

MS – 433

IV Semester B.Com. Examination, May 2016
(CBCS) (Semester Scheme) (Fresh) (2015-16 and Onwards)
COMMERCE

Paper – 4.3 : Advanced Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answer should be written either **completely in English or in Kannada.**

SECTION – A

1. Answer any five of the following. Each question carries two marks. (5×2=10)
- What is meant by purchase consideration?
 - State the different types of Amalgamation.
 - What is Capital Reduction Account?
 - Give the meaning of voluntary liquidation of a company.
 - Who are secured creditors?
 - Mention any four types of preference shares.
 - State the meaning of Human Resource Accounting.

SECTION – B

Answer any three of the following. Each question carries six marks. (3×6=18)

2. Bindu Ltd. was agreed to be acquire by Indu Ltd. as on 31-03-2015 on this date the Balance Sheet of Bindu Ltd. was as follows :

Liabilities	₹	Assets	₹
50000 Equity shares of ₹ 10 each	5,00,000	Fixed assets	9,00,000
General Reserve	2,00,000	Current Assets	2,00,000
Profit / Loss A/c	1,50,000		
5% Debenture	1,20,000		
Sundry creditors	1,30,000		
	11,00,000		11,00,000

Indu Ltd. agreed to acquire fixed assets at 10% more than the book value but current assets were valued only at ₹ 1,50,000. The purchase consideration was paid 50% in equity shares of ₹ 10 each and balance in cash. Determine the purchase consideration and also show the discharge of purchase consideration.

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3. Arya Ltd. went into liquidation on 31-3-2015. Following information is available with the liquidation.

Creditors amounting to ₹ 75,660 of which ₹ 8,000 are preferential, 6% Debentures having a floating charge on the assets of the company amounted to ₹ 80,000. Debenture holders to be paid interest upto 30-9-2015. The assets realised as follows :

Stock - ₹ 84,000

Plant and machinery ₹ 60,600

Cash in hand stood at ₹ 500. Debentures were paid off on 30-9-2015 with interest. Liquidators expenses amounting ₹ 1,902 and he is to be given a remuneration at 3% on the amount realized and 2% on the amount distributed to unsecured creditors excluding preferential creditors.

Prepare Liquidator Final Statement of Account.

4. A Company had 10,000, 6% Redeemable Preference Shares of ₹ 100 each fully paid. These shares were due for redemption on 31-3-2015 at a premium of 10%. To carry out the redemption the company issued 2,500 Equity Shares of ₹ 100 each at a premium of 7.5%. The company had a balance of ₹ 50,000 in securities premium account and ₹ 9,75,000 in P/L A/c. Pass necessary Journal Entries.
5. The following is the Balance Sheet of Bharath Ltd. as on 31-3-2015:

Liabilities	₹	Assets	₹
<u>Share capital :</u>		Leasehold premises	1,30,800
Authorised Capital :		Plant and machinery	42,200
10,000 Preference Shares		Patents at cost	8,50,000
of ₹ 100 each	10,00,000	Sundry Debtors	76,500



10,000 Equity Shares		Stock in trade	55,000
of ₹ 100 each	<u>10,00,000</u>	Cash in hand	500
	<u>20,00,000</u>	Discount on issue of shares	18,000
Subscribed Capital :		Preliminary expenses	12,000
7,500 Pref. Shares of		P/L A/c	1,15,000
₹ 100 each fully paid	7,50,000		
5,000 Equity Shares of			
₹ 100 each fully paid	5,00,000		
Sundry creditors	30,000		
Bank overdraft	20,000		
	13,00,000		13,00,000

The company suffered heavy losses and was not getting on well. The following scheme of reconstruction was adopted :

- 1) The preference shares of ₹ 100 were to be reduced to an equal number of fully paid shares at ₹ 50 each.
- 2) The equity shares to be reduced to an equal number of shares of ₹ 25 each.
- 3) The amount so made available be used to write off ₹ 30,800 of the leasehold premises, ₹ 15,000 off stock, 20% of plant and machinery and sundry debtors and the balance available off patents.

Journalise the transactions in the books of Bharath Ltd.

6. State the significance of Accounting Standard.

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SECTION - C

Answer any three of the following. Each question carries Fourteen marks : (3×14=42)

7. The following are the Balance Sheets of Akash and Vikas Ltd. as on 31-03-2015 :

Liabilities	Akash		Vikas		Assets		Akash		Vikas	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Equity share capital (₹ 10 each)	10,00,000		6,00,000		Land and Buildings	5,00,000	3,10,000			
14% Pref. share capital (₹ 100 each)	4,40,000	3,40,000			Plant and Machinery	6,50,000	3,40,000			
General reserve	1,00,000	50,000			Furniture and fittings	1,15,000	70,000			
Export profit reserve	60,000	40,000			Investments	2,50,000	1,90,000			
Investment allowance reserve	-	20,000			Stock	1,80,000	2,06,000			
Profit/Loss A/c	1,50,000	1,00,000			Debtors	1,45,000	1,04,000			
13% Debentures (₹ 100 each)	1,00,000	70,000			Cash and Bank	1,40,000	1,00,000			
Current liabilities	1,30,000	1,00,000								
	19,80,000	13,20,000				19,80,000	13,20,000			

Akash Ltd. takes over Vikas Ltd. on 1-4-2015. Akash Ltd. discharges the purchase consideration as below :

- 1) Issued 70,000 Equity shares of ₹ 10 each at par to the Equity share holders of Vikas Ltd.
- 2) Issued 15% Preference shares of ₹ 100 each to discharge the Preference share holders of Vikas Ltd. at 10% premium.



The Debentures of Vikas Ltd. will be converted into equivalent number of debentures of Akash Ltd.

The Statutory Reserve of Vikas Ltd. (Export – profit reserve and investment allowance reserve) are to be maintained for three more years.

You are required to show the journal entries and Balance Sheet in the books of Akash Ltd. Assuming that the amalgamation is in the nature of merger.

8. The business of the Asha Ltd. was purchased by Usha Ltd. The purchase consideration was as follows :

- 1) A payment in cash at ₹ 40 for every share in the Asha Ltd.
- 2) An exchange of 4 shares in the Usha Ltd. of ₹ 50 each at the market value of ₹ 80 for every share in the Asha Ltd.

A further payment in cash of ₹ 110 for every debenture in the Asha Ltd. The Balance Sheet of Asha Ltd. as on 31st March, 2015 was as follows :

Liabilities	₹	Assets	₹
Capital :		Building	75,000
1000 Shares of ₹ 200 each	2,00,000	Machinery	1,50,000
1000 Debentures of ₹ 100 each	1,00,000	Stock	90,000
Creditors	30,000	Debtors	80,000
Reserves	65,000	Bank	35,000
Workmen's Savings Bank A/c	10,000		
P/L A/c	25,000		
	4,30,000		4,30,000

Prepare the necessary Ledger Accounts in the books of Asha Ltd. and opening entries in the books of Usha Ltd. under Purchase Method.

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9. Following is the Balance Sheet of Sick Ltd, as on 31-3-2015 :

Liabilities	₹	Assets	₹
13 % cumulative		Fixed assets	15,00,000
Pref. shares of ₹ 100 each	1,00,000	Current Assets	35,00,000
Equity shares of ₹ 10 each	7,00,000	P/L A/c	3,00,000
8% Debentures	3,00,000		
Current Liabilities	39,00,000		
Provision for taxation	3,00,000		
	53,00,000		53,00,000

Following scheme of reorganisation is sanctioned :

- 1) All existing equity shares are reduced to ₹ 5 each.
- 2) All Preference shares are reduced to ₹ 75 each.
- 3) The rate of interest on debentures is increased to 11%. The debenture holders surrender their existing debentures of ₹ 100 each and exchange the same for fresh debentures of ₹ 75 each.
- 4) One of the creditors of the company, to whom the company owes ₹ 25,00,000, decided to forego 50% of his claim. He is allotted to 1,00,000 equity shares of ₹ 5 each in part satisfaction of the balance of his claim.
- 5) The taxation liability of the Co.'s is settled at ₹ 4,00,000.
- 6) Fixed Assets are to be written down by $33\frac{1}{3}\%$.
- 7) Current assets are to be revalued at ₹ 27,00,000.

Pass journal entries and prepare Balance Sheet after the re-construction is effected.

10. Ramu Ltd. went into voluntary liquidation on 31-03-2014 when their liabilities and assets were as follows :

Liabilities	₹	Assets	₹
Issued and Subscribed Capital :		Land and Buildings	5,00,000
10,000 10% Cumulative		Machinery and Plant	18,12,500
Pref. Shares of ₹ 100 each		Patents	2,00,000
fully paid	10,00,000	Stock	2,75,000
5,000 Equity shares of ₹ 100		Debtors	5,50,000
each ₹ 75 paid	3,75,000	Cash at bank	1,50,000
15,000 Equity shares of ₹ 100			
each ₹ 60 paid	9,00,000		
15% debentures secured by			
Floating charge	5,00,000		
Interest o/s on debentures	75,000		
Creditors	6,37,500		
	34,87,500		34,87,500

Preference dividends were in arrears for 2 years and the creditors included preferential creditors of ₹ 76,000

The assets realised as follows :

Land and building ₹ 6,00,000

Machinery and plant ₹ 10,00,000

Patents ₹ 1,50,000

Stock ₹ 3,00,000

Sundry debtors ₹ 4,00,000

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The expenses of liquidation amounted to ₹ 54,500. The liquidator is entitled to a commission of 3% on assets realised.

Assuming the final payments including those on debentures is made on 30-09-2014.

Show Liquidator's Final Statement of Account.

11. The following is the summarised Balance Sheet of Greeshma Ltd. as on 31-3-2015 :

Liabilities		₹	Assets		₹
10% Redeemable			Sundry assets	8,10,000	
Pref. Shares of			Cash at bank	10,000	
₹ 100 each	1,00,000		Investments	80,000	
– Calls-in-arrears	<u>1,000</u>	99,000			
50,000 Equity shares					
of ₹ 10 each fully paid		5,00,000			
General Reserve		1,00,000			
Capital Reserve		50,000			
Creditors		1,51,000			
		9,00,000			9,00,000

For the purpose of redemption of Preference shares, the company made a fresh issue of 4,500 Equity shares of ₹ 10 each at a premium of 10%. The issue was taken up and paid for in full. The money on calls-in-arrears was duly received in full.

The investments were sold for ₹ 75,000.

The Preference shares were redeemed at a premium of 10%.

Write journal entries and prepare balance sheet after redemption.