

**2 0 1 6**

( 4th Semester )

**COMMERCE**

Paper No. : BC-404

**( Corporate Accounting )**

*Full Marks : 70*

*Pass Marks : 45%*

*Time : 3 hours*

**{ PART : B—DESCRIPTIVE }**

**{ Marks : 45 }**

*The figures in the margin indicate full marks  
for the questions*

1. (a) What is meant by redemption of debentures? Explain the sources of finance for the redemption of debentures. 3+6=9

*Or*

- (b) A limited company has an authorized capital of ₹ 2,50,000 in ₹ 10 shares. Of these, 4000 shares were issued as fully paid in payment of buildings purchased and 8000 shares were subscribed by the public, and during the first year ₹ 5 per share was called

payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. The amounts received in respect of these shares were as follows :

- On 6000 shares the full amount called
- On 1250 shares, ₹ 4 per share
- On 500 shares, ₹ 3 per share
- On 250 shares, ₹ 2 per share

The Directors forfeited the shares on which less than ₹ 4 had been paid.

You are required to show Journal Entries in the books of the company. 9

2. (a) Discuss the requirements of Section 210 of the Companies Act, 1956, in respect of preparation and presentation of the final accounts. 9

Or

- (b) The authorized capital of XYZ Ltd. is ₹ 7,50,000 consisting of 3000, 6% cumulative preference shares of ₹ 100 each and 4500 equity shares of ₹ 100 each. The following is the Trial Balance drawn up on March 31, 2014 :

<i>Particulars</i>	<i>Amount (₹)</i>
Paid-up Capital	
3000, 6% Cumulative Preference Shares	3,00,000
3000 Equity Shares (₹ 75 per share called up)	2,25,000
Goodwill	1,00,000

<i>Particulars</i>	<i>Amount</i> (₹)
5% Mortgage Debentures	2,10,000
Trade Debtors	1,67,500
Trade Creditors	1,25,520
Freehold Properties at Cost	3,90,000
Stock (01.04.2013)	2,41,500
General Reserve	82,725
Salaries	1,03,500
Profit and Loss Account (Cr.)	58,500
Reserve for Taxation	8,800
Delivery Expenses	1,02,000
Rent and Rates	38,250
General Expenses	21,000
Furniture at Cost	75,000
Sales	9,18,600
Purchases	4,76,500
Bills Receivable	6,000
Freight Inward	3,750
Investment	60,000
Debenture Interest (half year to September, 2013)	5,250
Final Dividend for 2012-13	20,250
Preference Dividend (half year to 30.09.2013)	9,000
Balance at Bank in Current Account	97,500
Cash in Hand	14,145
Share Forfeited Account	2,000

*Additional Information :*

- (i) The value of stock on March 31, 2014 was ₹ 2,15,000
- (ii) Depreciation on freehold properties is to be provided at 2.5% and on furniture @ 6%

- (iii) The directors propose to pay the second-half year's dividend on preference shares and a 10% dividend on equity shares.
- (iv) Shares were forfeited on non-payment of ₹ 35 per share.
- (v) Corporate dividend tax need not be provided.

You are required to prepare Final Accounts of the company.

9

3. (a) Mention the consequences of winding up of a company. Show the order of payment on liquidation on amounts realized from the assets. 6+3=9

Or

- (b) The following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Final Account allowing for his remuneration @ 2% on the amount realized on assets and 2% on the amount distributed to unsecured creditors other than preferential creditors :

	₹
Unsecured Creditors	2,24,000
Preferential Creditors	70,000
Debentures	75,000

The assets realized the following sums :

	₹
Cash in Hand	20,000
Land and Buildings	1,30,000
Plant and Machinery	1,10,500
Fixtures and Fittings	7,500

The liquidation expenses amount to ₹ 2,000. A call of ₹ 2 per share on the partly paid 10000 equity shares was made and duly paid except in case of one shareholder owning 500 shares. 9

4. (a) Explain the methods of valuing goodwill. 9

Or

- (b) A client intends to invest ₹ 15,000 in equity shares of a limited company and wants you to calculate the maximum number of shares he can expect to acquire with the said amount on the basis of the following information available :

Issued and paid-up capital :

	₹
6% Preference Shares of ₹ 100 each	5,00,000
Equity Shares of ₹ 10 each	3,00,000
	<u>8,00,000</u>

Average net profit of the business is ₹ 57,000. Expected normal yield is 7% in case of such equity shares.

Total tangible assets (other than goodwill) ₹ 9,49,000 and total outside liabilities ₹ 95,000.

Goodwill is to be calculated at 5 years' purchase of the superprofits.

Show your workings in detail. Ignore income tax.

9

5. (a) Explain the term internal reconstruction or capital reduction. Discuss the procedure for reducing share capital. 5+4=9

Or

- (b) On 31st March, 2014, Thin Ltd. was absorbed by Thick Ltd., the latter 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 31st March, 2014 stood as under :

Liabilities	Thick Ltd	Thin Ltd	Assets	Thick Ltd	Thin Ltd
	₹	₹		₹	₹
Share Capital :					
Authorized	<u>15,00,000</u>	<u>5,00,000</u>	Goodwill	2,00,000	50,000
Issued and Subscribed -			Plant and Machinery	4,12,000	1,00,000
Equity Shares of ₹ 10 each, fully paid	9,00,000	2,00,000	Furniture	80,000	30,000
General Reserve	1,80,000	50,000	Stock-in-Trade	2,55,500	60,000
Profit and Loss Account	20,502	12,900	Sundry Debtors	2,21,200	46,000
Workmen's CP	12,000	9,000	Prepaid Insurance	-	700
Sundry Creditors	58,567	30,456	Income Tax Refund Claim	"	6,000
Staff FF	10,200	4,000	Cash in Hand	869	356
Provision for Taxation	12,300	5,000	Cash at Bank	14,000	8,300
	<u>11,93,569</u>	<u>3,11,356</u>		<u>11,93,569</u>	<u>3,11,356</u>

Amalgamation expenses amounting to ₹ 1,000 were paid by Thick Ltd.

Prepare Realization Account and Equity Shareholders' Account in the book of Thin Ltd.

5+4+9

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2016

( 4th Semester )

**COMMERCE**

Paper No. : BC-404

**( Corporate Accounting )**

( PART : A—OBJECTIVE )

( Marks : 25 )

*The figures in the margin indicate full marks for the questions*Answer **all** questions

## SECTION—I

( Marks : 15 )

1. Indicate whether the following statements are True (T) or False (F) by putting a Tick (✓) mark :

1×5=5

(a) Premium on issue of shares can be used for issue of bonus shares.

( T / F )

(b) Managerial remuneration is to be calculated after providing for taxation.

( T / F )

(c) Insolvency is a necessary condition for the liquidation of a joint-stock company.

( T / F )

(d) Net assets basis of valuation of shares is concerned with the asset backing per share.

( T / F )

(e) External reconstruction means reduction of capital of a company.

( T / F )

2. Choose the correct answer and place its code in the brackets provided :

1×5=5

(a) Public Ltd. companies cannot issue

(i) equity shares

(ii) preference shares

(iii) deferred shares

(iv) None of the above

[     ]

(b) Dividends are usually paid on

(i) paid-up capital

(ii) authorized capital

(iii) called-up capital

(iv) issued capital

[     ]

(c) Reduction of capital is unlawful except when

(i) sanctioned by the creditors

(ii) sanctioned by the court

(iii) sanctioned by the shareholders

(iv) None of the above

[     ]

(d) List 'H' shows

(i) creditors' account

(ii) debtors' account

(iii) shareholders' account

(iv) deficiency or surplus account

[     ]

- (e) Goodwill is /an
- (i) current asset
  - (ii) tangible asset
  - (iii) liability
  - (iv) intangible asset

[     ]

3. Fill in the blanks :

1×5=5

(a) A        company        can        redeem        its  
..... shares.

(b) Preliminary    expense    is    an    example    of  
..... asset.

(c) The amount paid by transferee company  
to the transferor company is called  
.....

(d) List    'C'    gives    the    list    of  
.....

(e) Goodwill should not be recorded unless  
.....

( 5 )

SECTION—II

( Marks : 10 )

4. Write short notes on the following : 2×5=10

(a) Oversubscription

(b) Normal rate of return

(c) Amalgamation in the nature of merger

*(d)* Voluntary liquidation

(e) Superprofit

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