

## TDP (Honours) 3rd Semester Exam., 2019

## CORPORATE ACCOUNTING

( Honours )

THIRD PAPER

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks  
for the questions

Answer **eight** questions, taking **two** from each Unit

## UNIT—I

1. (a) How do you distinguish between forfeiture of share and surrender of share?
- (b) (i) Shibalal, holder of 1000 Equity Shares of ₹ 10 each of ABC Ltd. has paid ₹ 2 on application; ₹ 3 on allotment and ₹ 3 on first call but failed to pay the final call money of ₹ 2 per share. His shares were forfeited by the board. 90% of such shares were subsequently reissued @ ₹ 11 per share as fully paid.  
Give Journal Entries in the books of ABC Ltd.

- (ii) Arunlal, holder of 500 Equity Shares of ₹ 10 each of XYZ Ltd., issued at 10% discount, only paid ₹ 2 on application, ₹ 3 on allotment but failed to pay the first call money of ₹ 2 per share and his shares were forfeited by Board of Directors. These shares were reissued subsequently at a price of ₹ 7 per share.

You are required to give Journal Entries in the books of XYZ Ltd.

2+(4+4)=10

2. (a) Name the sources of Redemption of Preference Shares. How is capital redemption reserve fund to be utilized?
- (b) The Balance Sheet of ABC Ltd. as on 31st March, 2019 is given below :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets	2,50,000
20000 Equity Shares		Investment	30,000
of ₹ 10 each	2,00,000	Stock	30,000
1000, 9% Preference		Debtors	40,000
Shares of		Bank	20,000
₹ 100 each	1,00,000		
Less : Calls-			
in-Arrears			
(₹ 20 × 100 shares)	<u>2,000</u>		
	98,000		

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<i>Liabilities</i>	₹	<i>Assets</i>	₹
Share Premium	12,000		
Reserve Fund	30,000		
Profit & Loss A/c	10,000		
Sundry Creditors	16,000		
Bills Payable	4,000		
	<u>3,70,000</u>		<u>3,70,000</u>

On 1st April, 2019, fixed assets costing ₹ 30,000 were sold for ₹ 28,000. On the same date it was decided to redeem Preference Shares at a premium of 20% by sufficient number of Equity Shares at a discount of 10% subject to leaving a balance of ₹ 10,500 in Reserve Fund. All payments were made except to holders of 50 shares who was not traceable.

You are required to show Journal Entries in the books of ABC Ltd.

4+6=10

3. (a) What do you mean by redemption of debentures? Name the sources of finance for redemption of debentures. What is the accounting treatment of issue of debentures as collateral security?

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( Turn Over )

( 4 )

- (b) XYZ Ltd. has ₹ 1,50,000, 6% debentures on 1st January, 2018. Interest is payable on 31st December every year. On 1st April, 2018, ₹ 10,000 own debentures are purchased at ₹ 94 by XYZ Ltd. and immediately cancelled. On 1st June, 2018, ₹ 25,000 own debentures are purchased at ₹ 96 and held as investment. Similarly on 1st October, 2018, ₹ 30,000 own debentures are purchased at ₹ 95 and held as investment. On 31st December, 2018, own debentures kept as investment are cancelled.

Show the 6% Debentures A/c in the books of XYZ Ltd. (2+2+2)+4=10

#### UNIT—II

4. (a) What is the permissible managerial remuneration payable under the Companies Act, 2013?

From the following information of ABC Ltd., you are required to calculate the managerial remuneration as per the Companies Act, 2013 :

- (i) There is only one whole-time director  
 (ii) There are two whole-time directors

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( Continued )

(iii) There are two whole-time directors,  
a part-time director and manager

	₹
Net profit before provision for income tax and managerial remuneration, but after depreciation and provision for repairs	8,70,000
Depreciation provided in the books	3,00,000
Provision for repairs of machinery during the year	30,000
Depreciation allowable under Schedule XIV	2,60,000
Actual expenditure incurred on repairs during the year	15,000

(b) From the following Ledger balances of  
Shibam Ltd., you are required to  
prepare the Balance Sheet of the  
company as on 31st March, 2019 as per  
the Companies Act, 2013 :

**Trial Balance  
as on 31st March, 2019**

Debit	₹	Credit	₹
Cash at Bank	3,00,000	Equity Share	
Furniture & Fixtures	7,00,000	Capital	52,00,000
Premises	41,00,000	Capital Reserve	60,000
Patents	9,00,000	Bank Loan	6,00,000
Discount on issue of share	25,000	Provision for Employees Welfare Fund	5,00,000
Trade Receivables	3,00,000	Proposed Dividend	1,00,000
Advance Tax	50,000		

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( Turn Over )

Debit	₹	Credit	₹
8% Govt. Bonds	3,00,000	Short-term Loan from Bank	3,00,000
Stock-in-Trade	3,50,000	Unpaid Dividend	60,000
		Profit & Loss A/c	40,000
		Sundry Creditors	1,65,000
			<u>70,25,000</u>
			<u>70,25,000</u>

(2+4)+4=10

5. (a) Define goodwill. Under what circum-  
stances does it arise? Name different  
methods of goodwill.

(b) From the following Balance Sheet of  
Ambar Ltd. as at 31st March, 2018, you  
are required to compute the value of  
goodwill on the basis of super profit  
methods assuming three years  
purchase :

Liabilities	₹	Assets	₹
Share Capital :		Plant and Machinery	1,50,000
20000 Equity Shares of ₹ 10 each fully paid	2,00,000	Building	1,00,000
Profit & Loss A/c :		Investments @ 6%	50,000
Balance on 01.04.2017	40,000	Stock	50,000
Add : Profit for 2018	<u>1,60,000</u>	Debtors	60,000
Sundry Creditors	50,000	Cash at Bank	40,000
			<u>4,50,000</u>
			<u>4,50,000</u>

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( Continued )

**Additional Information :**

- (i) Building is worth ₹ 2,00,000
  - (ii) Profits for the last three years have shown an increase of ₹ 40,000 annually
  - (iii) Repair charges of ₹ 20,000 stood capitalized in Building in the year 2015-2016
  - (iv) Investments consists of 500, 6% bonds of ₹ 100 each
  - (v) Normal rate of return is 10%
  - (vi) Taxation is assumed @ 40%
- (1+2+2)+5=10

6. The following details are available in respect of XYZ Ltd. :

	₹
40000 Equity Shares of ₹ 10 each fully paid as on 31.03.2018	4,00,000
10000 Equity Shares of ₹ 10 each, ₹ 8 paid up as on 31.03.2018	80,000
12% Secured Loans as on 31.03.2018	1,00,000
Reserve and Surplus as on 01.04.2017	1,00,000
Preliminary Expenses as on 31.03.2018	70,000

**Other Information :**

- (i) Dividend distribution tax @ 10%
- (ii) Corporate tax—35%

- (iii) Transfer to General Reserve—20% of profit after tax (PAT)
- (iv) Normal dividend rate of the same industry—10%
- (v) Dividend declared @ 15% on paid-up equity capital
- (vi) Market rate of earning per share is ₹ 2 per share of ₹ 10 each
- (vii) Profit before interest and tax (PBIT) on 31.03.2018—₹ 2,00,000

You are required to compute the value of Equity Shares under—

- (a) Asset-backing Method;
- (b) Earning Yield Method. 5+5=10

**UNIT—III**

7. A Ltd. is absorbed by B Ltd. on 1st January, 2019. The Balance Sheet of A Ltd. as on that date was as under :

<i>Liabilities</i>	₹	<i>Assets</i>	₹
<b>Paid-up Capital :</b>		<b>Fixed Assets :</b>	
1000, 6% Preference Shares of ₹ 100 each	1,00,000	Land & Building	1,50,000
20000 Equity Shares of ₹ 10 each	2,00,000	Machineries	1,00,000
		<b>Current Assets :</b>	
		Stock	2,00,000
		Debtors	40,000

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Reserve	10,000	Cash & Bank	
Profit & Loss A/c	30,000	Balances	45,000
7% Debentures	1,00,000	Miscellaneous	
Sundry Creditors	1,10,000	Expenditure :	
		Preliminary	
		Expenses	10,000
		Debenture	
		Discount	5,000
	<u>5,50,000</u>		<u>5,50,000</u>

The consideration payable by B Ltd. was agreed as under :

- (i) Equity shareholders to be allotted six Equity Shares of ₹ 10 each issued at a premium of 10% and ₹ 2 in cash against every five shares held
- (ii) Preference shareholders of A Ltd. were to be allotted 8% Preference Shares of ₹ 1,10,000
- (iii) 7% Debenture holders of A Ltd. to be paid 8% premium by 9% Debentures at 10% discount
- (iv) Assets are revalued as :

	₹
Land and Building	2,00,000
Stock	2,20,000

Debtors at their book value subject to creation of 5% as doubtful debts. The machineries were valued at book value.

You are required to—

- (a) compute purchase consideration;
- (b) ascertain the net value of assets and calculate the Goodwill/Capital Reserve;
- (c) prepare the new Balance Sheet of B Ltd.

2+3+5=10

**8. The Balance Sheet of Unlucky Ltd. as at 31st December, 2018 was as given below :**

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Issued and Paid-up Capital :		Patents & Trademarks	50,000
2500, 10% Preference Shares of ₹ 100 each fully paid-up	2,50,000	Building	1,50,000
25000 Equity Shares of ₹ 10 each	2,50,000	Plant and Machinery	1,50,000
Capital Reserve	12,000	Furniture and Fixtures	25,000
10% Debentures of ₹ 100 each	1,00,000	Stock-in-Trade	30,000
Accrued Interest on Debentures	15,000	Sundry Debtors	35,000
Trade Creditors	73,000	Bank Balances	30,000
		Cash Balances	10,000
		Profit & Loss A/c	2,20,000
	<u>7,00,000</u>		<u>7,00,000</u>

Preference dividend is in arrear for three years. The company prepared the following scheme of reconstruction and it was duly approved by the court :

- (i) The 10% Preference Shares will be converted into 12% Preference Shares of ₹ 50 each
- (ii) The Equity Shares will be reduced by ₹ 5 per share, ₹ 3 paid-up. The call was to be made immediately for acquiring cash
- (iii) 10% Debentures will be converted into 11% Debentures of ₹ 75 each; the debenture holders agreed to sacrifice 50% of the accrued interest on the stipulation of payment of the balance amount in cash
- (iv) Arrear preference dividend was agreed to be cancelled
- (v) Trade creditors agreed to waive 40% of their claims in consideration of immediate payment of their dues

(vi) The assets were revalued as :

	₹
Building	1,80,000
Furniture	30,000
Plant and Machinery	1,40,000
Stock-in-Trade	38,000
Sundry Debtors	30,000

(vii) Patents and trademarks and other fictitious assets are to be written off as far as possible

You are required to—

- (a) prepare the statement of fund available for capital reduction and utilization of the said fund;
- (b) draw up the revised Balance Sheet of the company after implementation of the scheme. 5+5=10

9. (a) What do you mean by the value of business? When the purchased price exceeds the net value of the business, how the difference will be dealt with?
- (b) Write down the procedure for reducing share capital as per provision of the Companies Act, 1956. (2+2)+6=10

## UNIT—IV

10. (a) What is minority interest? How is it ascertained? Is it a liability of the group?

(b) What is the accounting treatment of—

(i) dividend paid out of preacquisition profit by the subsidiary company;

(ii) dividend paid out of post-acquisition profit by the subsidiary?

$$(2+2+2)+(2+2)=10$$

11. The Balance Sheets of H Ltd. and its subsidiary S Ltd. as at 31st March, 2019 were as follows :

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share Capital :			Plant and Machinery	3,80,000	90,000
Equity Shares of ₹ 10 each fully paid	3,00,000	1,00,000	Furniture	10,000	20,000
General Reserve on 01.04.2017	1,80,000	40,000	Investments	2,00,000	—
Profit & Loss A/c	1,50,000	40,000	Stock	40,000	30,000
Trade Creditors	60,000	30,000	Debtors	40,000	60,000
	<u>6,90,000</u>	<u>2,10,000</u>	Cash at Bank	20,000	10,000
				<u>6,90,000</u>	<u>2,10,000</u>

## Additional Information :

(i) H Ltd. acquired 8000 Equity Shares in S Ltd. as at 30th June, 2018

(ii) Stock of H Ltd. includes ₹ 5,000 for goods supplied by S Ltd. at a profit of 25% on cost

(iii) Creditors of H Ltd. includes ₹ 6,000 on account of purchase from S Ltd.

(iv) Profit & Loss A/c of H Ltd. includes dividend @ 10% for the year 2018-19 received from S Ltd. which declared and paid it after 30th June, 2019

(v) Balance in S Ltd. Profit & Loss A/c on 1st April, 2018 was ₹ 26,000. Dividend @ 10% for the year 2017-18 was declared out of this balance after 30th June, 2018

(vi) Profits during the year 2018-19 have been earned on uniform basis throughout the year

You are required to prepare statement to find out the— <https://www.tripurastudy.com>

(a) net amount due to minority interest;

(b) Consolidated Profit & Loss A/c. 5+5=10

12. (a) What is meant by Liquidator's Final Statement of Account? Name the items which are shown on the receipts side of Liquidator's Final Statement.

(b) The following particulars are available regarding the liquidation matters of a company :

Sale proceeds of assets—₹ 7,00,000

Amount due to be paid (including preferential creditors ₹ 30,000)—₹ 8,00,000

Liquidator's remuneration :

3% of amount realized plus 4% of amount distributed to unsecured creditors

You are required to calculate the—

(i) Liquidator's Remuneration;

(ii) amount to be paid to unsecured creditors (other than preferential creditors).  $(2+2)+(4+2)=10$

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