

**CLASS: B.Com.**

**15A/88**

**St. JOSEPH'S COLLEGE (AUTONOMOUS) TIRUCHIRAPPALLI – 620 002**

**SEMESTER EXAMINATIONS – APRIL 2015**

**TIME: 3 Hrs.**

**MAXIMUM MARKS: 100**

<b>SEM</b>	<b>SET</b>	<b>PAPER CODE</b>	<b>TITLE OF THE PAPER</b>
<b>IV</b>	<b>2013</b>	<b>11UCO430208</b>	<b>CORPORATE ACCOUNTING</b>

**SECTION – A**

**Answer all the questions:**

**20 x 1 = 20**

**Choose the correct answer:**

- Goodwill is shown in the assets side of the company's Balance sheets under the heading of
  - Fixed assets
  - Current assets
  - Investment
  - Miscellaneous expenditure
- Accounting Standard for Amalgamation is
  - AS-8
  - AS-20
  - AS-14
  - AS-3
- For calculating the value of an equity share by yield method, it is essential to know:
  - Expected rate of return
  - Called up equity share capital
  - Capital employed
  - None of the above
- The excess price paid by a holding company to acquire 'controlling interest' in the subsidiary company is transferred to:
  - Capital reserve
  - Goodwill A/c
  - Revenue reserve
  - None of the above
- A contributory is a
  - Unsecured creditor
  - Preference creditor
  - Shareholder
  - Debenture holder

**Fill in the blanks:**

6. Interim dividend always shown in \_\_\_\_\_ A/c.
7. The method of accounting used to record amalgamation in the nature of merger is called \_\_\_\_\_ method.
8. Asset backing method is also known as \_\_\_\_\_.
9. The profit included in the closing stock on the date of consolidation is known as \_\_\_\_\_.
10. When winding up takes place, shareholders are described as \_\_\_\_\_.

**State True or False:**

11. Debentures are shown in the balance sheet under the heading unsecured loans.
12. As per the definition given in AS-14, there is no distinction between Amalgamation and absorption.
13. There is no difference between normal rate of return and P.E. ratio.
14. Post-acquisition profit is also known as revenue profit.
15. Local taxes are an example of preferential creditors.

**Match the following:**

- |   |   |
|---|---|
| 16. Maximum total managerial remuneration | - a) Net asset method                                     |
| 17. Purchase consideration                | - b) More than 50% shares are held by another company     |
| 18. Value of equity share under           | - c) Lump sum method                                      |
| 19. Holding company                       | - d) Are shown in the statement of affairs under list – B |
| 20. Secured creditors                     | - e) 11% Net Profit                                       |

## SECTION – B

**Answer any FOUR questions:**

**4 x 20 = 80**

21. a. ABC Ltd., was registered with an authorized capital of ` 6,00,000 in equity shares of ` 10 each. The following is the trial balance on 31<sup>st</sup> March 2014.

	Debit Balance (₹)	Credit Balance (₹)
Goodwill	25,000	
Cash	750	
Bank	39,900	
Purchases	1,85,000	
Preliminary Expenses	5,000	
Share capital		4,00,000
12% Debentures		3,00,000
P & L Account		26,250
Calls in Arrears	7,500	
Premises	3,00,000	
Plant and machinery	3,30,000	
Interim dividend	39,250	
Sales		4,15,000
Stock (1/04/2013)	75,000	
Furniture and fixtures	7,200	
Debtors	87,000	
Wages	84,865	
General expenses	6,835	
Freight and carriage	13,115	
Salaries	14,500	
Directors fees	5,725	
Bad debts	2,110	
Debentures interest paid	18,000	
Bills payable		37,000
Creditors		40,000
General reserve		25,000
Provision for bad debts		3,500
	12,46,750	12,46,750

Prepare trading, profit and loss account and Balance sheet in proper form after making the following adjustments:

- 1) Depreciate plant and machinery by 15%.
- 2) Write off ` 500 from preliminary expenses.
- 3) Leave bad and doubtful debts provision at 5% on debtors.
- 4) Provide for income tax at 50%.
- 5) Stock on 31<sup>st</sup> March 2014 was ` 95,000.

22. M Ltd. and N Ltd. agreed to amalgamate on the basis of the following balance sheet as on 31<sup>st</sup> March 2014.

Liabilities	M (₹)	N (₹)	Assets	M (₹)	N (₹)
Share capital ` 25 each	75,000	50,000	Goodwill	30,000	--
P & L A/c	7,500	2,500	Fixed Assets	31,500	38,800
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation Fund	--	2,500	Debtors	8,000	5,200
			Bank	1,500	2,500
	<u>86,000</u>	<u>58,500</u>		<u>86,000</u>	<u>58,500</u>

The assets and liabilities are to be taken over by a new company formed called P Ltd., at book values. P Ltd.'s capital is ` 2,00,000 divided into 10,000 equity shares of ` 10 each and 10,000 9% preference shares of ` 10 each.

P Ltd., issued equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price.

Pass journal entries in the books of P Ltd., and prepare its balance sheet if the Amalgamation is in the nature of purchase.

23. The balance sheet of S Co. Ltd. disclosed the following position as on 31<sup>st</sup> December 2014.

Liabilities	₹	Assets	₹
Share capital:		Goodwill	1,65,000
6,000 equity shares of		Investments	5,25,000
` 100 each	6,00,000	Stock	6,60,000

Profit and loss A/c	75,000	Debtor	3,90,000
General Reserve	2,25,000	Cash at bank	60,000
6% Debentures	4,50,000		
Workmen's saving bank A/c	3,00,000		
S. Creditors	1,50,000		
	<u>18,00,000</u>		<u>18,00,000</u>

I) The profit for the past five years were:

1994 - ` 30,000; 1995 - ` 70,000; 1996 - ` 50,000; 1997 - ` 55,000; and 1998 - ` 95,000.

II) The market value of investments was ` 3,30,000.

III) Goodwill is to be valued at three years purchase of average annual profit for the last five years.

Calculate the value of goodwill and equity share.

24. The Balance sheet of C Ltd. and D Ltd. as at 31<sup>st</sup> December 2014 are as follows:

Liabilities	C Ltd. (₹)	D Ltd. (₹)	Assets	C Ltd. (₹)	D Ltd. (₹)
Share capital: Shares of ` 10 each	2,00,000	1,00,000	Sundry Assets	1,32,500	1,38,200
General reserve	18,000	20,000	Goodwill	---	20,000
Profit and loss A/c	24,500	23,000	Shares in D Ltd. at cost	1,40,000	---
Creditors	30,000	15,200			
	<u>2,72,500</u>	<u>1,58,200</u>		<u>2,72,500</u>	<u>1,58,200</u>

In case of D Ltd. profit for the year ended 31<sup>st</sup> December 2014 is ` 12,000 and transfer to reserve is ` 5,000. The holding of C Ltd. in D Ltd., is 90% acquired on 30<sup>th</sup> June 2014.

Prepare consolidated Balance sheet of D Ltd.

25. The following is the Balance sheet of Y limited as at 31<sup>st</sup> March,

2013.

Liabilities	₹	Assets	₹
Share capital: 2,000 equity shares of ₹ 100 each ₹ 75 per share paid up	1,50,000	Fixed Assets: Land & Buildings	4,00,000
6,000 equity shares of ₹ 100 each ₹ 60 per share paid up	3,60,000	Plant and Machineries	3,80,000
2,000 preference shares of ₹ 100 each fully paid up	2,00,000	Current Assets: Stock at cost	1,10,000
10% Debentures (having a floating charge on all assets)	2,00,000	Sundry debtors	2,20,000
Interest accrued on debentures (also secured as above)	10,000	Cash at bank	60,000
Sundry creditor	4,90,000	Profit and loss A/c	2,40,000
	<u>14,10,000</u>		<u>14,10,000</u>

On that date, the company went into Voluntary liquidation. The dividends on preference shares were in arrear for the last two years. Sundry Creditors include a loan of ₹ 90,000 on mortgage of Land and Buildings. The assets realized were as under:-

	₹
Land and Buildings	3,40,000
Plant and Machineries	3,60,000
Stock	1,20,000
Sundry Debtors	1,60,000

Interest accrued on loan on mortgage of buildings up to the date of payment amounted to ₹ 10,000. The expenses of liquidation amounted to ₹ 4,600. The Liquidator is entitled to a remuneration of 3% on all the assets realized (except cash at bank) and 2% on the amounts distributed among equity shareholders. Preferential creditors included in sundry creditors amount to ₹ 30,000. All payments were made on 30<sup>th</sup> June, 2013. Prepare the liquidator's final statement of account.

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