2017

(4th Semester)

COMMERCE

Paper No. : BC–404

(Corporate Accounting)

Full Marks : 70 *Pass Marks* : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 45)

The figures in the margin indicate full marks for the questions

Answer **all** questions

1. *(a)* What do you understand by redemption of preference shares? State the provisions of the Companies Act, regarding redemption of preference shares. 3+6=9

Or

(b) X Ltd. issued for public subscriptions 20000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as under :

₹ 2 per share on application
₹ 5 per share (including premium on allotment)
₹ 2 per share on first call
₹ 3 per share on final call

Applications for 30000 shares were received. Allotment was made pro rata to the applicants for 24000 shares, the remaining applications being rejected. Money overpaid on application was utilized towards sum due on allotment.

Shri *Y* to whom 800 shares were allotted failed to pay the allotment money, first and second calls money and Shri *Z* to whom 1000 shares were allotted failed to pay the last two calls.

These shares were subsequently forfeited after the second call was made. All these forfeited shares were reissued to Shri *W* as fully paid-up at ₹ 8 per share.

Give the necessary Journal entries to record the above transactions. 9

2. *(a)* What is divisible profit? Write the difference between capital reserve and general reserve. 2+7=9

Or

(b) Following is the Trial Balance of P. K. Limited as on 31st March, 2014 :

Debit Balance	₹	*Credit Balance*	₹
Opening Stock	1,50,000	Equity Share Capital	5,00,000
Purchases	3,80,000	Purchase Return	10,000

Debit Balance	₹	*Credit Balance*	₹
Wages	60,000	Sales	11,50,000
Carriages	2,000	Discount	6,300
Furniture	25,000	Surplus Account	1,70,000
Salaries	12,000	Sundry Creditors	33,700
Rent	15,000	General Reserve	82,000
Trade Expenses	11,000	Bills Payable	13,000
Sundry Debtors	54,000	Provision for Doubtful Debts	3,000
Plant & Machinery	12,00,000		
Cash at Bank	21,500		
Patents	9,000		
Bills Receivable	14,000		
Bad Debts	6,500		
Discount Allowed	8,000		
	19,68,000		19,68,000

Additional Information :

(i) Stock on 31st March, 2014 ₹ 2,00,000

(ii) Depreciate Plant and Machinery @ 10% and Furniture @ 15%

(iii) Further bad debts written off ₹ 4,000 and provide provision for bad debts @ 5% on Debtors

(iv) Provide income tax @ 40% of the company

(v) The board of directors recommended a dividend of 25% on paid-up capital

Prepare Trading Account, Profit & Loss Account and Balance Sheet of the company as on that date. 2+4+3=9

3. *(a)* The following are the particulars of *X* Co. Ltd. as on 31st March, 2015 :

Liabilities	₹	*Assets*	₹
Issued and Subscribed Capital :		Land and Buildings	1,00,000
2000, 6% Preference Shares of ₹ 100 each	2,00,000	Machinery	2,50,000
1000 Equity Shares of ₹ 100 each paid ₹ 75 each	75,000	Patents	40,000
3000 Equity Shares of ₹ 100 each paid ₹ 60	1,80,000	Stock	50,000
5% Debentures having a floating charge on all assets	1,00,000	Sundry Debtors	1,15,000
Interest Outstanding	5,000	Cash at Bank	30,000
Creditors	1,45,000	Profit and Loss A/c	1,20,000
	7,05,000		7,05,000

The company went into liquidation on the above date. The preference share dividends were in arrear for two years. Creditors include ₹ 50,000 on the mortgage of land and buildings. The assets realized are as follows :

	₹
Land and Buildings	1,20,000
Machinery	2,00,000
Patents	30,000
Stock	60,000
Sundry Debtors	80,000

(*Continued*)

The expenses of liquidation amounted to ₹ 10,000. The liquidator is entitled to a commission of 2% on all assets realized except cash and 3% on amounts distributed among unsecured creditors. Preference creditors amount to ₹ 15,000.

Prepare the liquidator's Final Statement of Accounts. 9

Or

(b) Explain the various lists to be attached to the statement of affairs. 9

4. (a) What are the different methods of valuation of shares? Explain. 9

Or

(b) From the following information supplied by the *ABC* Co. Ltd., ascertain the value of goodwill under capitalization of average profit :

Liabilities	₹	*Assets*	₹
Paid-up Capital 2500 shares of ₹ 100 each	2,50,000	Goodwill Land and Building Plant and Machinery	25,000 1,10,000 1,00,000
Bank Overdraft	48,000	Stock	1,50,000
Sundry Creditors	80,500	Book Debt	96,000
Provision for Taxation	42,500		
Profit and Loss A/c	60,000		
	4,81,000		4,81,000

The company commenced operations in 1996 with a paid-up capital as aforesaid ₹ 2,50,000. Profits earned before providing for taxation have been as follows :

1997—₹ 60,000
1998—₹ 75,000
1999—₹ 85,000
2000—₹ 95,000
2001—₹ 85,000

You may assume that income tax at the rate of 50% has been payable on these profits. Dividend has been distributed from the profit of the first two years at the rate of 10% and from those of the next three years at the rate of 15% on the paid-up capital. 9

5. *(a)* What is amalgamation? Explain the concept of amalgamation as per Accounting Standard 14. 2+7=9

Or

(b) TV Ltd. absorbed the business of Radio Ltd. as a going concern on 31st March, 2016. The Balance Sheets of the two companies, on that date, being as under :

Liabilities	*TV Ltd.*	*Radio Ltd*	*Assets*	*TV Ltd.*	*Radio Ltd.*
	₹	₹		₹	₹
Share Capital			Goodwill	—	1,00,000
Authorized of			Building	5,00,000	—
₹ 10 each	20,00,000	6,00,000	Stock	1,40,000	2,60,000

Liabilities	*TV Ltd.* ₹	*Radio Ltd* ₹	*Assets*	*TV Ltd.* ₹	*Radio Ltd.* ₹
Issued and Paid-up ₹ 10 each fully paid-up	10,00,000	6,00,000	Debtors	2,80,000	2,00,000
Reserves	1,20,000	—	Investment	1,20,000	—
Creditors	20,000	1,00,000	Balance at Bank	1,00,000	—
Bank Overdraft	—	1,00,000	Profit and Loss A/c	—	2,40,000
	11,40,000	8,00,000		11,40,000	8,00,000

The purchase consideration was agreed upon at ₹ 4,00,000 payable as to ₹ 2,00,000 in cash and the balance by issue of 16000 equity shares of ₹ 10 each fully paid in TV Ltd. at an agreed value of ₹ 12·50 per share. The sale was completed and Radio Ltd. then went into liquidation.

Pass Journal entries in the books of TV Ltd. and prepare the Balance Sheet of TV Ltd. after the purchase. 9

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