PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom DEGREE EXAMINATION MAY 2023
(Second Semester)

Branch – **COMMERCE**

ADVANCED CORPORATE ACCOUNTING

Time: Three Hours Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1. Discount on issue of shares is a
   i) Revenue Loss ii) Capital Loss
   iii) Deferred revenue expenses iv) None of the above

2. A preference share is one that enjoys a
   i) Preferential right regarding payment of dividend
   ii) Preferential right regarding allotment of shares
   iii) Preferential right regarding payment of dividend and return of capital
   iv) Preferential right regarding the return of capitals

3. The first item in the order of payment to be made by the liquidator is ___________.
   i) Liquidation expenses ii) Liquidator's remuneration
   iii) Secured creditors iv) Debenture holder

4. Any decrease in the value of assets, at the time of internal reconstruction, will be charged to ------.
   i) Goodwill a/c ii) Capital reduction a/c
   iii) Surrendered shares a/c iv) General reserve a/c

5. On a consolidated balance sheet, if the shares of a company have been bought for more than the balance sheet value then the difference would appear as
   i) Profit on purchase ii) Capital reserve iii) Loss on purchase iv) Goodwill

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6 a. Distinguish shares from debentures.

OR

b. A share holding 500 equity shares of Rs. 10 each of a company issued at 10% discount. He paid Rs. 2 on application, Rs.3 on allotment but could not pay first call of Rs. 3 per share and these shares were forfeited for non-payment and subsequently re-issued for Rs. 7 per share.

7 a. Prepare profit and loss account from the following particulars for the year ended 31st March 2022.

Gross profit Rs. 1,80,000/-
Operating Expenses Rs. 95000
Non-operating expenses Rs.35,000
Operating income Rs.60000
Non-operating income Rs. 20000

OR

b. State the conditions and procedure for the issue of redeemable preference shares.

8 a. The issued share capital of a company was Rs. 10,00,000 consisting of 10,000 equity share of Rs. 100 each. The net profits for the last 5 years were: Rs. 1,00,000; Rs. 80,000; Rs. 1,20,000; 1,60,000; and Rs. 1,40,000 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 12%.
Compute the value of the company's share by the yield value method.

OR

b. Identify the factors affecting the value of goodwill.

Cont...

9 a. M Ltd. and N Ltd. agreed to amalgamate on the basis of the following Balance Sheets as on 31.3.97.

Liabilities	M (Rs.)	N (Rs.)	Assets	M (Rs)	N (Rs.)
Share capital	75,000	50,000	Goodwill	30,000	-
Rs. 25 each			Fixed Assets	31,500	38,800
P& L Account	7,500	2,500	Stock	15,000	12,000
Creditors	3,500	3,500	Debtors	8,000	5,200
Depreciation fund	--	2,500	Bank	1,500	2,500
	86,000	**58,500**		**86,000**	**58,500**

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 Rs. 2, 00,000 divided into 10,000 equity shares of Rs. 10 each and 10,000 9% Preference shares of Rs. 10 each. P Ltd. issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price.Calculate the Purchase Consideration if the amalgamation is in the nature of purchase
Calculate the Purchase Consideration if the amalgamation is in the nature of purchase.

OR

b. Raman Ltd. agrees to purchase the business of Krishna Ltd. on the following terms:

(i) For each of the 10,000 shares of Rs 10 each in Krishna Ltd. 2 shares in Raman Ltd. of Rs.10 each will be issued at an agreed value of Rs.12 per share. In addition, Rs. 4 per share cash also will be paid.

(ii) 8% Debentures worth Rs.8,000 will be issued to settle the Rs.60,000 9% debentures in Krishna Ltd.

(iii) Rs.10,000 will be paid towards expenses of winding up

Calculate the Purchase Consideration.

10 a. Balance sheet of S Ltd. as on 31st March 2010 (Liabilities only)

	Rs.
Share capital 40,000 Equity shares of Rs. 10/- each	4,00,000
Reserves and surpluses	2,50,000
Secured loan	2,50,000
Other Liabilities	1,00,000
	10,00,000

On the above date H Ltd. acquired 30,000 Equity shares in S Ltd. on the above date for Rs. 7,50,000 fixed assets of S Ltd. Were appreciated by Rs. 1,50,000 find out cost of control / Goodwill.

OR

b.The following is the Balance sheet of S Ltd. as on 31st March, 2020.

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	2,90,000
Equity shares of Rs. 10 each	2,70,000	Investment	2,75,000
General Reserve Profit &Loss A/c	3,60,000	Current Assets	1,30,000
Current liabilities	85,000	Preliminary Expenses	20,000
	7,15,000		**7,15,000**

H Ltd. acquired 25,000 shares in S Ltd. on 31st March, 2020 at a cost of Rs. 2,75,000. fixed assets were revalued at Rs. 3,28,000. Find minority interest.

SECTION -C (30 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 x 6 = 30)

11 a. A Company has a nominal capital of Rs. 2,50,000 in Rs. 10 shares. Of these, 4,000 shares were issued as fully paid in payment of buildings purchased; 8,000 shares were subscribed for by the public, and during the first year Rs. 5 per share were called up, payable Rs. 2 on application, Re. 1 on allotment, Re. 1 on first call and Re. 1 on second call. The amount received in respect of these shares were as follows:

On 6,000 shares the full amount called. On 1,250 shares Rs. 4 per share.
On 500 shares Rs. 3 per share. On 250 shares Rs. 2 per share.

The directors forfeited the 750 shares on which less than Rs. 4 had been paid. These shares were subsequently reissued at Rs. 3 per share. Give journal entries for the above transactions and prepare the Company's Balance Sheet.

OR

b. Muthu Trading Co., Ltd., has an authorised capital of Rs. 60,00,000 divided into 10,000 14% redeemable preference shares of Rs. 100 each and 5,00,000 equity shares of Rs. 10 each. On 31st March 2019 all the above mentioned shares were fully paid; share premium showed a balance of Rs. 7,50,000 whereas General Reserve and profit & Loss Account stood at Rs. 24,50,000 and Rs. 3,75,000 respectively. The company decided to redeem all the preference shares at a premium of Rs. 2 per share and for this specific purpose, the company issued for cash 50,000 equity shares of Rs. 10 each at a premium of Rs. 4 per share, payable in full with application. The issue was fully subscribed; the expenses of the issue amounting to Rs. 75,000. It is the intention of the directors that the minimum reduction should be made in revenue reserves. Journalise all the above mentioned transactions.

12 a. From the following balances of Rai Ltd. Prepared balance sheet for the year ended 31st march 2019.

Share capital (5000 Equity shares of Rs.10 each)	Rs. 50,000
Reserve fund	Rs. 30,000
Debentures	Rs. 25,000
Creditors	Rs. 5,000
Provision for taxation	Rs. 3,000
Proposed Dividend	Rs. 2,000
Furniture and fittings	Rs. 35,000
Plant and Machinery	Rs. 20,000
Goodwill	Rs. 15,000
Investments in shares of kamal ltd	Rs. 20,000
Stock in trade	Rs.18,000
Debtors	Rs. 5,000
Cash in hand	Rs. 2000

OR

b. From the following particulars of Mituan Ltd prepare profit and loss account for the year ended 31st March 2019.

Opening stock	Rs. 20,000
Purchases	Rs. 40,000
Wages	Rs. 2,000
Salaries	Rs. 3,000
Sales	Rs. 75,000
Closing stock	Rs. 15,000
General Expenses	Rs. 600
Bad Debts	Rs. 400
Commission received	Rs. 850
Depreciation on furniture	Rs. 1000
Interest on Debentures	Rs. 800

13 a. The following information is given:

(a) Capital employed Rs. 1,50,000 (b) Normal rate of profit 10%

(c) Present value of annuity of Re. 1 for 5 years at 10% = 3.78

(d) Net profits for five years : 2015 Rs. 14,400; 2016 Rs. 15,400; 2017 Rs. 16,900; 2018 Rs. 17,400; 2019 Rs. 17,900.

The profits included non-recurring profits on an average basis of Rs. 1,000 out of which it was deemed that even non-recurring profits had a tendency of appearing at the rate of Rs. 600 p.a. You are required to calculate goodwill:

(a) As per Annuity method (b)As per five years' purchase of super profit

(b) As per capitalisation of super profit method

OR

b. The following particulars relate to a limited company which has gone into voluntary liquidation. Prepare the liquidator's final account allowing for his remuneration at 2% on the amount realised and 2% on the amount distributed among unsecured creditors other than preferential creditors.

	Rs
Preferential creditors	10,000
Unsecured creditors	32,000
Debentures	10,000
The assets realised the following sums:	
Building	20,000
Machinery	18,650
Furniture	1,000

The Liquidation expenses amount to Rs.1000

Liquidator's final statement of Account.

14 a. Following is the Balance Sheet of X Ltd. as at 31st March 2018

Particulars	Rs.
I. EQUITY AND LIABILITIES	
(1) Shareholders Fund	
Share capital:	
Equity share capital (24,000 of Rs. 100 each)	24,00,000
10% Preference share capital (12,000 of Rs. 100 each)	12,00,000
Reserve and surplus:	
Profit and loss a/c (Dr.)	(14,00,000)
(2) Non-current liabilities (10% Debentures)	6,00,000
(3) Current Liabilities	
Trade payables (Trade creditors)	3,00,000
Other current Liabilities : (Bank overdraft)	6,00,000
Total	37,00,000
II ASSETS	
(1) Non-current assets	
Fixed assets:	
Tangible assets:	
Land & Building	12,00,000
Plant & Machinery	18,00,000
Intangible assets: (Goodwill)	90,000
Other Non-current assets (Preliminary expenses)	40,000
(2) Current Assets:	
Inventories : (stock in trade)	2,60,000
Trade receivables	2,80,000
Cash and cash Equivalents: (cash & bank Balance)	30,000
Total	37,00,000

On the above date, the company adopted the following scheme of reconstruction:

(i) The equity shares are to be reduced to share of Rs. 40 each fully paid and the preference shares to be reduced to fully paid shares of Rs. 75 each.
(ii) The debenture holders took over stock and debtors in full satisfaction of their claims.
(iii) The Land & Building to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.
(iv) The fictitious and intangible assets are to be eliminated.
(v) Expenses of reconstruction amounted to Rs. 5,000.

Give journal entries incorporating the above scheme of reconstruction.

OR

b. The summarised balance sheets of A Ltd and B Ltd are as under:

Liabilities	A Ltd Rs.	BLtd Rs.	Assets	A Ltd Rs.	BLtd Rs.
Share capital:					
Shares of Rs. 100 each	5,00,000	15,00,000	Goodwill	1,00,000	-
Capital reserve	50,000	-	plant machinery	4,20,000	6,50,000
General reserve	60,000	2,00,000	Building	-	6,00,000
P & L a/c	-	1,20,000	Furniture	5,000	10,000
Creditors	3,95,0002,	40,000	Stock	2,10,000	3,80,000
			Debtors	1,80,000	2,30,000
			Cash and Bank	15,000	1,90,000
			Expenses on New projects	75,000	-
	10,05,000	20,60,000		10,05,000	20,60,000

A Ltd was absorbed by B Ltd on 1st April, 2005 on the terms given below:

a) Fixed assets other than goodwill to be valued at Rs. 5,00,000 including Rs. 6,000 for furniture.
b) Stock to be reduced by Rs. 20,000 and debtors by 5%.
c) B Ltd to assume all liabilities.
d) The new project is to be valued at Rs. 95,000.
e) The shareholders of A Ltd to receive cash payment of Rs. 30 per share plus 4 ordinary shares in B Ltd for every 5 shares held.
f) B Ltd to pay the liquidation expenses of A Ltd amounting to Rs. 6,000.

Draft the journal entries in the books of B Ltd and A Ltd.

15.a The Balance Sheets of A Ltd and B Ltd as on 31st December, 2017 were as follows:

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Share capital in Rs.10 fully paid shares					
Equity shares	12,000	5,000	Fixed Assets	10,000	6,000
Preference shares	4,000	1,000	Current Assets	11,500	2,000
Profit and Loss A/c	2,500	1,000	Cash at Bank	7,000	1,000
Creditors	10,000	2,000			
	28,500	**9,000**		**28,500**	**9,000**

On 1st January, 2018, A Ltd acquired 90% of share capital of B Ltd at 15 per share. Prepare the consolidated Balance Sheet as on 1st Jan, 2018.

OR

b. Acquisition of shares at the Beginning of the year

Balance sheet as at 31.03.2018

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital Rs. 10 each	15,00,000	7,50,000	Machinery	21,00,000	12,00,000
Profit and loss a/c	2,10,000	30,000	**Investments:**		
General reserve	90,000	60,000	60,000 shares in S Ltd.	9,00,000	-
Trade payable	12,00,000	3,60,000			
	30,00,000	12,00,000		30,00,000	12,00,000

H Ltd. acquired the shares in S Ltd. On 1st April 2015. On that date, profit and Loss A/c of S Ltd. Had a credit balance of Rs.15,000 and in Reserves Rs. 45,000. Prepare balance sheet.

Z-Z-Z END