

# END SEMESTER EXAMINATION

## Corporate Accounting: CMCA0070

**Total Marks: 100**

**Duration: 3 hrs**

1. Answer the following objective questions as True or False [1X10=10]

- i. Internal & External Reconstruction is the same in which the Company gets liquidated. [CO6]
- ii. Purchase Consideration as per AS-14 is the amount payable by the transferee Company for the shareholders and debenture-holders of the transferor company. [CO6]
- iii. Sub-division of shares means converting shares of large denominations to shares of small denomination. [CO5]
- iv. Purchase of fixed assets for cash is an example of cash flows from financing activity. [CO5]
- v. In case of appreciation of an asset, reconstruction account is credited. [CO4]
- vi. Fixed Assets has been replaced by ----- as per the latest Schedule III of the Companies Act, 2013. [CO2]
- vii. The Item 'Provident Fund' is shown under the heading "Reserves & Surplus". [CO2]
- viii. Debentures can be issued at par, at discount and at premium. [CO1]
- ix. Securities premium is a free-reserve. [CO1]
- x. Capital Redemption Reserve (CRR) is used for issuing fully paid up bonus shares. [CO1]

2. Answer any five of the following questions:

[3X5=15]

- i. Can forfeited shares be reissued at discount? Does it violate Sec 53 of the Companies Act, 2013? Give reasons. [CO1]
- ii. Give the meaning of divisible profits? Give two examples of divisible profits. [CO2]
- iii. What are 'finance costs' as stated in Statement of Profit and Loss as per Schedule III of the Companies Act, 2013? [CO3]
- iv. What is meant by Bonus shares? Can Capital Redemption Reserve (CRR) be used for issuing bonus shares? [CO2]
- v. Give atleast three advantages of book-building issue of shares. [CO5]
- vi. Write short note on valuation of goodwill in accounting. [CO2]

3. Answer any five of the following questions:

[7X5=35]

- i. A Ltd had 5000, 12% Preference Shares of rs. 100 each, fully paid up. The Company had to redeem these shares at a premium of 10%. It was decided by the Company to issue the following: (i) 40,000 equity shares of Rs. 10 each at a premium of Rs. 1 per share. (ii) 1000, 14% Debentures of rs. 100 each. The issue was fully subscribed and all amounts were received in full. The payment

was duly made. The Company had Rs. 6,00,000 balance in the Profit & Loss Account. Show journal entries in the books of A Ltd. [CO1]

- ii. Differentiate between Capital Redemption Reserve (CRR) and Debenture Redemption Reserve (DRR). [CO2]
- iii. From the following information find out the value of each equity share of Shri Hari & Co. Ltd

Particulars	Amount (Rs)
20,000 equity shares of Rs. 10 each	2,00,000
Reserves	2,50,000
Profit & Loss Account	30,000
Unsecured loan	80,000
Current liability:	20,000
<b>Total</b>	<b>5,80,000</b>
Goodwill	1,90,000
Investment	3,00,000
Current Assets	50,000
Loans and Advances	30,000
Misc. Expenditure	10,000
	<b>5,80,000</b>

Profit for the last 5 years are Rs. 60,000; Rs. 70,000; Rs. 40,000; Rs. 50,000; and Rs. 50,000. Goodwill shall be taken at two years purchase of the average profit of last 5 years for the purpose of valuation of shares. [CO4]

- iv. What are the different ways/scheme of Internal Reconstruction? Briefly explain them. [CO3]
- v. What are Non-Performing Assets in Banking Sector and how it is recorded? In what ways it can be recovered? [CO5]
- vi. Give the meaning of 'cash' and 'cash equivalents' as per AS-3 (Revised). What are the advantages of preparing a cash flow statement? [CO4]

**4. Answer any four of the following questions:**

**[10X4=40]**

- i. Nishant Ltd invited applications for the issue of 1,00,000 equity shares of Rs. 10 each payable Rs. 4 on application, Rs 5 (including Rs 3 as securities premium) on allotment and balance on first and final call. The prospectus provided that in case of partial allotment, money received in excess on application would be adjusted towards the amounts due on allotment and call. The Company received applications for 2,50,000 shares out of which application for 50,000 shares were rejected outrightly and other applications were allotted shares on pro-rata basis. The Company received all monies due on allotment and call except one shareholder (who applied for 2000 shares) failed to pay the allotment and the call money. The Company forfeited his shares.

Out of the forfeited shares, the Company reissued 600 shares at the rate of Rs 8 per share, fully paid up.

You are required to record the above transactions in the Journal. [CO2]

ii. The following is the trial balance of Sumit Ltd as on 31<sup>st</sup> March, 2021.

Items	Debit (Rs)	Items	Credit (Rs)
Opening stock in trade	1,50,000	Equity share capital	5,00,000
Purchases	3,82,000	Purchase return	10,000
Wages	60,000	Sales	11,50,000
Furniture	25,000	Discount	6300
Salaries	12,000	Surplus, i.e. Balance in the Statement of P/L	1,70,000
Rent	15,000	Trade creditors	33,700
Trade expenses	11,000	General reserve	82,000
Trade debtors	54,000	Provision for doubtful debts	3000
Plant and machinery	12,00,000	Bills payable	13,000
Cash at bank	21,500		
Computer software	9000		
Bills receivable	14,000		
Bad debts	6500		
Discount allowed	8000		
	<b>19,68,000</b>		<b>19,68,000</b>

**Additional information:**

- Stock-in-trade as on 31<sup>st</sup> March, 2021 is Rs 2,00,000.
- Depreciate plant and machinery at 12%, furniture at 10% and computer software at 20%.
- Further bad debts amounted to Rs. 4000. Provide 5% on debtors for doubtful debts.
- Provide for income tax @ 35%.
- The Board of Directors proposed dividend of 25% after the Balance sheet date.
- Equity share capital comprise of 50,000 equity shares of Rs 10 each, fully paid up. Authorized share capital consists of 60,000 equity shares of Rs. 10 each.
- Transfer 10% of the net profit to general reserve.



(a) Trade payables		1,50,000
(b) Other current liabilities (interest accrued and due on debentures)		10,000
<b>Total</b>		<b>22,00,000</b>
<b>II. ASSETS</b>		
(1) Non-Current Assets		
(a) Property, plant and equipment	3	14,00,000
(b) Intangible assets	4	3,00,000
(c) Other Non-current assets (share issue expenses)		24,000
(2) Current Assets		
(a) Inventories (stock)		2,00,000
(b) Trade receivables		2,50,000
(c) Cash and cash equivalents (Cash at bank)		20,000
(d) Other current assets (share issue expenses)		6000
<b>Total</b>		<b>22,00,000</b>

### Notes to Accounts

Particulars	Rs	Rs
<b>1. Share Capital</b>		
1,00,000 equity shares of Rs 10 each fully paid-up	10,00,000	
4000, 9% Preference shares of rs 100 each fully paid up	4,00,000	14,00,000
<b>2. Reserves and Surplus</b>		
Capital Reserve	2,00,000	
General Reserve	1,00,000	
Workmen Compensation Reserve (expected liability Rs. 10,000)	40,000	
Surplus in the Statement of Profit and Loss	50,000	3,90,000
<b>3. Tangible Assets</b>		
Land and Buildings	6,00,000	
Plant and Machinery	8,00,000	14,00,000
<b>4. Intangible Assets</b>		
Goodwill	2,00,000	
Patents	1,00,000	3,00,000

A Ltd to take over all assets (except cash) and liabilities (except for interest due on debentures) and to pay the following amounts:

- For each preference share in BP Ltd, Rs 10 in cash and one 10% Preference shares of Rs 100 each in A Ltd.
- For each equity share in BP Ltd, Rs 2 in cash and one equity share in A Ltd of Rs 10 each at the market value of Rs 15 each.
- Expenses of liquidation of BP Ltd are to be reimbursed by A Ltd to the extent of Rs. 15,000. Actual expenses amounted to Rs. 25,000.

You are required to pass journal entries to close the books of BP Ltd. Also prepare Realizations Account and Equity shareholders Account in the books of BP Ltd. [CO5]

v.

**BALANCE SHEET as at 31<sup>st</sup> March, 2022**

Particulars	Note No	H Ltd	S Ltd
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholders' funds			
(a) Share capital (equity shares of Rs. 10 each fully paid)		50,000	20,000
(b) Reserves and Surplus			
General Reserve		10,000	-
Surplus i.e. balance in the Statement of P/L		5000	3000
2. Current Liabilities			
Trade payables (trade creditors)		20,000	30,000
<b>Total</b>		<b>85,000</b>	<b>28,000</b>
<b>II. ASSETS</b>			
1. Non-Current Assets			
(a) Property, plant and equipment		59,000	28,000
(b) Non-current Investments (2000 equity shares of S Ltd)		26,000	-
<b>Total</b>		<b>85,000</b>	<b>28,000</b>

**Additional Information**

H Ltd acquired the shares of S Ltd on 31<sup>st</sup> March, 2022. Prepare Consolidated Balance Sheet. [CO6]

vi. Show by means of journal entries how will you record the following cases: [CO3]

- Q Ltd issues 5000, 11% debentures of Rs. 100 each redeemable at the end of 5 years at a premium of 5%.
- R Ltd issues 5000, 12% debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at a premium of 5%.