

Choice Based Credit System VI Semester B.Com.
Examination, July/August 2023
(2021-22 Batch Onwards)
CORPORATE ACCOUNTING – II

Time : 3 Hours

Max. Marks : 120

Instruction : Show working notes wherever necessary.

SECTION – A

Answer any four questions :

(6×4=24)

1. What do you mean by valuation of shares ? State the circumstances under which shares are valued.
2. Define the term amalgamation, absorption and external reconstruction.
3. The following information is given to you :
 - a) Capital employed ₹1,50,000.
 - b) Normal rate of Profit 10%.
 - c) Net profit for last five years ₹ 14,400, ₹15,400, ₹ 16,900, ₹17,400, ₹17,900.
 - d) The profits include a non-recurring profit on an average basis of ₹1,000.You are required to calculate Goodwill under five years purchase of Super Profit Method and Capitalisation Method.
4. Weak Ltd. went into voluntary liquidation. Following was its position :
Preferential creditors ₹ 12,000, Unsecured creditors ₹ 2,40,000, Liquidation expenses ₹ 10,000, Liquidators remuneration ₹ 15,000, Debentures having floating charge on assets ₹ 4,00,000. Assets realized ₹ 6,00,000. Prepare the liquidators final statement of account.

5. Following is the balance sheet of X company Ltd. as on 31-3-2020

Liability	₹	Assets	₹
Share capital	4,00,000	Fixed Assets	6,00,000
Reserve Fund	1,50,000	Current Assets	2,00,000
P and L A/c	50,000	Preliminary expenses	1,00,000
Debentures	1,00,000		
Current Liabilities	2,00,000		
	9,00,000		9,00,000

Y Co. Ltd. takes over the business of X Co. Ltd. The purchase price has to be paid in the cash to the extent of ₹1,00,000 and the balance is fully paid equity shares of ₹10 each.

Calculate the amount of purchase consideration and show the mode of payment.



6. How do you treat the following items in Final accounts of companies ?
- Prepaid insurance
 - Director's remuneration
 - Calls in Arrears
 - Proposed dividend
 - Debenture Interest
 - Salaries.

SECTION – B

Answer any four questions :

(12×4=48)

7. Adish Ltd. decided to sell its business to the Reliance Ltd. as on 31st March 2021. On that date its Balance Sheet was as follows :

Liabilities	₹	Assets	₹
Paid up capital :		Freehold property	3,30,000
40,000 shares of ₹ 10 each	4,00,000	Stock	70,000
Reserve Fund	1,00,000	Debtors	80,000
5% Debentures	2,00,000	Bills receivable	40,000
Creditors	60,000	Goodwill	80,000
Profit and Loss A/c	40,000	Cash at Bank	2,00,000
	8,00,000		8,00,000

The Reliance Ltd. agreed to take over assets (excluding cash) at the amount stated in the Balance Sheet except goodwill for which the company agreed to pay ₹ 2,00,000 and discharge the liabilities to creditors. The purchase price was to be discharged by the allotment of 24,000 shares of ₹ 10 each at 12.50 per share and the balance in cash. The expenses of liquidation amounted to ₹ 6,000. Show Realisation A/c, Reliance Ltd's A/c, Equity Shares A/c, Bank A/c and Equity Shareholder A/c in the book of Adish Ltd.

8. Given below is the Balance sheet of Lakshmi Ltd., as on 31st March 2021 :

Liabilities	₹	Assets	₹
Equity share capital		Goodwill	15,000
10,000 shares of ₹ 10 each	1,00,000	Land	40,000
Reserve	45,000	Plant	50,000
Profit and loss A/c :		Investment	60,000
on 1-4-2014	6,000	Stock	50,000
Profit for current year	<u>24,000</u>	Debtors	60,000
8% Debentures	50,000	Cash	20,000



Creditors	30,000	Preliminary expenses	5,000
Provision for tax	20,000		
Depreciation fund [Plant]	25,000		
	3,00,000		3,00,000

Profit for the years includes ₹ 3,000 income from investment. Land and Plant are valued at ₹ 1,00,000 and ₹ 20,000 respectively. Investments are all in Govt. Securities.

Compute the value of Goodwill on the basis of 3 year's purchase of super profits. Normal return on capital employed in this type of business is 10%.

9. X Ltd., went into voluntary liquidation on 1st July 2021. Balance sheet of the Co. on this date was as follows :

Liabilities	₹	Assets	₹
Share capital : 12,000 10%		Plant	2,00,000
Preference Shares of ₹ 10 each	1,20,000	Stock	1,00,000
20,000 Ordinary Shares of ₹ 10 each	2,00,000	Debtors	1,50,000
5% Debentures	60,000	Cash	3,000
Creditors	1,03,000	P and L account	30,000
	4,83,000		4,83,000

Preference dividend was in arrears for one year and payable on liquidation. Plant and Stock realised ₹ 2,75,000. Debtors worth ₹ 25,000 were bad. Creditors include ₹ 5,000 Preferential. Liquidation expenses amounted to ₹ 1,600. Liquidator's remuneration was agreed at 2 percent on amount realized except cash and 2 percent on the amount distributed to the ordinary shareholders. Debenture holders were paid on 31-12-2021.

Prepare Liquidator's Final account.

10. Following is the summarized balance sheet of Godawari Ltd., as on 31-12-2020.

Liabilities	₹	Assets	₹
Share capital : 3,000 shares of ₹100 each	3,00,000	Fixed assets	1,70,000
General reserve	1,60,000	Stock	3,10,000
P and L A/c	1,20,000	Debtors	2,03,000
Creditors	1,00,000	Bank	1,17,000
Income tax liabilities	1,20,000		
	8,00,000		8,00,000

Net profit after taxation for the last three years were ₹ 69,000/-, ₹ 91,500/- and ₹ 98,500/- respectively. It is the practice of the company to keep 20 percent of the profit after taxation to the Reserve. The average yield in this type of business is 15 percent on capital employed.

On this date the Fixed Assets were valued at ₹ 3,00,000 and there is a necessity to provide RBD at 10 percent.

You are required to calculate the fair value of each equity share under :

- Net Assets Method
- Yield Method



11. Define Ratio Analysis. Explain the role of ratios in financial decision making.
12. From the following balances extracted from the books of Datta Co. Ltd. prepare its Balance Sheet in the vertical form as on 31-03-2022.

	₹
Paid-up capital	4,00,000
General reserve	25,000
Premises	3,30,000
Sundry creditors	50,000
Bills payable	40,000
Sundry debtors	66,000
Investments (long term)	52,000
6% debentures	60,000
Machinery	1,10,000
Preliminary expenses	5,000
Bills receivable	10,000
Cash in hand and at the Bank	26,000
Profit carried forward from the current year	15,700
Sales	1,20,000

Additional Information :

- 1) Transfer to General Reserve ₹ 5,000
- 2) Depreciation on premises ₹ 30,000 and on Machinery ₹ 10,000.
- 3) Provide for 5% of Debtors as RBD and write off ₹ 1,000 from Preliminary Expenses
- 4) Closing stock ₹ 43,700.

SECTION – C

Answer any two questions : (24×2=48)

13. The following are the Balance Sheets of Sun Company Limited and Moon Company Limited as on 31-03-2020.

Liabilities	Sun Ltd. (₹)	Moon Ltd. (₹)	Assets	Sun Ltd. (₹)	Moon Ltd. (₹)
Share Capital :			Building	1,50,000	–
Shares of ₹ 10 each	5,00,000	3,00,000	Machinery	5,50,000	2,50,000
General Reserve	1,20,000	–	Stock	80,000	40,000
Profit and Loss A/c	80,000	–	Debtors	70,000	45,000
10% Debentures	1,00,000	–	Cash	15,000	5,000

Trade Creditor	50,000	40,000		
Employees Provident Fund	15,000	—		
	8,65,000	3,40,000	8,65,000	3,40,000

Sun Co. Ltd. and Moon Co. Ltd. have agreed to amalgamate and form a new company called Sunshine Company Ltd. with an authorized capital of ₹ 20,00,000 in shares of ₹ 100 each which has agreed to take over the assets and liabilities of both companies on 01-04-2020.

The assets of Sun Company Ltd. are taken over at a reduced valuation of 10% with exception of buildings which are accepted at book value.

Both the companies are to receive 5% of the net assets of their respective business as goodwill. The entire purchase price is to be paid by Sunshine Ltd. in fully paid equity shares of ₹ 100 each.

Prepare Realisation Account and Share Holders Account in the books of both of the selling companies and pass opening entries in the books of Sunshine Ltd. Also prepare the Opening Balance Sheet of Sunshine Ltd.

14. Following is the Trial Balance of Keerthi Ltd. as on 31-3-2020.

	Dr. (₹)	Cr. (₹)
Machinery	30,000	—
Interim dividend	5,000	—
Debtors	25,000	—
Investments	25,000	—
Depreciation on Machinery	4,000	—
Depreciation on Building	1,600	—
Wages	8,000	—
Salaries	9,400	—
Bad debts	700	—
Director's fee	2,000	—
Debenture interest (upto 30-9-2019)	900	—
Insurance	600	—
Cash at Bank	3,000	—
Buildings	80,000	—
Office expenses	16,000	—
Carriage inwards	2,500	—
Discount on debentures	1,500	—



Purchases	64,400	—
Goodwill	30,000	—
Opening stock	12,500	—
Paid-up capital	—	1,00,000
Unclaimed Dividend	—	200
Debenture sinking fund	—	25,000
Sales	—	1,24,000
Bill payable	—	1,000
Interest on debenture sinking fund investment A/c	—	800
General Reserve	—	5,000
6% Debentures	—	30,000
Reserve for doubtful debts	—	2,500
Profit and Loss A/c	—	11,500
Transfer fee	—	100
Creditors	—	22,000
	3,22,100	3,22,100

Adjustments :

- a) Maintain 6% reserve for doubtful debts.
- b) ₹ 300 Insurance paid is for one-year upto 30-6-2020.
- c) Transfer ₹ 2,000 to debenture sinking fund.
- d) Write-off half of discount on debentures.
- e) Provide for tax ₹ 5,000.
- f) Final dividend is proposed at 10%.

Prepare statement of Profit and Loss and Balance Sheet of the company in the prescribed form.

15. Modern Trading Ltd. decided to reconstruct and consequence went to voluntary liquidation. The Balance Sheet of the company on 31-12-2018 was as follows :

Liabilities		₹	Assets		₹
Capital :			Land and Buildings		4,50,000
1,00,000 Equity			Plants and Machinery		2,40,000
Shares of ₹ 10 each	10,00,000		Sundry debtors		1,00,000



Sundry Creditors	30,000	Stock	50,000
Bills payable	20,000	Cash at Bank	10,000
		Profit and Loss A/c	2,00,000
	10,50,000		10,50,000

The scheme of reconstruction is as follows :

- The New Company was to take over all the assets of the old company, but not the liabilities.
- The capital of the New Company was to be ₹ 15,00,000 in ₹ 1,50,000 shares of ₹ 10 each.
- The New Company was to purchase the goodwill of the business and assets of the old company for the sum of ₹ 8,00,000 payable as to ₹ 7,00,000/- by the issue of 1,40,000 equity shares of ₹ 10 each with ₹ 5 per share credited as paid-up and to pay ₹ 1,00,000 in cash.
- The members of the New Company were to pay the balance of ₹ 5 per share due upon the shares issued to them. All the shares were duly paid.
- The expenses of reconstruction amounted to ₹ 5,000 paid by the New Company. Pass journal entries to close the books of the Modern Trading Company Ltd. and show the opening Balance Sheet of the New Company Ltd.
- For making payment to the shareholders, the New Company borrowed ₹ 50,000 in form of 5% debentures.

16. From the following statement of Bharathi Ltd. Calculate :

- Current Ratio
- Acid Test Ratio
- Operating Ratio
- Proprietary Ratio
- Debt-equity Ratio
- Net Profit Ratio
- Gross Profit Ratio
- Stock Turnover Ratio
- Capital Gearing Ratio
- Debtors Turnover Ratio
- Working Capital turnover ratio
- Creditors Turnover Ratio.



Bharathi Ltd. has drawn up the following Profit and Loss A/c. for the year ending 31-03-2021.

	₹	₹		₹	₹
To Opening stock		80,000	By Sales	4,20,000	
To Purchases	1,80,000		Less : Returns	<u>10,000</u>	4,10,000
Less : Returns	<u>20,000</u>	1,60,000	By Closing stock		1,10,000
To Manufacturing expenses		28,000			
To Gross profit		2,52,000			5,20,000
		5,20,000			
To Administrative expenses		25,000	By Gross profit		2,52,000
To Selling expenses		75,000	By Dividend on investment		25,000
To Interest on debentures		8,000	By Profit on sale of		
To Depreciation		95,000	motor car		15,000
To Loss on sale of furniture		5,000			
To Net profit		84,000			
		2,92,000			2,92,000

Balance Sheet as on 31-03-2021

Liabilities	Amount	Assets	Amount
	₹		₹
Equity share capital	8,00,000	Goodwill	2,20,000
8% preference share capital	3,00,000	Motor car	4,10,000
General reserve	1,50,000	Plant and Machinery	3,25,000
Profit and Loss A/c	84,000	Furniture	2,05,000
Provision for taxation	35,000	Stock	1,10,000
8% debentures	1,00,000	Bills receivable	22,000
Bill payable	46,000	Debtors	1,85,000
B.O.D.	30,000	Cash at bank	80,000
Creditors	20,000	Preliminary expenses	8,000
	15,65,000		15,65,000