Mortgage Debentures	10,000
Provision for Taxation	10,000
Sundry creditors	5,500
Discount on Issue of Debentures	400
Profit & Loss Account (Cr.)	1,000
Gross Profit	50,000
Dividend received on Investments (Gross 1,000)	700
Salaries and Wages	10,000
Directors' Fees	400
Interest on Debentures	500
Auditors' Fees (including Rs. 100 for income-tax presentation)	650
Miscellaneous Trade Expenses	11,000
Advance against Construction of Building	5,000

Prepare the Balance sheet as on 31<sup>st</sup> March 2013 after taking into account the following additional information:-

- (1) Provide 10% Depreciation p.a. on original cost of Fixed Assets
- (2) The company had a contract for the Construction of a Building at Rs. 1, 00,000 which is still incomplete.
- (3) Provide Rs. 10,000 in respect of taxation liability for the year.
- (4) Write back Rs. 200 liability included in sundry creditors.
- (5) Due to change in the basis of valuation of stock, stock values come down to Rs. 18,000. This has not been considered as yet.
- (6) Dividend is proposed for the year 2012 @ 20%
- (7) Debts more than 6months: Rs. 4,000.
- (8) Ignore previous year's figure.

(8)

Q4.A] Balance Sheet as on 31<sup>st</sup> December 2013

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share Capital of ₹ 10 each	100000	50000	Sundry Assets	60000	63000
Reserve	10000	5000	Investments: 4000 Shares in S Ltd	65000	-
Profit & Loss A/c	10000	4000			
Sundry Liabilities	5000	4000			
	<b>125000</b>	<b>63000</b>		<b>125000</b>	<b>63000</b>

H. Ltd acquired the shares of S Ltd, on 1<sup>st</sup> January 2010. On that date the Profit & Loss A/c of S Ltd. had credit balance of ₹1000 and in reserve ₹3000. Prepare a consolidated Balance Sheet.

(8)

OR

Q4.B] The following is the balance sheet of Uniplas Ltd as on 31<sup>st</sup> December 2001

Liabilities	₹	Assets	₹
Share capital :		Land & Building	42,000
7500 shares of ₹10 each	75,000	Plant & Machinery (WDV)	48,000
General reserve	15,000	Trade Marks	7,500
Taxation reserve	22,500	Stock	18,000
Workmen's saving a/c	11,250	Debtors	33,000
Profit and loss a/c	12,000	Cash at bank	19,500
Sundry creditors	36,750	Preliminary Expenses	4,500
	<b>1,72,500</b>		<b>1,72,500</b>

The plant and Machinery is worth ₹ 45000 and land and building have been valued at ₹ 90000 by an independent valuer. ₹ 3000 of the debtors are bad; the profits of the company have been as follows : 1999: ₹30,000; 2000 : ₹33,750, 2001 : ₹39,750.

If is the company's practice to transfer 25% of the profits to reserve ignoring taxation, find out the value of the shares on the yield basis and also on the net asset basis. Similar companies give a return of 10% on the market value of their shares. Goodwill may be taken to be worth ₹60,000.

(8)

- Q5.A]** The Sunny Valley Mining Co. Ltd. went into voluntary liquidation on 1<sup>st</sup> January 2013, as its mines reached such a state of depletion that it became too costly to excavate further minerals. The liquidator, whose remuneration is 3% on realization of assets and 2% on distribution among shareholders, realized all the assets. The following was the position of the company on 31<sup>st</sup> December 2012.

	₹
Cash on realization of assets	5,00,000
Expenses on liquidation	9,000
Unsecured creditors ( including salaries and wages for one month prior to liquidation, ₹6000)	68,000
5000, 6% preference shares of ₹30 each ( dividend paid upto 31 <sup>st</sup> Dec, 2011)	1,50,000
10000 equity shares of ₹10 each. ₹ 9 per share called and paid up	90,000
General reserve as on 31 <sup>st</sup> December 2012	1,20,000
Profit and loss a/c as on 31 <sup>st</sup> December 2012	20,000

Under the articles of association of the company, the preference shareholders have the right to receive one third of the surplus remaining after repaying the equity share capital . Prepare the liquidators final statement of account. (8)

OR

- Q5.B]** The following is the balance sheet of M/s Kanishk Ltd. as on 31<sup>st</sup> March, 2013 (8)

Liabilities	Rs.	Assets	Rs.
50,000 Equity shares of Rs. 10 each	5,00,000	Plant & Equipment	1,80,000
6,000 - 8% Preference Share Capital of Rs. 100 each	6,00,000	Investments(Market Value 8,00,000)	7,60,000
Provision for Tax	40,000	Stock	2,00,000
	<b>11,40,000</b>		<b>11,40,000</b>

Note: Preference Dividend is in Arrears for 3years

Adjustment:

- (1) Plant & Equipment having book value of Rs. 80,000 is obsolete, this is sold as scrap for Rs. 16,000
- (2) Stock includes items valued at Rs. 48,000 which is sold at a loss of 50%
- (3) Tax Liability settled at Rs. 45,000
- (4) The expenses paid for framing & implementing scheme is Rs. 8,000
- (5) The Equity Share shall be reduced to Rs. 3 each however the Face value will remain the same.
- (6) Arrears of Preference Dividend to be reduced to 1 years dividend which is paid in cash.
- (7) Investment realized at market value.

Pass necessary Journal entries in the books of M/s Kanishk Ltd. and Prepare Capital Reduction A/c.