

**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<br/>(₹)</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<br/>(₹)</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<br>(half year to September, 2013) | 5,250                 |
| Final Dividend for 2012-13                           | 20,250                |
| Preference Dividend<br>(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.       |                 | Assets                     | Thin Ltd.        |                 |
|--|------------------|-----------------|----------------------------|------------------|-----------------|
|  | ₹                | ₹               |                            | ₹                | ₹               |
| Share Capital                                |                  |                 |                            |                  |                 |
| Authorized                                   | 15,00,000        | 5,00,000        | Goodwill                   | 2,00,000         | 60,000          |
| Issued and<br>Subscribed                     |                  |                 | Plant and<br>Machinery     | 4,12,000         | 1,00,000        |
| Equity Shares<br>of ₹ 10 each,<br>fully paid | 9,00,000         | 2,00,000        | Plant and<br>Machinery     | 80,000           | 30,000          |
| General Reserve                              | 1,50,000         | 50,000          | Stock-in-Trade             | 2,65,500         | 60,000          |
| Profit and Loss<br>Account                   | 20,502           | 12,900          | Sundry Debtors             | 2,21,200         | 46,000          |
| Workmen's CR                                 | 12,000           | 9,000           | Prepaid<br>Insurance       | —                | 700             |
| Sundry Creditors                             | 58,567           | 30,456          | Income Tax<br>Refund Claim | —                | 6,000           |
| Staff PF                                     | 10,200           | 4,000           | Cash in Hand               | 869              | 356             |
| Provision for<br>Taxation                    | 12,300           | 5,000           | Cash at Bank               | 14,000           | 8,300           |
|  | <u>11,93,669</u> | <u>3,11,356</u> |                            | <u>11,93,669</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

[     ]

- (c) Goodwill is a/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  
.....

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

(c) Superprofit

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