REV-00
BCM/05/10 2014/03

BACHELOR OF COMMERCE
Third Semester
Advance Corporate Accounting
(BCM - 15)

Duration: 3Hrs. **Full Marks: 70**

Part-A (Objective) =20
Part-B (Descriptive)=50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins. **Marks: 50**

1. Answer the following questions (any *five)*: **2×5=10**

(a) Write one merit and demerit of Assets Backing Method of Valuation of Share.

(b) FA Ltd passed a resolution on 10^{th} April, 2013 to convert its 10,000 Equity Shares of Rs.10 each into Equity Stock.
Show the necessary journal entry in the books of the company.

(c) Mention any two ways by which a company can reduce its share capital U/S 100.

(d) P Ltd. went into voluntary liquidation. Cash available for distribution among shareholders after making payment of all outstanding liabilities Rs. 26,000 and Share Capital Rs. 35,000.
Calculate Liquidator's remuneration if it is 5% of the amount distributed among shareholders.

(e) Mention the types of voluntary winding up of a company.

(f) What are the features of Liquidator's Final Statement of Account?

(g) Give four examples of common transactions which must be eliminated while preparing Consolidated Balance Sheet.

2. Answer the following questions (any *five*): **3×5=15**

(a) From the following particulars, calculate the weighted time ratio for pre and post-incorporation periods and divide the total wages accordingly:

(i) Date of incorporation: 1^{st} August, 2012

(ii) Periods of Financial Accounts: April, 2012 to March, 2013

(iii) Total payment made on account of wages: Rs.33,000

(iv) No. of workers:

Pre-incorporation: 8

Post-incorporation period: 40

(b) Anand Ltd. has a capital of Rs.8,00,000 divided into 80,000 equity shares of Rs.10 each fully paid up. The company decided to return Rs.3 per share to equity shareholders and make the shares Rs.7 called and paid up.

Pass necessary journal entries in the books of the company.

(c) Fahim Ltd. went into voluntary liquidation. The amount realised by the liquidator from the sale of assets is Rs.3,00,000 and the amount due to unsecured creditors is Rs.3,74,000 (including preferential creditors of Rs.13,000).

Calculate the remuneration of liquidator if he is entitled to a commission of 3% on amount realised and 2% on amount distributed amongst the unsecured creditors. Show your working in detail.

(d) Give a proforma of Receipts side of Liquidator's Final Statement of Account.

(e) Write a brief note on computation of minority interest for a holding company.

(f) Mention the internal factors which influence the value of a company's share.

(g) The B/S of Hero Ltd. as on 31^{st} March, 2013 is given below:

Particulars	Amount(Rs.)
I. Equity And Liabilities:	
1. Shareholders' Funds:	
(a) Share Capital:	
Equity Shares of Rs. 10 each fully paid	80,000
(b) Reserves and Surplus:	
General Reserve	10,000
Surplus (balance of Profit and Loss)	20,000
2. Current Liabilities	
Trade Payables (Trade Creditors)	50,000
3. Short Term Provisions	
Proposed Dividend	40,000
Total	2,00,000
II. Assets	
1. Non-current Assets	
Fixed Assets	40,000
2. Current Assets	1,60,000
Total	2,00,000

Realisable value of fixed asset is Rs. 48,000 and that of current assets is Rs. 48,000 and that of current assets is Rs. 1,30,000. Ascertain out the Cum-dividend value of each Equity Share.

3. Answer the following questions (any ***five)***: **5×5=25**

(a) (i) Mention the basis of apportionment of the following expenses between pre- incorporation and post-incorporation period:
Publicity, Discount allowed, Rent, Commission on sales, Salaries, Depreciation and Insurance.

(ii) Total sales for the year was Rs. 5,40,000. Date of purchase of business 1^{st} April, 2012. Date of incorporation of the Company 1^{st} August 2012. Date of closing the books of account 31^{st} March 2013.

Sales during the period of 9 months from 1st July to 31st March were half of the annual sales. But monthly average sales were equal during the period of 9 months. Similarly, average sales per month was equal during the period of 3 months also i.e. from 1st April to 30th June.

You are asked to calculate the ratio of sales of pre and post-acquisition period.

(b) Following is the B/Ss of H Ltd. and its subsidiary, S. Ltd. as on 31st March, 2013

Balance Sheets

Particulars	Amount (in Rs.)	
	H Ltd	S Ltd
I. Equity and Liabilities:		
1. Shareholders' Funds:		
a) Share Capital:		
Equity Shares of Rs. 10 each	60,000	20,000
b) Reserves and Surplus		
Surplus (Balance of Statement of Profit and Loss)	5,000	-
2. Current Liabilities: Sundry Creditors	23,000	6,000
Total	88,000	26,000
II. Assets		
1. Non-Current Assets:		
a) Tangible Assets	68,000	26,000
b) Non-current Investments		
1,600 shares in S Ltd.	20,000	–
Total	88,000	26,000

The shares were acquired by H Ltd. on 1st October, 2012. Prepare the consolidated B/S of the H Ltd. and S. Ltd as at 31st March, 2013.

(c) H Ltd. acquired 4,000 shares of S Ltd on 1st Jan. 2012. Their balance sheets as at 31st December, 2012 was as follows:

Balance Sheets

Particulars	Amount (in Rs.)	
	H Ltd	S Ltd
I. Equity and Liabilities:		
1. Shareholders' Funds:		
a) Share Capital:		
20,000 Equity Shares of Rs. 10 each fully paid	2,00,000	–
6,000 Equity Shares of Rs.20 each fully paid		1,20,000
b) Reserves and Surplus		
General Reserves (on 1.1.2012)	78,000	66,000
Surplus (Balance of Statement of Profit and Loss)	1,00,000	39,000
2. Current Liabilities: Sundry Creditors	86,000	83,000
Total	4,64,000	3,08,000
II. Assets		
1. Non-Current Assets:		
a) Tangible Assets	2,28,000	2,44,000
b) Non-current Investments		
40,000 Equity Shares in S Ltd at par.	80,000	–
2.Current Assets	1,56,000	64,000
Total	4,64,000	3,08,000

Surplus of S Ltd. includes Rs.12, 000 profit earned in the year 2012. You are asked to calculate Degrees of Control, Minority Interest and Cost of Control as at 31st December, 2012.

(*d*) Anand Co. Ltd. went into liquidation with the following liabilities:

(i) Secured Creditors Rs.20,000; (Securities realised Rs.25,000)

(ii) Preferential Creditors Rs.6,000; and

(iii)Unsecured Creditors Rs.30, 500.

Liquidator's out of pocket expenses amounted to Rs.252.

Liquidator is entitled to remuneration of 3% on the amount realised and 1.50% on the amount distributed to unsecured creditors (excluding preferential creditors). The various assets (excluding securities in the hands of fully secured creditors) realised Rs.26, 000.

You are required to prepare the Liquidator's Account showing the amount paid to unsecured creditors.

(*e*) The paid up share capital of Gama Ltd. consists of 10,000 equity shares of Rs.10 each. Companies in the same line pay 12% dividend and average market price of such shares is Rs. 12. Gama Ltd. has the following profits (after taxation) and also paid the following dividends:

Year	Rs.	Dividend Rate
2010-11	23,000	15%
2011-12	30,000	20%
2012-13	25,000	16%

Find the value of shares if (i) controlling shares are to be sold; and (ii) only a few shares are to be sold.

(*f*) Meeran wants to invest Rs. 66,000 in equity shares of a limited company and seeks your advice as to the maximum number of shares he can expect to acquire based on-

i) intrinsic value including goodwill

ii) intrinsic value excluding goodwill.

The following information is available:

	Rs.
6% Preference shares of Rs.100 each	11, 00,000
Equity Shares of Rs.10 each	7, 00,000
Total	18, 00,000

Average net profit of the business is Rs.1, 50,000, expected normal yield is 8% in case of such equity shares. It is observed that net assets on revaluation are worth Rs.1, 40,000 more than the amount at which they are stated in books.

Goodwill is to be calculated at 5 years' purchase of super profits, if any. Ignore taxation.

(g) Everest Company Ltd. has the following Balance Sheet as 31st March, 2013:

Particulars		Amount (in Rs.)
I. Equity and Liabilities:		
1. Shareholders' Funds:		
a) Share Capital:		
2,000 Equity Shares of Rs. 100 each fully paid		2,00,000
b) Reserves and Surplus:		
Surplus (Dr. Balance of Statement of Profit and Loss)	(98,500)	
Preliminary Expenses	(6,000)	
		(1,04,500)
2. Non-current Liabilities		
200, 7.50% Debentures		2,00,000
3. Current Liabilities:		
(a) Trade Payables:		
Sundry Creditors		75,000
Bills Payable		25,000
(b) Bank Overdraft		60,000
Total		4,55,500
II. Assets		
1. Non-Current Assets:		
a) Tangible Assets:		
Plant and Machinery		2,00,000
Land & Building		90,000
b) Intangible Assets		
Goodwill		60,000
2.Current Assets:		
(a) Stock		47,000
(b) Trade Receivables:		

Sundry Debtors	46,000
(c) Cash and Cash Equivalents	12,500
Total	4,55,500

The following scheme of reconstruction was adopted:

i) Without altering the number of shares in authorised, issued and subscribed capital, the face value and paid up value of each share was to be reduced to Rs.50.

ii) The existing debentures be converted into 100, 8.50% debentures of Rs.1,000 each fully paid.

iii) The assets are valued as under:
Land and Building – Rs.82,000; Plant and Machinery- Rs.1,80,000; Stock- Rs.44,500; Sundry debtors subject to Bad debts provision of Rs.5,000.

iv) Goodwill, Preliminary Expenses and Dr. balance of Statement of Profit & Loss be completely written off.

Give journal entries to implement the above scheme of reconstruction.

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(The figures in the margin indicate full marks for the questions)

Duration: 20 minutes **Marks – 20**

PART A- Objective Type

1. State whether the following statements are True (T) or False (F) by a tick (√) mark : **1×5=5**

(a) No consideration is given for unrecorded assets but un-recorded liabilities are taken into consideration while valuing shares under intrinsic value method. (T/F)

(b) Profit earned prior to incorporation can be distributed as dividend. (T/F)

(c) A company must pass an ordinary resolution for reduction of capital. (T/F)

(d) Creditors can propose voluntary liquidation of a company. (T/F)

(e) A subsidiary company cannot buy shares of the holding company after it has become its subsidiary. (T/F)

2. Choose the correct answer and place its code in the brackets provided: **1×5=5**

(a) Which one of the following is not the internal factor that affects the value of shares?
i. Net worth of Assets ii. Earning Capacity of Assets
iii. Return on Investment iv. General Economic Condition of the country ( )

(b) Value of each share under Assets Backing Method is equal to:
i. Net Assets available to Equity Shareholders/ No. of Eq. Shares
ii. Net Assets available to Equity Shareholders/ No. of Eq. Shares and Pre. Shares
iii. Both of these
iv. None of these ( )

(c) In India preparation of Consolidated Financial Statements is ------------.
i. Mandatory ii. Not mandatory
iii. Mandatory under Companies Act iv. None of these ( )

(d) A Joint Stock Company can be liquidated under section -------- of the Companies Act.
i. 425 ii. 452 iii. 525 iv. 325 ( )

(e) A company can undertake a scheme of capital reduction only after it is sanctioned by -----.
i. National Company Law Tribunal ii. Central Government
iii. Supreme Court of India iv. Any High Court ( )

3. **Match items in List---A with those in List---B by placing the codes of List---B in the brackets provided :** **1×5=5**

List-A		List-B
(a) Asset-backing method	( )	i. Accounts of Holding Co.
(b) Gross Profit	( )	ii. Liquidation of Co.
(c) Capital Reduction A/C	( )	iii. Sales Ratio
(d) End of Right of Directors	( )	iv. Internal Reconstruction of Co.
(e) Cost of Control	( )	v. Valuation of Share
		vi. Minority Interest
		vii. Certificate of incorporation
		viii. Valuation of Goodwill

4. **Fill in the blanks :** **1×5=5**

(a) According to AS 21, a --- is a parent and all its subsidiaries.

(b) Arrear licence fee payable to Municipality is a --- creditor.

(c) If 4,000 equity shares of Rs.1,000 each are sub-divided into shares of Rs.100 each, then it is a case of

-- of shares.

(d) The average of intrinsic value and yield value of a share is called ------------------------------------- value.

(e) Fixed expenses are apportioned between pre-incorporation and post-incorporation period on the basis of

-- ratio.

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