

2 0 1 8

(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 a company? Mention three main characteristics of a company. Distinguish between a Private Ltd. Company and a Public Ltd. Company.

1+3+5=9

Or

- (b) Following figures have been extracted from the books of ABC Ltd. as at 31.3.2016 :

Authorised Capital :

50,00,000 Equity Shares of ₹ 10 each 5,00,00,000

Issued and Subscribed Capital :

45,00,000 Equity Shares of ₹ 10 each
fully paid-up 4,50,00,000

8L/437a

(Turn Over)

	₹
Reserves and Surplus :	
General Reserve	50,00,000
Surplus Account	1,10,00,000
Capital Reserve	30,00,000
Securities Premium Reserve	15,00,000
14% Partly Convertible Debentures of ₹ 100 each	1,25,00,000

The company decided to capitalise its reserves by way of bonus issue at the rate of one share for every 4 shares held. Capital reserve includes ₹ 20,00,000 profit on sale of fixed assets. It may be assumed that securities premium has been realised in cash. 40% of 14% debentures are convertible into equity shares of ₹ 10 each fully paid on 30th September, 2016.

Show the necessary Journal Entries in the books of the company and prepare the extract of the Balance Sheet immediately after the bonus issue before conversion of debentures.

9

2. (a) What do you understand by Dividend? Briefly explain the sources of declaring Dividend as per Sec. 123 of the Companies Act, 2013. 2+7=9

Or

(b) Following are the balances of
M/s Modern Dress Bhandar Ltd. as
on 31.3.2014 :

<i>Debit Balance</i>	₹	<i>Credit Balance</i>	₹
Premises	30,72,000	Share Capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	Surplus Account	2,62,500
Debtors	8,70,000	Bills Payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Bank	4,51,600	Sales	41,50,000
Calls in arrears	75,000	General Reserve	2,50,000
Interim dividend paid	3,92,500	Bad Debts Provision on 1.4.2013	35,000
Purchases	18,50,000		
Wages	9,79,800		
General Expenses	73,350		
Salaries	2,02,250		
Bad Debts	21,000		
Debenture interest paid	1,80,000		
	<u>1,24,67,500</u>		<u>1,24,67,500</u>

Additional Information :

- (i) Stock on 31.3.2014 was ₹ 9,50,000
- (ii) Depreciate Plant by 15%
- (iii) Write off ₹ 5,000 from Preliminary Expenses

(iv) Interest on debenture is due for 6 months

(v) Create 5% provision for doubtful debts

(vi) Provide for income tax @ 50%

Prepare final accounts of the company. 9

3. (a) What do you mean by liquidation of a company? Mention the different modes of winding-up. Explain in detail the consequences of winding-up. 2+3+4=9

Or

- (b) Following were the liabilities and assets of X limited as on 31.3.2014 :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
14%, 4000 Pref. Shares of ₹ 100 each fully paid-up	4,00,000	Land	40,000
8000 Equity Shares of ₹ 100 each, ₹ 60 per share paid-up	4,80,000	Buildings	1,60,000
Reserves & Surplus	Nil	Plant & Machinery	5,40,000
Secured Loans :		Patents	40,000
(1) 14% Debentures (having a floating charge on all assets)	2,30,000	Investments	Nil
		Current Assets, Loans and Advances :	
		Current Assets :	
		Stock at cost	1,00,000
		Sundry Debtors	2,30,000
		Cash, at Bank	60,000
		Surplus Account (negative balance)	2,40,000

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Interest accrued on above debentures (also having a floating charge as above)	32,200		
(2) Loan on Mortgage of Land & Building	1,50,000		
Unsecured Loan	Nil		
Current Liabilities & Provisions :			
Sundry Creditors	1,17,800		
	<u>14,10,000</u>		<u>14,10,000</u>

On 31.3.2014 the company went into voluntary liquidation. The dividend on 14% Preference Shares was in arrears for one year. Sundry Creditors include preferential creditors amounting to ₹ 30,000.

The assets realised the following sums :

	₹
Land	80,000
Building	2,00,000
Plant & Machinery	5,00,000
Patent	50,000
Stock	1,60,000
Sundry Debtors	2,00,000

The expenses of liquidation amounted to ₹ 29,434. The liquidator is entitled to a commission of 2% on all assets realised (except cash at bank) and 2% on amounts distributed among unsecured creditors other than preferential creditors. All payments were made on 30th June, 2014. Interest on mortgage loan shall be ignored at the time of payment.

Prepare the Liquidator's Final Statement of Account. 9

4. (a) Explain briefly the different methods of valuation of goodwill. 9

Or

- (b) P Ltd. proposed to purchase the business carried by Shri C. Goodwill for this purpose is agreed to be valued at three years' purchase of the—

(i) simple weighted profits;

(ii) weight average profits of the past four years.

The appropriate weights to be used are :

2011	1	2013	3
2012	2	2014	4

The profits for these years are :

	₹
2011	1,01,000
2012	1,24,000
2013	1,00,000
2014	1,50,000

On a scrutiny of the accounts' the following matters are revealed :

- (i) On 1st September, 2013 a major repair was made in respect of the plant incurring ₹ 30,000 which amount was charged to revenue. The said sum is agreed to be capitalized for goodwill calculation subject to adjustment of depreciation of 10% p.a. on reducing balance method
- (ii) The closing stock for the year 2012 was over-valued by ₹ 12,000
- (iii) To cover management cost an annual charge of ₹ 24,000 should be made for the purpose of goodwill valuation

Compute the value of goodwill of the firm.

9

5. (a) Define Amalgamation. What entries are passed by a company to close its books when it is amalgamated by another company?

2+7=9

Or

(b) A Ltd. acquired the undertaking of B Ltd. on 31.03.2016 for a purchase consideration of ₹ 2,50,00,000 to be paid by fully paid equity shares of ₹ 10 each. Equity and liabilities and assets of the two companies on the date of acquisition were as follows :

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	₹	₹		₹	₹
Share Capital :			Fixed Assets :		
Equity Shares			Land &		
of ₹ 10			Building	1,20,00,000	80,00,000
each fully			Plant &		
paid-up	2,50,00,000	1,50,00,000	Machinery	2,00,00,000	1,80,00,000
Reserves &			Furniture &		
Surplus :			Fixtures	10,00,000	20,00,000
General			Current		
Reserve	1,20,00,000	18,00,000	Assets :		
Surplus A/c	10,00,000	53,00,000	Stock	55,00,000	40,00,000
Development			Debtors	45,00,000	40,00,000
Rebate Res.	10,00,000	37,00,000	Bank		
Workers'			Balance	20,00,000	17,00,000
Compensation					
Fund	15,00,000	24,00,000			
Current					
Liabilities	45,00,000	95,00,000			
	<u>4,50,00,000</u>	<u>3,77,00,000</u>		<u>4,50,00,000</u>	<u>3,77,00,000</u>

Pass the necessary Journal entries in the books of A Ltd. when amalgamation is in the nature of merger. 4+5=9

2 0 1 8

(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) Capital redemption reserve account can be utilized in writing off preliminary expenses.

(T / F)

(b) Dividend paid or declared is subject to corporate dividend tax @ 15% as per the Finance Act, 2017.

(T / F)

(c) Insolvency is a necessary condition for the liquidation of a Joint-Stock Company.

(T / F)

(d) The value of goodwill is more in case of purchase of super profit method as compared to the annuity method of super profit.

(T / F)

(e) When two or more companies go into liquidation and a new company is formed to take over their business, it is called absorption.

(T / F)

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

1×5=5

(a) If a share of ₹ 10 issued at a premium of ₹ 2, on which the full amount has been called and ₹ 8 (including premium) paid is forfeited, the Capital Account should be debited with

(i) ₹ 12

(ii) ₹ 10

(iii) ₹ 8

(iv) ₹ 6

[]

(b) Share Forfeited Account is shown on the liabilities side of the Balance Sheet

(i) by adding to the paid up capital

(ii) under the head Reserves and Surplus

(iii) under the head Current Liabilities and Provisions

(iv) None of the above []

(c) Liquidator's Final Statement of Account is prepared

(i) only in case of members' voluntary winding up

(ii) only in case of compulsory winding up

(iii) in all modes of winding up

(iv) None of the above []

(d) The most important consideration in the valuation of goodwill is

(i) earning capacity of the business

(ii) financial position of the business

(iii) actual position of the business

(iv) None of the above []

(e) Under Section 64 of the Companies Act, 2013 the company shall give notice of the alteration of capital to the Registrar within ____ days.

(i) twenty

(ii) thirty

(iii) forty

(iv) fifty

[]

3. Fill in the blanks :

1×5=5

(a) Capital Redemption Reserve Account is created to meet

(b) Unclaimed dividend is shown on the liabilities side of the Balance Sheet under the heading

(c) As per of the Companies Act 2013, the winding up of a company may be either by the Tribunal or Voluntary.

(d) Super profit = Actual profit -

(e) When an existing company takes over the business of one or more existing companies, it is amalgamation in the nature

(5)

SECTION—II

(Marks : 10)

4. Write short notes on the following :

2×5=10

(a) Bonus share

(b) Capital Reserve and Reserve Capital

(7).

(c) Statement of Affairs

(d) Super profit method of valuation of goodwill

(e) Amalgamation in the nature of merger
