

  
 Goa Vidyaprasarak Mandal's  
**GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND ECONOMICS,**  
 PONDA- GOA

**M. COM. (SEMESTER – III) EXAMINATION, APRIL 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 minority interest in case of holding companies?
- b) What is Internal Reconstruction?
- c) State the order of payment in the event of liquidation of a company?

**Q2.A] Discuss the different methods of ascertaining purchase consideration with suitable examples**

(8)

OR

**Q2.B] Define goodwill and enumerate the factors affecting goodwill.**

(8)

**Q3.A] ) On 31<sup>st</sup> March 2008, Thin Ltd. was absorbed by Thick Ltd., the later taking over all the assets and liabilities of the former at book values. The consideration for the business was fixed at ₹4,00,000 to be discharged by the transferee company in the form of its fully paid equity shares of ₹10 each, to be distributed among the shareholders of the transferor company, each shareholder getting two shares for every share held in the transferor company. The balance sheets of the two companies as on 31<sup>st</sup> March, 2008 stood as under**

Liabilities	Thick Ltd. ₹	Thin Ltd. ₹	Assets	Thick Ltd. ₹	Thin Ltd. ₹
Share Capital: Authorised	15,00,000	5,00,000	Goodwill	2,00,000	60,000
Issued & Subscribed: Equity shares of ₹ 10 each, fully paid	9,00,000	2,00,000	Plant & Machinery	4,12,000	1,00,000
General Reserve	1,80,000	50,000	Furniture	80,000	30,000
Profit & Loss A/c	20,502	12,900	Stock in Trade	2,65,500	60,000
Workmen's Compensation Fund	12,000	9,000	Sundry Debtors	2,21,200	46,000
Sundry Creditors	58,567	30,456	Prepaid Insurance	---	700
Staff Provident Fund	10,200	4,000	Income Tax Refund Claim	---	6,000
Provision for			Cash in	869	356

Taxation	12,300	5,000	Hand		
			Cash	at	14,000
			Bank		8,300
	11,93,569	3,11,356			11,93,569
					3,11,356

Amalgamation expenses amounting to ₹1000 were paid by Thick Ltd. you are required to

1. Pass the necessary journal entries in the books of Thin Ltd and
2. Prepare the balance sheet of Thick Ltd after the amalgamation in the nature of merger.

(8)

OR

Q3.B] The following are the balances extracted from the books of Flex Ltd. As on 31<sup>st</sup> March, 2009:

	₹		₹
Land & Building	2,39,000	Share Capital	2,50,000
Plant & Machinery	1,75,000	Sales	1,83,000
Purchases	1,16,000	Profit & Loss A/c	26,000
Power	5,000	Provision for taxation	8,000
Salaries & Wages	1,09,000	Provision for Doubtful Debts	3,000
Stock on 1 <sup>st</sup> April 2008	1,45,000	General Reserve	50,000
Rent	4,000	Unclaimed Dividends	1,000
Insurance	5,000	Sundry Creditors	50,000
Prepaid Expenses	14,000	Bills Payable	16,000
Repairs	11,000	Outstanding Expenses	38,000
Directors Fees	5,000	Depreciation A/c	3,12,000
Furniture	4,000	Miscellaneous Income	1,000
Office Equipment	2,000	Bank Loan (Secured on Fixed Assets)	64,000
Motor Vehicles	12,000		
Sundry debtors	1,45,000		
Cash in Hand	3,000		
Cash at Bank	8,000		
	10,02,000		10,02,000

The following further information is available

- 1) The closing stock is valued at ₹2,90,000
- 2) Provide ₹10,000 for further taxation
- 3) The depreciation written off to 31<sup>st</sup> March 2008 was as follows:
  - Land & Building-₹1,48,000
  - Plant & Machinery -₹1,54,000
  - Furniture - ₹2,000
  - Office Equipment- ₹1,000
  - Motor Vehicles -₹7,000
- 4) No depreciation is to be provided for the year 2008-09
- 5) The debts due to the company are all unsecured, debts for ₹3,000 are over 6 months old of which ₹1,000 are bad and to be written off and rest are doubtful. All other debts are considered good.
- 6) The board of directors recommended the following appropriations of profit which are to be incorporated in the final accounts:
  - a) Transfer to General Reserve ₹30,000
  - b) Proposed Dividend of ₹6 per share for the year ended 31<sup>st</sup> March 2009.

- 7) The authorized share capital is 5,000 shares of ₹100 each. All of which have been issued and subscribed for and ₹50 per share is paid up.
- Prepare statement of Profit & Loss Account for the year ended 31<sup>st</sup> March 2009.
  - Prepare working note for reserves and surplus (8)

**Q4.A] Balance Sheet as on 31<sup>st</sup> December 2004**

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 2001. 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 net profits of a company after providing for taxation for the past five years are ₹ 40000, ₹ 42000, ₹ 45000, ₹ 46000 & ₹ 47000. Average capital employed is ₹ 400000 on which reasonable rate of return of 10% is expected. it is expected that the company will be able to maintain its super profits for the next five years.

- a) Calculate the value of goodwill of business on the basis of an annuity of super profits , taking the present value of annuity of one rupee for one rupee for 5 years at 10% interest as ₹ 3.78
- b) How would your answer differ if the goodwill is calculated by capitalizing the excess of the annual average distributable profits over the reasonable return on capital employed on the basis of the same return of 10%.  
Calculate goodwill on 5 years purchase of super profit (8)

Q5.A] J B Co ltd. went into voluntary liquidation on 30<sup>th</sup> June 2011 on which date their B/S was as follows:

Liabilities	₹	Assets	₹
Share Capital 1500. 8% preference shares of ₹ 10 each	15000	Plant and Machinery	25000
		Closing stock	18000
		Sundry Debtors	14500

3000 equity shares of ₹ 10 Each	30000	Cash in Hand	500
9% Debentures (having floating charge)	10000	Profit and Loss A/c	15000
Sundry Creditors	18000		
<b>Total</b>	<b>73,000</b>	<b>Total</b>	<b>73,000</b>

**Additional Information:-**

1. The liquidator realized the machinery and stock at ₹ 42000 and the sundry debtors at ₹ 19000.
2. Preference share dividend was paid upto 30<sup>th</sup> June 2010. Preference shareholders have preference as to dividend and capital.
3. Expenses of liquidation amounted to ₹ 2000.
4. Debenture holders were repaid on 31<sup>st</sup> December 2011 together with interest upto date.
5. The liquidator was to get his remuneration at 2% on the amounts realized and 2% on the amount paid to equity shareholders

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

(8)

OR

Q5.B]

M/s Kanishk Ltd.

Balance Sheet

As on 31<sup>st</sup> March 2009

Liabilities	₹	Assets	₹
50,000 Equity Shares of ₹ 10 each	5,00,000	Plant & Equipment	1,80,000
6000 8% Preference Share Capital of ₹ 100 each	6,00,000	Investments ( market value ₹ 8,00,000)	7,60,000
Provision for Tax	40,000	Stock	2,00,000
	11,40,000		11,40,000

Note: Preference dividend is in arrears for 3 years and

**Adjustment :**

1. Plant equipment having book value of ₹ 80,000 is obsolete, this is sold as scrap for ₹ 16,000
2. Stock includes items valued at ₹ 48,000 which is sold at a loss of 50%
3. Tax liability settled at ₹ 45,000
4. The expenses paid for framing and implementing scheme is ₹ 8,000
5. The equity share shall be reduced to ₹ 3 each. However the face value will remain the same
6. Arrears of preference dividend is to be reduced to one years dividend which is paid in cash
7. Investment realized at market value

Pass journal entries to implement the above scheme of internal reconstruction (8)