

**2020**

**CORPORATE ACCOUNTING — HONOURS**

**Paper : DSE-5.2A**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**Group - A**

Answer *any four* questions.

1. Ex Ltd. had ₹ 12,00,000 in Capital Redemption Reserve, ₹ 10,00,000 in Securities Premium and ₹ 15,00,000 credit balance in its Statement of Profit & Loss.

It issued 20000 bonus shares of ₹ 100 each as fully paid at par and 5000 right shares of ₹ 100 each fully paid at ₹ 125 to its shareholders.

A. Ltd. received 1200 such bonus shares and entitled to 300 right shares, which it accepted.

Show necessary journal entries (without narrations) in the books of Ex Ltd. and in the books of A Ltd. for the above. 10

2. X Ltd. issued 20,000 shares of ₹ 100 each at a premium of ₹ 10 per share. The entire issue was underwritten as follows :

A – 10000 shares, B – 6000 shares, C – 4000 shares.

The firm underwriting was to be : A – 2000 shares, B – 1000 shares and C – 1000 shares. Shares applied for were 18000 (including firm underwriting). Marked applications being, A – 7000 shares, B – 2800 shares and C – 3200 shares.

Calculate the liability of the underwriters (in number of shares). 10

3. Following figures are available from the Balance Sheet of King Ltd. as on 31.03.2019 (in ₹.) :

|   |           |
|---|-----------|
| Equity shares of ₹ 100 each, fully paid up      | 30,00,000 |
| Securities Premium                              | 1,00,000  |
| General Reserve                                 | 6,00,000  |
| Balance in the statement of Profit & Loss (cr.) | 10,00,000 |
| Capital Reserve                                 | 2,00,000  |
| Cash and Bank                                   | 5,00,000  |
| Investments (face value ₹ 4,00,000)             | 3,20,000  |

**Please Turn Over**

The company decided to buy-back 6000 equity shares at ₹ 125 per share. For this purpose it decided to issue 2,000 10% Preference Shares of ₹ 100 each at 10% premium. It also sold  $\frac{3}{4}$  th of the investments @ 75% of the face value.

Pass necessary journal entries in the books of King Ltd to give effect to the above (Narrations not required). 10

4. From the following particulars of K. Ltd., calculate the value of equity share under (a) intrinsic value method and (b) earnings-yield method. 5+5

Tangible assets ₹ 11,60,000; Goodwill ₹ 1,00,000; Current Assets ₹ 3,60,000; Discount on issue of debentures ₹ 20,000; 5% Debentures ₹ 2,00,000; Current Liabilities ₹ 2,60,000.

The net profits after tax for three years were : 2017-18 ₹ 1,03,200; 2018-19 ₹ 1,04,000; 2019-20 ₹ 1,03,300.

It is the practice of the company to transfer 20% of the profit to Reserves. Normal rate of return is 10%. Issued and paid up Equity Capital - 80000 Equity shares of ₹ 10 each fully paid-up.

5. The following balances appear in the books of A Ltd. as on 31.03.2019 :

|  | ₹.        |
|--|-----------|
| 13% Debentures Account                           | 14,00,000 |
| Debenture Redemption Fund Account                | 10,00,000 |
| 13% Debenture Redemption Fund Investment Account | 10,00,000 |

The annual contribution to the Debenture Redemption Fund was ₹ 1,40,000. The company sold its investments for ₹ 14,00,000 and redeemed the debentures on 31.03.2020.

Prepare 13% Debentures Account, Debenture Redemption Fund Account and 13% Debenture Redemption Fund Investment Account up to 31.03.2020. 2+6+2

6. Sunshine Ltd. granted options on 1st April, 2015 for 1500 shares of ₹ 10 each at ₹ 80 each, when the market price was ₹ 160 each. The vesting period was 3 years. The maximum exercise period was 1 year. All the 1500 options were exercised by the employees on 31st October, 2018.

Show necessary journal entries to record the above transactions in the books of the company (Narrations required). 10

7. The capital structure of a company as on 31.03.2020 consisted of 20000 equity shares of ₹ 10 each fully paid up and 1000, 8% Redeemable preference shares of ₹ 100 each fully paid up. Undistributed reserves and surplus were as under :

|                                       |          |
|---------------------------------------|----------|
| General Reserve                       | ₹ 80,000 |
| Balance in Statement of Profit & Loss | ₹ 32,000 |

Cash at Bank amounted to ₹ 98,000. Preference shares are to be redeemed at a premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of equity shares at par after utilizing the reserves and surplus subject to the condition that a sum of ₹ 25,000 shall be retained in General Reserve.

Pass necessary journal entries to give effect to the above arrangements (narration required) and also all relevant workings. 10

8. Calculate the value of goodwill under

(a) 5 years' purchase of Super Profit method and (b) Capitalization of Average Profit method from the following information :

(i) Capital employed as per last balance sheet ₹ 6,30,000

(ii) Normal rate of profit 10%

(iii) Net profit before tax (tax rate 35%)

|          |            |          |            |
|----------|------------|----------|------------|
| 1st year | ₹ 1,05,000 | 4th year | ₹ 2,00,000 |
| 2nd year | ₹ 1,45,000 | 5th year | ₹ 1,50,000 |
| 3rd year | ₹ 1,75,000 |          |            |

(iv) Non-trading income ₹ 5,000 and Interest on long-term borrowings ₹ 10,000 on an average included in the statement of Profit & Loss.

(v) Fixed assets revalued by ₹ 20,000 more than the balance sheet value.

Use simple average method for determining average profit and ignore depreciation on increased value of fixed assets. 10

### Group - B

Answer *any two* questions.

9. Care Ltd. invited applications for 10000 shares of ₹ 10 each at 10% premium payable as – on application ₹ 4; on allotment ₹ 3 (including premium) and balance on one call.

Applications were received for 17000 shares and after rejecting applications for 1000 shares the company issued all the shares on proportionate basis. All amount due was received except the following :

Mr. A holding 500 shares failed to pay allotment and call money.

Mr. B holding 400 shares failed to pay call money.

All these shares were forfeited after call. All forfeited shares were re-issued to Mr. C as fully paid @ ₹ 8 per share.

Show necessary journal entries (including cash transactions) in the books of Care Ltd. (Narrations not required) 20

10. (a) State the conditions to be satisfied as per AS 14 in case of amalgamation in the nature of merger.

(b) Distinguish between pooling of interest method and purchase method of accounting for amalgamation in the books of transferee company. 10+10

**Please Turn Over**

11. The Balance Sheet of B. Ltd. as on 31.03.2019 is as below :

| Particulars   | Amount<br>₹.    |
|---|-----------------|
| <b>I. Equity and Liabilities :</b>                  |                 |
| 1. <i>Shareholders' Funds</i> :                     |                 |
| (a) Share Capital :                                 |                 |
| (i) Equity share capital (₹ 10 each)                | 5,00,000        |
| (ii) 7% Cumulative Preference share capital (₹ 100) | 1,00,000        |
| (b) Reserves and Surplus :                          |                 |
| (i) Balance in statement of Profit and Loss         | (5,00,000)      |
| 2. <i>Non-current Liabilities</i> :                 |                 |
| (a) Long-term Borrowings (8% Debentures)            | 1,00,000        |
| 3. <i>Current Liabilities</i> :                     |                 |
| (a) Trade Payables (Trade Creditors)                | 5,00,000        |
| <b>Total</b>  | <b>7,00,000</b> |
| <b>II. Assets :</b>                                 |                 |
| 1. <i>Non-current Assets</i> :                      |                 |
| (a) Fixed Assets :                                  |                 |
| (i) Tangible Assets :                               |                 |
| Buildings   | 1,00,000        |
| Machinery   | 4,00,000        |
| (ii) Intangibles (Goodwill)                         | 40,000          |
| 2. <i>Current Assets</i> :                          |                 |
| (a) Inventories (Stock)                             | 60,000          |
| (b) Trade Receivables (Sundry Debtors)              | 90,000          |
| (c) Cash and Cash equivalents (Bank)                | 10,000          |
|   | <b>7,00,000</b> |

**Note :** Contingent liability for Arrear Preference Dividend for 3 years.

A scheme of internal reconstruction is approved by the court in the following lines :

- (a) Paid up value of equity share capital is to be reduced to 10%;
- (b) Preference shareholders are to be issued 8%, 7 Preference shares of ₹ 10 each in exchange of each existing preference share.
- (c) Preference shareholders are to be issued similar preference share for one-third of arrear dividend. The balance of arrear dividend are to be cancelled.
- (d) 8% Debentureholders agreed to sacrifice 20% of their claim for increase of interest to 10%.
- (e) Building is valued at ₹ 1,50,000.
- (f) Losses and intangible assets are to be written off.

Pass necessary journal entries (without narration) giving effect to the above scheme and prepare a revised Balance Sheet of the company.

12. Following is the Trial Balance of Zoom Ltd., a trading concern, as at 31.02.2020 :

| Debit Balance                 | ₹                | Credit Balance                              | ₹                |
|-------------------------------|------------------|---|------------------|
| Stock on 01.04.2019           | 1,86,000         | Sales                                       | 11,90,000        |
| Purchases                     | 7,20,000         | Return outward                              | 10,000           |
| Return Inward                 | 12,000           | 10% Bank Loan                               | 60,000           |
| Wages                         | 1,10,000         | Sundry Creditors                            | 50,000           |
| Carriage Inward               | 5,000            | Bills Payable                               | 12,000           |
| Sundry manufacturing expenses | 18,000           | Profit & Loss Balance (Cr.)<br>(01.04.2019) | 26,000           |
| Interest on Bank loan         | 5,000            | General Reserve                             | 12,000           |
| Office salaries               | 18,000           | Securities Premium                          | 24,000           |
| Auditor's fees                | 9,000            | Share Capital                               | 4,00,000         |
| Directors' remuneration       | 32,000           |   |                  |
| Freehold Premises             | 1,64,000         |   |                  |
| Plant and Machinery           | 1,30,000         |   |                  |
| Furniture and Fittings        | 42,000           |   |                  |
| Patents                       | 20,000           |   |                  |
| Interim dividend paid         | 20,000           |   |                  |
| Sundry Debtors                | 96,000           |   |                  |
| Bills Receivable              | 29,000           |   |                  |
| Cash and Bank                 | 85,000           |   |                  |
| Advance Tax for 2019-20       | 83,000           |   |                  |
|                               | <b>17,84,000</b> |   | <b>17,84,000</b> |

You are required to prepare the Statement of Profit & Loss for the year ended 31.03.2020 and the Balance Sheet as at that date after taking into account the following :

- Stock on 31.03.2020 was valued at ₹ 1,25,000
- Bank loan was taken on 01.04.2019.
- Depreciation is to be provided on Plant and Machinery @ 20% and on Furniture and Fittings @10%.
- 1/4th of Patents is to be amortised.
- Provision for tax is to be maintained @ 30%
- 10% of profit for the year is to be transferred to General Reserve.
- Ignore tax on dividend.