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(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*

- 1. (a)** What do you understand by bonus shares? State the provisions laid down in the Indian Companies Act in connection with redemption of preference shares. 4+5=9

(2)

Or

(b) The following is the Balance Sheet of Nagaland Project Ltd. as on 30th June, 2014 :

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Share Capital :		Fixed Assets	13,70,000
5000, 6% Redeemable Preference Shares of ₹ 100 each	5,00,000	Investment at cost (market value ₹ 2,80,000)	3,00,000
90000 Equity Shares of ₹ 10 each	9,00,000	Inventory	9,00,000
Share Premium	1,00,000	Debtors	1,00,000
General Reserve	7,50,000	Cash at Bank	1,30,000
Profit & Loss A/c	2,00,000	Cash in Hand	50,000
Current Liabilities	4,00,000		
	<u>28,50,000</u>		<u>28,50,000</u>

It was decided on 1st July, 2014 to redeem the preference shares at a premium of 5%. To finance the redemption, all the investments were realized at the market value stated on the Balance Sheet and 10000 Equity Shares of ₹ 10 each were issued at ₹ 9

per share payable in full. The company also issued 10000, 6% convertible debentures of ₹ 100 each.

Give the Journal Entries showing redemption of preference shares and show only the share capital and long-term borrowings of the Balance Sheet immediately after the redemption.

6+3=9

2. (a) Define and distinguish between the following :

3×3=9

(i) Capital Reserve and Reserve Capital

(ii) Internal Liabilities and External Liabilities

(iii) Reserve and Provisions

Or

(b) The following is the Trial Balance of Snow White Ltd. as on 31st March, 2014 :

	Dr. ₹	Cr. ₹
Equity Shares of ₹ 10 each, fully paid-up		6,00,000
General Reserve		2,30,000
Unclaimed Dividend		526
Trade Creditors		42,858

(4)

	Dr. ₹	Cr. ₹
Buildings (at cost)	1,50,000	
Purchases	5,00,903	
Sales		10,83,947
Manufacturing Expenses	3,50,000	
Establishment Charges	26,814	
General Charges	31,078	
Machinery (at cost)	2,30,000	
Furniture (at cost)	5,000	
Opening Stock	1,72,058	
Book Debts	2,32,380	
Investments	2,88,950	
Provision for Depreciation on Fixed Assets		91,000
Advance Payment of Income Tax	50,000	
Cash at Bank	72,240	
Directors' Fees	1,800	
Interest on Investments		8,544
Profit & Loss A/c (01.04.2013)		16,848
Staff Provident Fund		37,500
	<u>21,11,223</u>	<u>21,11,223</u>

Prepare Final A/c of the company for the year ended 31st March, 2014 after taking into account of the following adjustments :

2+2+2+3=9

- (i) Stock as on 31st March, 2014 was valued at ₹ 1,48,680

- (ii) Provide ₹ 19,000 for depreciation on fixed assets and ₹ 8,000 for Managing Directors' remuneration
- (iii) Interest accrued on investments amounted to ₹ 2,750
- (iv) Make a provision of ₹ 50,000 for income tax
- (v) The Directors have proposed a dividend @ 8% after transfer of ₹ 35,000 to general reserve

3. (a) What is Liquidators' Final Statement of Account? Explain the preferential creditors as given under the Indian Companies Act. 4+5=9

Or

(b) Sky Blue Ltd. went into voluntary liquidation on 1st July, 2012, when the following Balance Sheet was prepared :

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
12000, 10% Preference Shares of ₹ 10 each	1,20,000	Plant	2,00,000
20000 Equity Shares of ₹ 10 each	2,00,000	Stock	1,00,000
5% Debentures	70,000	Debtors	1,50,000
Creditors	1,05,000	Cash in Hand and at Bank	15,000
	<u>4,95,000</u>	Profit & Loss A/c	30,000
			<u>4,95,000</u>

The dividend on preference shares has been paid up to 30th June, 2011. Plant and Stock realized ₹ 2,75,000 and all the debts were realized except one for ₹ 25,000. The liquidator admitted the claim of all creditors. Creditors include ₹ 5,000 as preferential creditors. Expenses of liquidation are ₹ 1,600. Debentures were repaid on 31st December, 2010. The liquidators' remuneration is 2% on the amount realized and 2% on the amount distributed to equity shareholders. The dividend on preference shares is payable, payment is made to equity shareholders.

Prepare Liquidators' Final Statement of Account.

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4. (a) Explain the circumstances under which valuation of shares is essential and discuss the various methods of valuation of shares. 4+5=9

Or

(b) The following is the Balance Sheet of Silver Ltd. as on 31st December, 2014 :

Assets	Amount	Liabilities	Amount
Goodwill	20,000	Share Capital :	
Plant and Machinery	40,000	10000 Equity Shares	
Land and Building	45,000	of ₹ 10 each	1,00,000
Investments	20,000	General Reserve	15,000

Assets	Amount ₹	Liabilities	Amount ₹
Stock	25,000	6% Debentures	25,000
Debtors	20,000	(₹ 100 each)	
Cash and Bank	25,000	Profit & Loss A/c	
Discount on Issue of Debentures	5,000	Balance as on 01.01.2014	5,000
		Profit for the year	40,000
		Creditors	10,000
		Provision for Taxation	5,000
	<u>2,00,000</u>		<u>2,00,000</u>

The assets were revalued as under :

Plant and Machinery—₹ 50,000

Land and Building—₹ 40,000

Investments—₹ 25,000

Profit includes ₹ 1,000 income

from investment

Calculate the value of goodwill on the basis of 3 years' purchase of superprofit. Normal rate of return in this type of business in 12%. 9

5. (a) What are the conditions which must be satisfied by an amalgamation in the nature of merger? Distinguish between amalgamation in the 'nature of merger' and amalgamation in the 'nature of purchase'.

5+4=9

(8)

Or

(b) Blue Ltd. and Star Ltd. agreed to combine and form a new company Blue Star Ltd. with an authorized capital of ₹ 20,00,000 in ₹ 100 shares. The new company took over the assets and liabilities of both the companies, the consideration being ₹ 12,00,000 in fully paid shares to Blue Ltd. and 4000 fully paid shares and ₹ 1,00,000 in cash to Star Ltd. In return for 10% debentures, Blue Ltd. 12% debentures of the same amount and denomination were issued by Blue Star Ltd. The formation expenses of Blue Star Ltd. amounted to ₹ 10,000.

The balances at the date of amalgamation were :

Liabilities	Blue Ltd.	Star Ltd.	Assets	Blue Ltd.	Star Ltd.
	₹	₹		₹	₹
Share Capital	8,00,000	4,00,000	Sundry		
10% Debenture	1,00,000	1,00,000	Assets	10,00,000	5,50,000
General Reserve	4,00,000	80,000	Cash at Bank	3,50,000	30,000
Profit & Loss A/c	50,000				
	<u>13,50,000</u>	<u>5,80,000</u>		<u>13,50,000</u>	<u>5,80,000</u>

Show the Journal Entries in the book of Blue Star Ltd.

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