ii. Following are the balance sheets of A Ltd and B Ltd. **7**

Balance Sheet (as on 31.03.15)

Particulars	A Ltd	B Ltd
I. Equity and Liabilities		
Shareholders' funds		
share capital Rs.10 each	1,20,000	50,000
General Reserve	50,000	10,000
P & L a/c	20,000	10,000
Current Liabilities		
Creditors	70,000	5,000
Bills Payable	5,000	5,000
Total	2,65,000	80,000
II. Assets		
Non –current assets		
Land & Building	1,00,000	20,000
Investment in B Ltd 5,000 shares	65,000	-
Current assets		
Debtors	50,000	30,000
Stock	50,000	30,000
Total	2,65,000	80,000

Shares were acquired by A Ltd. on 30th September, 2014. B Ltd. transferred Rs.5, 000 from profits to reserve on 31st March, 2015. Prepare the consolidated balance sheet.

OR iii. Define holding and subsidiary company? Describe the methods of preparation of consolidated balance sheet in the books of holding company. **7**

Q.6 Attempt any two:

i. What is meant by Reconstruction of company? What is Internal Reconstruction? Give accounting Journal entries in Internal reconstruction. **5**

ii. Difference between Internal Reconstruction and External Reconstruction. **5**

iii. What do you mean by Amalgamation of Companies? Discuss merits and demerits of amalgamation. **5**

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Total No. of Questions: 6 *Total No. of Printed Pages:4*

Enrollment No......................................

Faculty of Commerce

End Sem (Odd) Examination Dec-2017

CM3CO09 Corporate Accounting

Programme:B.Com(Hons) Branch/Specialisation: Commerce

Duration: 3 Hrs. **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated.

Q.1 i. Redemption of Preference Share can be made out of: **1**
(a) Profit of share forfeiture
(b) Out of Security Premium account
(c) Out of profit prior to incorporation
(d) None of the Above

ii. Shareholders get on their share capital: **1**
(a) Interest (b) Dividend (c) Commission (d) Fees

iii. Dividend declared between to annual general meeting is: **1**
(a) Interim Dividend (b) Final Dividend
(c) Proposed Dividend (d) None of the Above

iv. Calls in arrears is shown in the balance sheet under the head: **1**
(a) Share capital (b) Reserve & Surplus
(c) Current Liabilities and Provisions (d) Unsecured Loans

v. Goodwill is ....asset. **1**
(a) Tangible (b) Intangible (c) Fictitious (d) Current

vi. The value of per share on division of amount of net assets by numbers of shares will be........... **1**
(a) Market Value (b) Book Value
(c) Cost Price (d) Intrinsic Value

vii. The excess of net assets over purchase consideration is called: **1**
(a) Goodwill (b) Capital Reserve (c) Minority Interest (d) None

viii. The winding up of a company by the court is made by .... resolution. **1**
(a) Ordinary (b) Extraordinary (c) Special (d) All of these

ix. Liability of a company: **1**
(a) Dividend equalisation fund (b) Pension Fund
(c) General Reserve (d) P&L a/c

x. Internal reconstruction of a company: **1**
(a) Reconstruction of the company
(b) Internal changes of the company
(c) External changes of the company
(d) None of the above

Q.2 i. What do you mean by forfeiture and reissue of shares? **2**

ii. Explain the provisions of Companies Act regarding the redemption of preference shares. **8**

OR iii. Pass the necessary journal entries in the books of company for redemption of Preference Shares: **8**

(a) For the payment of 20,000, 6% Preference shares of Rs.100 each at a premium of 10%, company issued 2, 20,000 Equity shares of Rs.10 each, which were fully paid.

(b) For the payment of 1,000, 6% Preference shares of Rs.100 each at a premium of 10%, company issued 10,000 Equity shares of Rs.10 each at a premium of 10%. The entire amounts on these shares were duly received.

Q.3 i. What do you mean by managerial remuneration? **2**

ii. A Ltd. Incorporated on 1st August. 2015. It has acquired running business of B Ltd. with effect from 1 April, 2015. The sales for the year 2015-16 were Rs. 14,40,000. The sales per month in the first half year were one–half of the sales per month of the later half year. The net profit of the company after charging the following expenses was Rs.1,94,000. **8**

Depreciation of Rs.51,840, auditor fees Rs.14,400, director fees Rs.48,000, preliminary expenses Rs.11,400, administrative expenses Rs.27,000, salaries Rs.57,600, selling expenses Rs.69,120, Bad debts Rs.9,600, Miscellaneous expenses Rs.32,640, Interest to vendor up to 1st September, 2015 Rs.6,400. There were 4 employees in the pre – incorporation period and 7 in the post incorporation period. Bad debts Rs.3,600 related to sales affected after 1st November,2015.

Ascertain the pre-incorporation and post–incorporation profit.

OR iii. What is meant by pre and post incorporation profit? Describe the methods of ascertaining the pre and post incorporation Profit, **8**

Q.4 i. Write short notes on: **4**
(a) Capitalization methods of valuation of goodwill.
(b) Market value method of share valuation.

ii. The Balance Sheet of a limited Company disclosed the following position: **6**

Particulars	Amount
I. Equity and Liabilities	
Shareholders' funds	
a) Share capital:	
Equity share capital	
40,000 Equity shares of Rs.10 each	4,00,000
b) Reserve and surplus	
General Reserve	90,000
P & L a/c	20,000
Non-current liabilities	
5% Debentures	1,00,000
Current Liabilities	1,30,000
Total	7,40,000
II. Assets	
Non –current assets	
Fixed Assets	5,00,000
Goodwill	40,000
Current assets	2,00,000
Total	7,40,000

Sundry fixed assets are independently valued at Rs.5,80,000 and the goodwill at Rs.60,000. The net profits for the last three years were Rs.52,000, Rs. 58,000 and Rs.55,000 of which 20% was placed to reserve, this proportions being considered reasonable in the industry.

The fair return in which the company is engaged may be taken at 10% on the paid up capital. Compute the value of company's share by (a) The Assets methods, (b) The Yield methods (c) Fair value methods.

OR iii. Explain the factors on which goodwill is based and discuss the various methods of valuation of goodwill. **6**

Q.5 i. What do you understand by the Liquidator's Final Statement of Account? **3**

CM3CO09 Corporate Accounting

Marking Scheme

Q.1	i.	Redemption of Preference Share can be made out of: (d) None of the Above	**1**
	ii.	Shareholders get on their share capital: (b) Dividend	**1**
	iii.	Dividend declared between to annual general meeting is: (a) Interim Dividend	**1**
	iv.	Calls in arrears is shown in the balance sheet under the head: (a) Share capital	**1**
	v.	Goodwill is ....asset. (b) Intangible	**1**
	vi.	The value of per share on division of amount of net assets by numbers of shares will be........... (d) Intrinsic Value	**1**
	vii.	The excess of net assets over purchase consideration is called: (b) Capital Reserve	**1**
	viii.	The winding up of a company by the court is made by .... resolution. (c) Special	**1**
	ix.	Liability of a company: (b) Pension Fund	**1**
	x.	Internal reconstruction of a company: (b) Internal changes of the company	**1**
Q.2	i.	1 mark for forfeiture 1 mark for reissue of shares	**2**
	ii.	1 mark for each provisions of Companies Act (1 mark * 8 = 8 marks)	**8**
OR	iii.	(a) 4 marks (1 mark for each entry) (b) 4 marks (1 mark for each entry)	**8**
Q.3	i.	2 marks for meaning of managerial remuneration?	**2**
	ii.	4 marks for pre-incorporation profit 4 marks for post–incorporation profit.	**8**
OR	iii.	2 marks for meaning of pre and post incorporation profit 6 marks for methods of ascertaining the pre and post incorporation Profit	**8**
Q.4	i.	Write short notes on: (a) Capitalization methods of valuation of goodwill – 2 marks (b) Market value method of share valuation – 2 marks	**4**
	ii.	(a) The Assets methods – 2 marks (b) The Yield methods – 2 marks (c) Fair value methods – 2 marks	**6**
	iii.	3 marks for factors on which goodwill is based 3 marks for methods of valuation of goodwill	**6**
Q.5	i.	3 marks for brief description of Liquidator's Final Statement of Account	**3**
	ii.	Marking by checking through solution	**7**
	iii.	2 marks for definition of holding and subsidiary company 5 marks for methods of preparation of consolidated balance sheet	**7**
Q.6	i.	1 mark for Reconstruction of company, 2 marks for Internal Reconstruction, 2 marks for Journal entries	**5**
	ii.	1 mark for each difference (any five) (1 mark * 5 = 5 marks)	**5**
	iii.	1 mark for Amalgamation of Companies 2 marks for merits 2 marks for demerits of amalgamation.	**5**

Faculty of Commerce

End Sem (odd) Exam Dec-2017

CM3CO05 Corporate Accounting

Numericals Solution

Q. 2 iii) a)

Journal Entries

Date	Particulars	L.f.	Debit	Credit
(1)	Bank A/c Dr. To Equity Share Capital A/c (Being amt. recd on issue of equity share)		22,00000	22,00,000
(2)	P&L Appropriation A/c Dr. To Premium on Redemption of 6% Pref. Share (Being Premium on Redemption written off)		2,00000	2,00,000
(3)	6% Pref Share capital A/c Dr. Premium on Redemption of 6% Pref. Share Dr. To 6% Pref. Shareholders A/c (Being Pref. Share Capital Premium transfered to pref. Shareholders A/c)		20,00000 2,00,000	22,00,000
(4)	6% Pref. Shareholders A/c Dr. To Bank A/c (Being Payment Made)		22,00,000	22,00,000

b)

Journal Entries

Date	Particulars	L.f.	Dr.	Cr.
	Bank A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Being Amt. recd on issue of new share)		1,10,000	1,00,000 10,000
2)	Security Premium A/c Dr. To Premium on Redemption of 6% Pref. Share A/c (Being Premium on issue of new shares used for premium on redemption of 6% Pref. Shares)		10,000	10000
	6% Pref. Share Capital A/c Dr. Premium on redemption of 6% Pref. Shares A/c To 6% Pref. Shareholders A/c (Being 6% Pref. Share Capital & Premium transferred)		1,00,000 10,000	1,10,000

(4)	6% Pref. Shareholder A/c Dr.		1,10,000	
	To Bank A/c			1,10,000
	[Being Repayment of 6% Pref. Shares]			

2.3 (ii) Solution:

Time ratio = 4:8 = 1:2

Sales ratio = 2:7

Gross Profit = N.P + all Expenses = 5,22,000

Interest to Vendor = 4:1

No: of employee's ratio (For distribution of salaries)

	Pre period for 4 months	Post Period for 8 m
X No: of employee	$\frac{4}{16}$	$\frac{7}{56}$

∴ Ratio = 2:7

Bad debts Rs. 6,000 (9,600 − 3,600) is related to the period from 1st April to 1st Nov, 2014 and dividend in sales ratio = 1:1

Preperiod $6000 \times \frac{1}{2} = 3000$, Post = $3600 + (6000 \times \frac{1}{2}) = 6,600$

Statement of P/L

Particulars	Ratio	Pre incorporation	Post incorporation
Revenue from operation:			
Gross Profit	2:7	1,16,000	4,06,000
Employees benefits Expenses:			
Directors fees	—	—	48,000
Salaries	2:7	12,800	44,800
Finance cost:			
Interest to vendor	4:1	5,120	1280
Depreciation & amortization expenses:			
Depreciation	1:2	17280	34560
other expenses:			
Adminstrative Exp	1:2	9,000	18000
Bad debts	—	3,000	6,600
Preliminary Exp	—	—	11,400
Audit fees	—	—	14,400
Sundry Expenses	1:2	10880	21,760
Selling Expenses	2:7	15,360	53,760
Total Expenses		73,440	2,54,560
Profit before exceptional and extraordinary items and tax (I − II)		42560	1,51,440

Q.4 (ii) a) Assets Valuation Methods

Assets: $(5,80,000 + 2,00,000 + 60,000) = 8,40,000$

Less:- Liabilities: $(1,00,000 + 1,30,000) = 2,30,000$

Net Assets $6,10,000$

$$\text{Value of Share} = \frac{6,10,000}{40,000} = \text{Rs. } 15.25$$

b) Yield Method

$$\text{Average Profit} = \frac{52,000 + 58,000 + 55,000}{3} = \text{Rs. } 55,000$$

Less:- Transfer to Reserve $(55,000 \times 20\%) = \text{Rs. } 11,000$

Profit for equity shareholders = Rs. 44,000

$$\text{Earning Rate} = \frac{44,000}{4,00,000} \times 100 = 11\%$$

$$\text{Value of Share } \frac{11}{10} \times 10 = \text{Rs. } 11$$

c) $$\text{Fair Value} = \frac{15.25 + 11}{2} = ₹ \frac{26.25}{2} = ₹ 13.125$$

5

	Holding 100%
1) Share Capital	50,000
2) Pre reserve $(10000 - 5,000) = 5000$	5000
3) Pre Profit $(10000 + 5000) \times \frac{6}{12}$ =	7,500
	62,500
Less: Cost of Shares	65 000
Goodwill	2,500
4) Post Profit $(15000 \times \frac{6}{12})$	7,500

Contd:-

Consolidated B/S (as at 31-3-15)

Particulars	Amt.
I. Equity and Liabilities:	
Shareholder fund	
a) Share capital	1,20,000
b) Reserve & Surplus	
Reserve	50,000
P&L a/c (20000 + 7500)	27,500
Non current Liabilities: Minority Interest	
Current Liabilities	
Creditors	75,000
B/P	10,000
Total	2,82,500
II Assets:	
Non current assets	
Land	120000
Goodwill	2500
Current assets	
Debtors	80000
Stock	80000
Total	2,82,500