

You are supplied with the following information:

- (a) The building and plant and machinery are valued at rupees 2,00,000 and rupees 80,000 respectively.
- (b) Details include a bad dates of rupees 10,000.
- (c) Goodwill is valued at rupees 2,50,000.
- (d) The balance of profit and loss account includes rupees 1,52,000 for current year's profit.
- (e) The normal rate of return on capital employed is 10%.
- (f) The nominal value of investments is rupees 1,80,000 fetching and annual income of 10%.
- (g) The rate of depreciation on building and plant and machinery is 10% and 20% respectively.

Find out the value of shares by earning capacity method. Ignore taxation.

- Q.5 i. What do you understand by holding and subsidiary company? Give two advantages of holding company. **4**
- ii. What are the types of voluntary winding up? Differentiate between voluntary winding up and compulsory vending up of a company. **6**
- OR iii. Madhur limited went into voluntary liquidation on 31<sup>st</sup> March 2022. On this date the assets and liabilities of the company were as under: **6**

Particulars	Amount (Rs)
Cash Balance	2,000
Bank Balance	10,000
Sundry Assets	3,00,000
Realised from Sundry Assets	2,70,000
Legal Charges	1,000
Debentures secured by floating charges	1,00,000
Preferential creditors	2,000
Remuneration to liquidator	6,000
Cost of winding up	3,000
Other unsecured creditors	2,00,000
Equity share capital	3,00,000

From the above information prepare liquidator's final statement of account.

- Q.6 Attempt any two:
- i. What do you understand by amalgamation of companies? Discuss the merits and demerits of amalgamation? **5**

Enrollment No.....



Faculty of Commerce  
End Sem (Odd) Examination Dec-2022  
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. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Maximum discount that can be allowed on reissue of shares is- **1**  
 (a) 5%  
 (b) 10%  
 (c) Upto the forfeited amount on these shares  
 (d) None of these
- ii. Debentures are shown in- **1**  
 (a) Liability Side (b) Asset Side  
 (c) Trading Account (d) Profit and Loss Account
- iii. Maximum rate of overall managerial remuneration is- **1**  
 (a) 5% (b) 3% (c) 4% (d) 11%
- iv. Interim dividend is always shown in- **1**  
 (a) Profit and loss account  
 (b) Profit and loss appropriation account  
 (c) Asset side of balance sheet  
 (d) Liabilities side of balance sheet
- v. The valuation of goodwill is essential on- **1**  
 (a) Purchasing a business (b) Amalgamation  
 (c) Admission of a partner (d) All of these
- vi. On liquidation of a company the appropriate method for valuation of shares is- **1**  
 (a) Net assets method (b) Dividend rate method  
 (c) Earning capacity method (d) Fair value method
- vii. In the books of a subsidiary company the balances of profit and loss account as on 1<sup>st</sup> January and 31<sup>st</sup> December were Rs. 50,000 and Rs. 80,000 respectively. Holding company acquired shares on 1<sup>st</sup> April. The post-acquisition profit will be- **1**  
 (a) Rs. 22,500 (b) Rs. 7,500 (c) Rs. 65,000 (d) Rs. 57,500

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- viii. Calls in arrears on shares are shown in the list- **1**  
 (a) A (b) B (c) C (d) D
- ix. The main objective of amalgamation is- **1**  
 (a) To minimise the expenses (b) To stop competition  
 (c) To facilitate distribution (d) All of these
- x. What percent of paid shares can be converted into stock? **1**  
 (a) 50% (b) 100% (c) 75% (d) 25%
- Q.2 i. What do you mean by under subscription of shares? **2**  
 ii. Give the differences between equity shares and preference shares. **3**  
 iii. What do you mean by debenture? What are the various methods for redemption of debenture? Explain. **5**
- OR iv. Equity shares of Rs. 100 each were issued to public payable as Rs. 20 on application, Rs. 30 on allotment, Rs. 25 on first call and remaining on second and final call. Manoj to whom 100 shares were allotted could pay application and allotment money only. The directors forfeited his shares after second call. These shares were re-issued to Manisha as fully paid up for Rs. 85 per share. Give journal entries for the forfeiture and re-issue of shares. **5**
- Q.3 i. What do you mean by profit prior to incorporation and post incorporation? **2**  
 ii. What do you mean by managerial remuneration? Explain the procedure to calculate this. **8**
- OR iii. The following are the balances of Mahi Ltd. As on the last date of a financial year: **8**

Debit Bal	Amount (Rs.)	Credit Bal	Amount (Rs.)
Premises	28,50,000	Share capital	40,00,000
Plant	33,00,000	12% debentures	30,00,000
Stock	7,50,000	P & L A/c	2,62,500
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	2,00,000
Bank	4,06,500	Sales	43,00,000
Calls in arrear	75,000	General reserve	2,28,000
Interim dividend paid	3,92,500	Bad debts provision on opening date	35,000
Purchases	19,50,000		
Preliminary Expenses	50,000		
Wages	9,97,800		

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General expenses	68,350		
Salaries	2,52,250		
Bad debts	21,100		
Debenture interest paid	1,80,000		
	<b>1,23,95,500</b>		<b>1,23,95,500</b>

Additional information:

- (a) Depreciate plant by 15%  
 (b) Write off Rs. 5,000 from preliminary Expenses  
 (c) Debenture interest is due for half year  
 (d) Credit 5% provision on Debtors for doubtful debts  
 (e) Provide for income tax @ 50%  
 (f) Closing stock is valued at Rs. 9,50,000

Prepare final accounts.

- Q.4 i. The capital employed of a company is Rs. 5,00,000, the average profit is Rs. 60,000 and normal rate of return is 10%. Calculate goodwill at three years purchase of super profit. **3**
- ii. What do you understand by valuation of shares? Discuss and illustrate different methods of valuation of shares. **7**
- OR iii. Following is the balance sheet of Karan Ltd.: **7**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital: 2000 shares of Rs. 200 each fully paid	4,00,000	Land	20,000
Reserve fund	1,00,000	Building	1,20,000
Employees' saving account	50,000	Plant and Machinery (on cost)	1,00,000
Workmen security deposit	10,000	Stock (Market price)	2,60,000
Depreciation fund	90,000	Book debts	2,10,000
Creditors	1,40,000	Investment (Market price)	1,70,000
Profit & Loss A/c	2,65,000	Cash and bank Balance	1,50,000
		Preliminary Expenses	25,000
	<b>10,55,000</b>		<b>10,55,000</b>

P.T.O.

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ii. Under what conditions internal reconstruction becomes desirable? How is it effective? 5

iii. The balance sheet of Berkeley Limited on 31<sup>st</sup> March was as under: 5

Liabilities	Amount	Assets	Amount
Paid up capital 20,000 Equity Shares of Rs. 100 each	20,00,000	Goodwill	92,000
Share premium account	20,000	Land and building	8,00,000
Workmen's accident compensation fund	1,00,000	Plant and machinery	7,00,000
Creditors	8,80,000	Workman's accident investment	1,00,000
		Stock	2,08,000
		Debtors	2,20,000
		Cash and bank	80,000
		Preliminary expenses	60,000
		Profit and loss account	7,40,000
	<b>30,00,000</b>		<b>30,00,000</b>

Because of regular losses the following reconstruction scheme was approved:

- The shareholders will get new equity shares of Rs. 50 each, fully paid, in equal number to their present holding.
- 75% claim of the creditors is to be paid by new equity shares of Rs. 50 each.
- The estimated liabilities from workmen's accident compensation is only Rs. 60,000 and therefore, the balance of investments was sold at a profit of 30%.
- It was decided to eliminate the share premium account.
- The amount available as above is to be utilized as under:
  - In writing of losses, goodwill and preliminary expenses completely.
  - In writing down value of machinery by Rs. 1,80,000, value of stock by Rs. 60,000, value of debtors by Rs. 60,000 and Land and building by Rs. 1,00,000.

Pass journal entries and prepare revised balance sheet.

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Share premium account	20,000	Land and building	8,00,000
Workmen's accident compensation fund	1,00,000	Plant and machinery	7,00,000
Creditors	8,80,000	Workman's accident investment	1,00,000
		Stock	2,08,000
		Debtors	2,20,000
		Cash and bank	80,000
		Preliminary expenses	60,000
		Profit and loss account	7,40,000
	<b>30,00,000</b>		<b>30,00,000</b>


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# Scheme of Marking

	<p style="text-align: center;">Faculty of Commerce End Sem (Odd) Examination Dec-2022 CM3CO09 Corporate Accounting</p>	
	Programme: B.Com.	Branch/Specialisation:

**Note: The Paper Setter should provide the answer wise splitting of the marks in the scheme below.**

Q.1	i)	(c) upto the forfeited amount on these shares	1
	ii)	(c) Liability Side	1
	iii)	(d) 11%	1
	iv)	(b) Profit and Loss Appropriation Account	1
	v)	(d) All the above	1
	vi)	(a) Net Assets Method	1
	vii)	(a) Rs. 22,500	1
	viii)	(a) A	1
	ix)	(d) All the above	1
	x)	(b) 100%	1
Q.2	i.	Meaning of Under Subscription of Shares	2
	ii.	Differences between equity shares and preference shares	3
	iii.	Meaning of debenture = 2 methods for redemption = 3	
OR	iv.	Forfeiture Entry = 2 Marks Re-issue = 2 marks Transfer to Capital Reserve Rs 3500/- = 1 mark	5
Q.3	i.	Profit prior to incorporation = 1 Mark and post incorporation = 1 Mark	
	ii.	Meaning of Managerial Remuneration = 3 Marks procedure to calculate = 5 Marks.	
OR	iii.	Gross profit = 15,70,200 = 2 marks Net profit = 3,60,000 = 2 marks Balance c/f = 50,000 = 2 marks Balance sheet = 81,33,000 = 2 marks	

Q.4	i.	Super profit is Rs. 10,000/- = 1 marks Goodwill Rs 30,000/- = 2 marks	
	ii.	Valuation of Shares meaning = 2 marks different methods of valuation of shares = 5 marks	
OR	iii.	Value of each share is Rs 266.60	7
Q.5	i.	Holding and subsidiary company meaning = 2 marks Two advantages of holding company = 2 marks	
	ii.	Types of Voluntary Winding up = 2 marks Differences between voluntary winding up and compulsory winding up of a company = 4 marks	
OR	iii.	Other unsecured creditors are paid Rs 1,70,000 Total of the statement Rs. 2,82,000	
Q.6			
	i.	Meaning of Amalgamation of companies = 2 marks Merits and demerits of amalgamation = 3 marks	
	ii.	Conditions of internal reconstruction = 3 marks Effectiveness = 2 marks	
	iii.	Total of Balance Sheet is Rs. 17,20,000	5

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