

10. On 1st August, 2018, Honey Ltd. purchased 8,000 shares in Sony Ltd. @ Rs. 17 per share. The balance sheet of Sony Ltd. as on 31st March, 2019 is as follows :

I. Equity and Liabilities	Rs.
(1) Shareholder's Fund :	
(a) Share Capital (fully paid shares of Rs. 100 each)	10,00,000
(b) Reserves and Surplus (including Profit of this year Rs. 3,00,000)	7,00,000
(2) Non-Current Liabilities :	
10% Debentures of Rs. 100 each	2,00,000
(3) Current Liabilities :	
Sundry Creditors	4,00,000
Total (1) + (2) + (3)	23,00,000
II. Assets	
(1) Non Current Assets :	
(a) Goodwill	1,00,000
(b) Fixed Assets (Cost Rs. 20,00,000)	16,00,000
(2) Current Assets	6,00,000
Total (1) + (2)	23,00,000

Additional information :

- The opening balance in the Profit and Loss Account was Rs. 1,60,000 out of which dividend amounting to Rs. 1,00,000 was paid in September, 2018.
- Honey Ltd. held 50% of the debentures in Sony Ltd.
- Sundry Creditors include Rs. 40,000 payable to Honey Ltd. You are required to ascertain (i) minority interest and (ii) cost of control (Capital Reserves).

(i) Printed Pages : 4

Roll No.

(ii) Questions : 10

Sub. Code :

3	8	5	8
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Exam. Code :

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Master of Commerce 4th Semester
(2040)

GROUP—D : ACCOUNTING AND FINANCE

(Advanced Corporate Accounting)

(Same for USOL Candidates)

Paper—M.C.—413

Time Allowed : Three Hours

[Maximum Marks : 80]

Note: Attempt 50% of Total Questions of Question Paper. Time: 2 Hours
All will carry equal marks. Fraction will be lower digit.

UNIT-I

- What do you understand by Investment Account ? How is it prepared ? Explain the term 'Cum Interest' and 'Ex Interest' in relation to such account.
 - Tondon carried out the following transactions in share of Bright Ltd. :
 - On 1st April, 2018, he purchased 20,000 Equity Shares of Rs. 10 each fully paid for Rs. 3,00,000 on Cum-right basis.
 - On 15th May, 2018, Tondon sold 4,000 Shares for Rs. 76,000.
 - At a meeting on 15th June, 2018, the company decided :
 - To make a bonus issue of one fully paid share for every four shares held on 1st June, 2018, and

- (ii) To give its members the right to apply for one share for every five shares held on 1st June, 2018, at a price of Rs. 15 per share of which Rs. 7.50 is payable on or before 15th July, 2018, and the balance Rs. 7.50 per share, on or before 15th September, 2018.

The shares issued under (i) and (ii) were not to rank for dividend for the year ending 31st March, 2018.

- (d) Tondon received his bonus shares and took up 2,000 shares under the right issue, paying the sum thereon when due and selling the rights to the remaining shares at Rs. 4 per share; the proceeds were received on 30th September, 2018.
- (e) On 15th March, 2019, he received a dividend from Bright Ltd. of 15 percent in respect of the year ended 31st March, 2018.
- (f) On 30th March, 2019, he received Rs. 1,40,000 for the sale of 10,000 shares.

You are required to record these transactions in Investment Account in Tondon's book for the year ended 31st March, 2019, transferring the profit or losses on these transactions.

Apply Average basis. Expenses and Tax to be ignored.

2. Explain the procedure of conversion of partnership into Limited Company with same set of books Amalgamation of firms.
3. Explain "Profit prior to Incorporation". State the various steps you would take for apportioning the profit of a company between pre and post-incorporation periods.

UNIT-II

4. Explain the various factors that you will keep in mind while framing a reconstruction scheme.
5. Differentiate between the terms : Amalgamation by way of Merger and Amalgamation by way of Purchase.

UNIT-III

6. What are the circumstances in which there may be a need for valuation of shares of joint stock company? Explain with the yield method to evaluate the share.
7. Beta Ltd. proposed to purchase the business run by Akram 31st March, 2019. Goodwill for the purpose is agreed to be valued at three years purchase of weighted average of past four years profit. The appropriate weights to be used and profits for these years were :

Year	Weight	Profit (Rs.)
2015-16	1	20,200
2016-17	2	24,800
2017-18	3	20,000
2018-19	4	30,000

On security of accounts, the following facts were revealed :

- (i) On 1st December, 2017, a major overhauling was made in respect of plant incurring Rs. 6,000 which was charged to revenue. The said amount agreed to be capitalized for goodwill calculation subject to adjustment of yearly depreciation of 10% per annum on reducing balance method.
- (ii) The Closing Stock for the year 2016-17 was overvalued by Rs. 2,400.
- (iii) To cover the management cost, an annual charges of Rs. 4,800 should be made for purpose of valuation of goodwill.

Compute the value of goodwill of the business.

UNIT-IV

8. Define a holding company. Under what circumstances, a company is required to present a "Consolidated Financial Statement"?
9. Explain the following terms with suitable examples :
 - (i) Minority Interest
 - (ii) Cross-holdings.