



**BRAINWARE UNIVERSITY**

**Term End Examination 2018 - 19**

**Programme – Bachelor of Commerce (Honours) in Banking & Financial Accounting**

**Course Name – Advanced Corporate Accounting**

**Course Code –BCM603**

(Semester – 6)

**Time allotted: 3 Hours**

**Full Marks: 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

**Group –A**

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*
  - (i) Maximum number of members in public limited company is -----.
    - a. 10
    - b. 20
    - c. 50
    - d. Unlimited
  - (ii) The Time interval between the date of acquisition of shares in subsidiary company and date of Balance Sheet of Holding Company is known as :
    - a. Pre-acquisition period
    - b. Post-acquisition period
    - c. Pre-commencement period
    - d. Pre-incorporation period.
  - (iii) The following is not included in the category of 'Intangible Assets'
    - a. Patents rights
    - b. Copy rights
    - c. Competitive benefit and privileges
    - d. Machinery
  - (iv) Amount spent on an advertisement campaign, the benefit of which is likely to last for three years is a
    - a. Capital expenditure
    - b. Revenue expenditure
    - c. Deferred revenue expenditure
    - d. None of the above
  - (v) Share Allotment Account is \_\_\_\_\_
    - a. Real A/C
    - b. Nominal A/C
    - c. Personal A/C
    - d. Fictitious Asset A/C

- (vi) Amalgamation is said to be in the nature of merger if:
- a. All assets and liabilities of transferor company are taken over by the transferee company.
  - b. Business of Transferor Company is intended to be carried on by the transferee company.
  - c. Purchase consideration must be paid in equity shares by the transferee company except for fraction shares.
  - d. All of these
- (vii) Pre-acquisition profit in subsidiary company is considered as :
- a. Revenue profit
  - b. Capital Profit
  - c. Goodwill
  - d. None of these
- (viii) Shares received from the new company are recorded at
- a. Face value
  - b. Average price
  - c. Market value
  - d. None of the above
- (ix) Which of following is not the method of valuation of Goodwill?
- a. Average profit Method
  - b. Capitalization Method
  - c. Super profit Method
  - d. Straight line Method
- (x) Corporate dividend tax is \_\_\_\_\_
- a. Computed on Net profit
  - b. Computed on Share Capital
  - c. Computed on Goss Profit
  - d. Computed on Dividend paid

**Group – B**

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

2. X Ltd. having a share capital of Rs. 20 lakhs and Y Ltd. having a share capital of Rs.30 lakhs. Z Ltd. was formed to take over the business of X Ltd and Y Ltd. at a purchase consideration of Rs. 25 lakhs and Rs. 28 lakhs, payable in shares of Z Ltd. The assets and liabilities were taken at their carrying amounts. Compute the Goodwill or Capital Reserve. 5
3. Following items appear in the Trial Balance of M Ltd. as at 31st March, 2019: 5

|  | Amount (Rs.) |
|--|--------------|
| 60,000 Equity Shares of Rs. 10 each                                      | 6,00,000     |
| Capital Redemption Reserve   | 45,000       |
| Plant Revaluation Reserve  | 15,000       |
| Securities Premium Account   | 52,500       |
| General Reserve  | 1,50,000     |
| Profit & Loss Account  | 75,000       |
| Capital Reserve (including Rs. 37,500 being Profit on Sale of Machinery) | 1,12,500     |

The company decided to issue bonus shares to its shareholders at the rate of one share for every four shares held. Give necessary journal entries. It is desired that there should be minimum reduction in free reserves.

4. Identify different types of employee benefits prescribed under Indian Accounting Standard (IND AS) 19. 5
5. Give classification of Current Liabilities as per Schedule III of the Companies Act, 2013. 5
6. 

|  |              |  |
|--|--------------|--|
|  | Amount (Rs.) |  |
| Capital employed   | Rs. 6,30,000 |  |
| Normal Rate of Return  | 10%          |  |
| Net Profits before taxation (Tax rate 50%)                               |              |  |
| 1 <sup>st</sup> year: Rs. 1,05,000; 2 <sup>nd</sup> year : Rs. 1,45,000; |              |  |
| 3 <sup>rd</sup> year : Rs. 1,75,000; 4 <sup>th</sup> year Rs. 2,00,000;  |              |  |
| 5 <sup>th</sup> year: Rs. 1,50,000.                                      |              |  |

 5
- Non-trading income Rs. 5,000 and Debenture Interest Rs. 10,000 on an average included in the Profit & Loss A/c. Fixed Assets revalued by Rs. 20,000 more than the existing book value of the assets. Calculate Goodwill as per 5 year's purchase of super profit method.

### Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. SOS Limited issued a prospectus inviting applications for 10,000 shares of Rs. 10 each at a premium of Rs. 2 per share, payable as follows; 15  
 On application Rs. 2 per share; On allotment Rs. 5 per share (including premium); On 1st call Rs. 3 per share; On Second and Final Call Rs. 2 per share. Applications were received for 15,000 shares and allotment was made pro-rata to the applicants of 12,000 shares, the remaining applicants were refused allotment. Money overpaid on applications was with the allotment. D to whom 100 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Z, the holder of 200 shares, failed to pay both the calls, and his shares were forfeited after the second and final call. Of the shares forfeited 200 shares were sold to C credited as fully paid up for Rs. 8.50 per share, the whole of D's shares being included. Give Journal entries.
8. (a) Define Buy-Back of Shares. 3  
 (b) Describe the rules regarding Buy-Back of Shares in India. 12
9. (a) Define Amalgamation and Business Combination. 5  
 (b) Distinguish between amalgamation in the nature of merger and amalgamation in the nature of purchase. 10

10. The Balance Sheet of CoCo Ltd. as on 31<sup>st</sup> December, 2018 stood as follows: 15

| Liabilities                        | Amount (Rs.)     | Assets                        | Amount (Rs.)     |
|------------------------------------|------------------|-------------------------------|------------------|
| <b>(1) Shareholders Fund:</b>      |                  | <b>(1) Non-Current Assets</b> |                  |
| Share Capital                      |                  | Fixed Assets                  | 14,30,000        |
| 8,000 Equity Share @ Rs.100 each   | 8,00,000         |                               |                  |
| <b>(2) Non-Current Liabilities</b> |                  | <b>(2) Current Assets</b>     |                  |
| Long Term Borrowings-              |                  | Stock-in-trade                | 80000            |
| 5% Debenture                       | 13,80,000        | Sundry Debtors                | 30000            |
|                                    |                  | Investment                    | 17000            |
|                                    |                  | Cash and Cash Equivalent      | 13000            |
| <b>Current Liabilities</b>         |                  | Profit & Loss A/C             | 10,70,000        |
| For Goods                          | 4,50,000         |                               |                  |
| For Income Tax                     | 10,000           |                               |                  |
| <b>Total</b>                       | <b>26,40,000</b> | <b>Total</b>                  | <b>26,40,000</b> |

The company being in a bad way, an arrangement on the following lines has been agreed upon:

- The Equity Shareholders are prepared to have their capital reduced to 5% of their present shareholding.
- The Debentureholders are agreeable to have their claims reduced to 50% which is to be satisfied half by the issue of 7% Mortgage Debentures, and half by the issue of 8% Preference Shares of Rs. 100 each.
- The unsecured trade creditors for goods are prepared to forego 20% of their dues in exchange for Equity Shares.
- The Assets are to be reduced to the following revalued figures:

|                | Amount (Rs.) |
|----------------|--------------|
| Fixed Assets   | 11,00,000    |
| Stock-in-trade | 50,000       |
| Debtors        | 20,000       |
| Investment     | 7,000        |

Give journal entries for the completion of the scheme and prepare the final Balance Sheet.

11. A Ltd. acquired 80,000 shares of Rs.100 each in B Ltd. on 30.09.2017. The summarized Balance Sheets of the two companies as on 31.03.2018 were as follows: 15

|  | <b>A Ltd.</b>       | <b>B Ltd.</b>       |  | <b>A Ltd.</b>       | <b>B Ltd.</b>       |
|--|---------------------|---------------------|--|---------------------|---------------------|
| <b>Liabilities</b>                             | <b>Amount (Rs.)</b> | <b>Amount (Rs.)</b> | <b>Assets</b>                                    | <b>Amount (Rs.)</b> | <b>Amount (Rs.)</b> |
| Equity Shares of Rs. 100 each                  | 3,00,00,000         | 1,00,00,000         | Fixed Assets                                     | 150,00,000          | 1,44,70,000         |
| Capital Reserve                                |                     | 55,00,000           | Investments in B Ltd.                            | 1,70,00,000         | Nil                 |
| General Reserve                                | 30,00,000           | 5,00,000            |  |                     |                     |
| P & L A/c                                      | 38,20,000           | 18,00,000           | Loan to A Ltd.                                   | Nil                 | 200,000             |
| Loan from B Ltd.                               | 2,10,000            | -                   | Stock  | 40,00,000           | 20,00,000           |
| Sundry Creditors                               | 17,90,000           | 7,00,000            | Sundry Debtors                                   | 25,00,000           | 18,00,000           |
| Bills Payable (including Rs. 50,000 to A Ltd.) | Nil                 | 1,70,000            | Bank Balance                                     | 2,00,000            | 2,00,000            |
|  |                     |                     | Bills Receivable (including 50,000 from B. Ltd.) | 1,20,000            | Nil                 |
|  | <b>3,88,20,000</b>  | <b>1,86,70,000</b>  |  | <b>3,88,20,000</b>  | <b>1,86,70,000</b>  |

Contingent Liability (A Ltd.): Bills Discounted = Rs. 60,000

**Additional Information:**

1. B Ltd. made a bonus issue on 31.03.2018 of one share for every two shares held, thereby reducing the Capital Reserve accordingly. The accounting effect has not been given in the above Balance Sheet.
2. Interest Receivable for the year (Rs.10,000) in respect of the loan due by A Ltd. to B Ltd. has not been credited in the accounts of B Ltd.
3. The credit balance in Profit and Loss A/c of B Ltd. on 01.04.2017 was Rs. 2,10,000.
4. The Directors decided on the date of the acquisition that the Fixed Assets of B Ltd. were over-valued and should be written down by Rs. 5,00,000. Consequential adjustments on depreciation are to be ignored.
5. The balance in General Reserve of B Ltd. as on 01.04.2017 was Rs. 5,00,000.

Prepare the Consolidated Balance Sheet as at 31.03.2018 showing relevant workings.

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