

IV Semester B.Com. Examination, May 2017
(CBCS) (Semester Scheme) (Fresh) (2015-16 and Onwards)
Commerce
Paper - 4.3 : Advanced Corporate Accounting

Max. Marks : 70

Instruction: Answers should be written completely either in English or in Kannada

SECTION - A

Answer any five of the following. Each question carries two marks.

(5 × 2 = 10)

1. What is meant by non-divisible profits?
2. Give the meaning of acquisition.
3. Give the meaning of Transferor company.
4. When does a company resort for internal reconstruction?
5. Mention any two function of a liquidator.
6. Mention any two examples of preferential creditors.
7. Give the meaning of environmental accounting.

SECTION - B

Answer any three of the following. Each question carries six marks.

(3 × 6 = 18)

The following details are extracted from the Balance Sheet of Arvind Company Ltd., as at 31-03-2017

- Preference Share Capital 5,000 ₹100 each on which ₹ 90 per share was paid ₹ 4,50,000
- Profit and loss A/c ₹ 4,00,000
- Reserve fund A/c ₹ 3,00,000
- Capital Reserve A/c ₹ 1,00,000
- Share Premium A/c ₹ 50,000
- Investments ₹ 6,00,000
- Cash at Bank ₹ 2,50,000

The preference shares were redeemed as at the above date at a premium of 20%. Reserve Fund is to be utilized to the minimum extent. Investments were sold to the extent required. You are required to pass necessary journal entries.

1. Bhoomika Ltd. is taken over by Chaitra Ltd. On the following terms:

- The assets and liabilities of Bhoomika Ltd., shall be valued at ₹ 30,00,000 and ₹ 10,00,000 respectively.
- ₹ 5,000 shall be paid in cash and the balance of consideration shall be discharged by issue of shares of ₹10 each at a premium of 50%.

Show the calculation of purchase consideration and also state the number of shares issued to the shareholders of Bhoomika Ltd.

4. Chandru Ltd., resorted to internal reconstruction. The scheme is as under:
- 80,000 equity shares of ₹ 10 each fully paid to be converted into 40,000 equity shares of ₹ 5 each fully paid.
 - 4,000 12% preference shares of ₹ 100 each fully paid to be converted into 40,000 equity shares of ₹ 5 each fully paid.
 - 600 15% debenture of ₹ 1000 each to be discharged by the issue of 80,000 equity shares of ₹ 5 each fully paid.
 - The amount so available be appropriated to write off the following: P & L A/c debit balance ₹ 4,00,000: Goodwill ₹ 2,00,000 and Plant and machinery ₹ 1,50,000.
- Pass necessary journal entries in the books of Chandru Ltd.
5. The following particulars relate to Prasad Ltd., which went into voluntary liquidation.
- Preferential creditors ₹ 40,000
 - Unsecured creditors other than preferential creditors ₹ 3,20,000
 - Debenture holders ₹ 1,00,000
 - Assets realized ₹ 3,96,500
 - Liquidation expenses ₹ 10,000
- You are required to prepare Liquidator's Final Statement of account allowing for his remuneration at 2% on assets realized and 2% on amount distributed to unsecured creditors including preferential creditors.
6. Briefly explain the need for international accounting standards.

SECTION - C

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

7. The Balance Sheet of Harsha Ltd., as at 31-03-17 is as under

Equity and Liabilities	Particular	₹
10,000 shares of Rs. 10 each fully paid		1,00,000
5,000 redeemable preference shares of ₹ 100 each fully paid		5,00,000
Share premium		60,000
General Reserve		1,00,000
P & L A/c		50,000
Creditors		40,000
Total		8,50,000

Assets	
Land and Buildings	5,00,000
Furniture	50,000
Investments	1,25,000
Stock	75,000
Debtors	25,000
Cash and Bank	75,000
Total	8,50,000

The company decided to redeem the preference shares at a premium of 10% and for this purpose it sold all its investments for ₹ 1,00,000 and issued 40,000 equity shares of ₹10 at a premium of 20%. It was also decided to make a bonus issue of one equity share for every 2 equity shares held (excluding fresh issue). Journalize the transactions and prepare the balance sheet after redemption of preference shares assuming that the General Reserve is appropriated to the minimum extent and the shares are fully subscribed and paid for.

8. RK Ltd., and SK Ltd., agreed to amalgamate and form a new company called RKS Ltd. The purchase consideration is agreed at ₹ 12,00,000 for RK Ltd., and ₹ 14,40,000 for SK Ltd., to be settled by the issue of equity shares at a premium of 20%. The assets and liabilities taken over by RKS Ltd., is as under:

Particular	RK Ltd.,	SK Ltd.,
Land and Buildings	8,00,000	6,00,000
Plant and Machinery	5,00,000	5,50,000
Furniture and Fixtures	3,00,000	5,00,000
Stock and Debtors	2,00,000	2,50,000
Cash and Bank	1,00,000	1,50,000
Creditors	1,50,000	3,00,000
Bank Overdraft	50,000	1,00,000
Bank Loan	1,50,000	1,50,000
15% Debentures	4,00,000	3,00,000

You are required to pass journal Entries and prepare opening Balance sheet in the books of RKS Ltd., under the assumption that the amalgamation is in the nature of merger (pooling of interest).

9. Following is the Balance Sheet of Excel Ltd., as at 31-3-2017

Particular	₹
Equity & Liabilities	
Equity Share capital: 40,000 shares of ₹10 each	4,00,000
15% preference share Capital: 2,000 shares of ₹100 each	2,00,000
12% Debentures	1,50,000
Creditors	1,25,000
Total	8,75,000
Assets	
Land and Buildings	3,00,000
Plant and machinery	2,50,000
Stock	1,00,000
Debtors	75,000
Bank	10,000
P and L A/c	1,40,000
Total	8,75,000

Fortune Ltd., acquires the business of Excel Ltd., and agrees to take over only the fixed assets and 12% debenture of Excel Ltd., and discharge the purchase consideration as under:

- Issue of 15,000 equity shares of ₹10 each to preference shareholders in full settlement and
- Issue of 35,000 equity shares of ₹10 each to equity shareholders and payment of cash for the balance.

The Land and Buildings and Plant and Machinery are revalued at ₹ 5,75,000 and ₹ 5,75,000 and ₹ 1,45,000 respectively. Excel Ltd., realized stock and debtors at ₹ 75,000 and ₹ 65,000 respectively and discharged creditors at 10% discount. Liquidation expenses of Excel Ltd., amounted to ₹ 12,500. You are required to prepare Realization A/c, Fortune Ltd., A/c, Bank A/c, Preference Shareholders A/c and Equity Shareholders A/c in the books of Excel Ltd., and pass necessary journal entries in the books of Fortune Ltd.

The balance Sheet of Nischal Ltd., as at 31 - 03 - 2017 is as under:

Particular	₹
Equity & Liabilities	
12% preference shares of Rs. 100 each fully paid	12,00,000
Equity shares of Rs.10 each fully paid	12,00,000
10% debentures	8,00,000
Outstanding interest on debentures	80,000
Bank Overdraft	60,000
Sundry Creditors	3,00,000
Total	36,40,000
Assets	
Goodwill A/c	2,00,000
Land and Buildings	12,00,000
Plant and Machinery	10,00,000
Furniture and fixtures	3,00,000
Patents and patterns	1,50,000
Stock	1,00,000
Debtors	1,30,000
Cash and Bank	60,000
Profit and Lose A/c	5,00,000
Total	36,40,000

Nischal Ltd., passed a special resolution to reconstruct its affairs and got sanction for the same from the relevant court and the scheme of reconstruction is as under:

- The 12% preference shares are to be converted into same number of 15% preference share of ₹ 75 each fully paid.
- The equity shares are to be converted into same number of equity shares of ₹5 each fully paid.
- Debenture holders agree to forego interest outstanding subject to the condition that the rate of interest be increased to 15%
- Creditors agree to forego 25% of their claim.
- Land and Buildings be valued at ₹ 15,00,000.
- The amount thus made available be utilized to write off all intangible and fictitious assets and to bring down the value of Plant and Machinery by 40%

You are required to pass necessary journal entries and prepare Reconstructed balance Sheet.

1. Bhavya Ltd., went into voluntary liquidation on 31-03-16. As at this date, its balance sheet was as under:

Particular	₹
Equity & Liabilities	
12% preference shares of ₹100	4,00,000
20,000 equity shares of ₹ 10 each fully paid	2,00,000
50,000 equity shares of ₹ 10 each ₹ 8 paid	4,00,000
30,000 equity shares of 10 each ₹6 paid	1,80,000
Creditors (including secured creditors ₹60,000 and preferential creditors ₹ 15,000)	2,20,000
Total	14,00,000
Assets	
Freehold property	5,80,000
Plant and machinery	2,90,000
Motor Vehicles	60,000
Stock	1,90,000
Debtors	1,00,000
Cash in hand	30,000
P & L A/c	1,50,000
Total	14,00,000

Additional information:

- The preference dividend is in arrear for 2 years and is payable on liquidation.
 - The liquidator realizes the assets as follows: Freehold Property ₹ 7,00,000; Plant and Machinery ₹ 2,50,000; Motor Vehicles ₹ 40,000; Stock ₹ 1,75,000; Debtors ₹ 80,000.
 - The liquidation expenses amounted to ₹ 5,000 and the liquidator is entitled to a remuneration of 3% on assets realized (excluding cash) and 2% on the amount paid to unsecured creditors including preferential creditors.
- You are required to prepare Liquidator's Final Statement of account and calculate the final payment per each category of equity share.

