



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme – Bachelor of Business Administration

Course Name – Corporate Restructuring and Liquidation

Course Code – BBA605F

(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) X Ltd. goes into liquidation and a new company Z Ltd. is formed to take over the business of X Ltd. It will be identified as –
 - a. Absorption
 - b. External Reconstruction
 - c. Amalgamation
 - d. All of the above
 - (ii) Accumulated profits include
 - a. Provision for Doubtful debts
 - b. Superannuation Funds
 - c. Workmen’s Compensation Fund
 - d. All of the above
 - (iii) As per AS – 14 purchase consideration is defined as
 - a. Shareholders
 - b. Creditors
 - c. Debenture Holders
 - d. All of the above
 - (iv) If expenses of Liquidation are to be borne by the vendor company, then the vendor company debits
 - a. Realization Account
 - b. Bank Account
 - c. Goodwill Account
 - d. All of the above
 - (v) Goodwill arising on amalgamation is assessed as
 - a. Retained in the books of the transferee company
 - b. Amortized to income on a systematic basis normally five years
 - c. Adjusted against reserves or profit and loss account.
 - d. All of the above

- (vi) Under Pooling of Interest Method the difference between the purchase consideration and share capital of the transferee company should be adjusted to
- a. General Reserve
 - b. Amalgamation adjustment account
 - c. Goodwill or Capital Reserve
 - d. None of the above
- (vii) For amalgamation in the nature of merger the stakeholders holding at least or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company
- a. 51%
 - b. 51%
 - c. 99%
 - d. 100%
- (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) If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt
- a. LIFO Method
 - b. FIFO Method
 - c. Average Method
 - d. Uniform Method
- (x) Amalgamation Adjustment Account is opened in the books of Transferee Company to incorporate :
- a. The Assets of the Transferor Company
 - b. The Liabilities of the Transferor Company
 - c. The Statutory Reserve of the Transferor Company
 - d. None of the above

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

- 2. Explain the term Buy Outs. 5
- 3. Explain Synergy in reference to Merger and Acquisition. 5
- 4. Define taking over by reverse bid? 5
- 5. The Assets & Liabilities are taken over by the purchasing company as under – 5

Particulars	A Ltd.	B Ltd.
Property	1,05,000	60,000
Plant	25,000	15,000
Motor Vehicles	30,000	-
Stock	60,000	78,000
Debtors	82,000	-
Cash	43,000	-
Creditors	75,000	-
Debentures	-	60,000

Debentures are discharged at 4% Premium.

Goodwill is valued at 80,000 and 30,000 respectively for both the companies.

Equity shares are issued at ₹10 each.

Calculate Purchase Consideration on Take Over and Payment Basis.

6. The following data were shown –

5

Particulars	M Ltd.	N Ltd.
Sundry assets	65,000	35,000
Freehold Property	5,000	
Debtors	17,100	4,500
Investments	14,900	4,000
Goodwill	11,000	4,000
Bank	10,000	2,000
Ordinary Equity Share Capital	75000	25,000
5% Debentures		3,000
Reserve		2,000
Mortgage Loan (Secured on Freehold Property)	5,000	
Creditors	4,000	10,000
Profit and Loss Account	20,000	1,000

Following information have been given –

- The discharge of Debentures of N Ltd by issue of ₹3500 4% Debentures in MN Ltd.
- Issue at a premium of ₹5 per share of ordinary shares of ₹10 each in MN Ltd.
- Issue at premium of ₹5 per share of ordinary shares of ₹10 each for MN Ltd.

Calculate the amount of Purchase Consideration.

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. The following balances have been taken from the books of A/c of Extra Ltd. As at 31.03.2011

15

Account Heads	(₹)	Account Heads	(₹)
Property Plant and Equipments	14,00,000	Investments	
Stock	7,80,000	Trade Debtors	20,000
Underwriting Commission	40,000	Equity Share Capital (60% paid)	12,00,000
10% First Debentures	4,00,000	12% Second Debentures	
Bank Overdraft	1,00,000	Trade Creditors	10,00,000
		(Including Mr. Ray for ₹17,00,000)	23,00,000

Additional Information:

The Financial Reconstruction schemes are prepared as under –

- Outstanding Interest on both the types of debentures for 1 year.
- To make the existing ₹100 equity shares fully paid up and then to reduce them to ₹20 each.
- To discharge the claim of the first debenture holders by issuing 4,000, 13.5% debentures of ₹100 each.
- To discharge the claim of the second debentures by issuing 8000 15% debentures of ₹100 each.
- To settle the claim of Mr. Ray by paying ₹6,00,000.

(vi) To allot 30,000 fresh equity shares of ₹20 each to discharge the trade creditors other than Mr. Ray

(vii) To write off the fictitious assets and to reduce the fixed assets. Market value of the investments stand as ₹40,000.

You are required to construct Post-Reconstruction Balance Sheet of Extra Ltd. As at 31.03.2011 as per Schedule III of the Companies Act, 2013 after giving effect to the scheme of internal reconstruction.

8. The following Balance Sheet of A Ltd. and B Ltd. as at 31.03.2018 are given to you –

15

Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
I. EQUITY & LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital			
Equity share capital		15,00,000	5,00,000
(b) Reserve & Surplus			
General Reserve		2,00,000	1,00,000
Surplus, that is, Balance in Statement of Profit and Loss		1,60,000	10,000
Sub Total		18,60,000	6,10,000
(2) Non – Current Liabilities			
10% Debentures		-	3,00,000
(3) Current Liabilities			
(a) Trade Payables (Creditors)		2,00,000	90,000
Sub Total		2,00,000	3,90,000
TOTAL		20,60,000	10,00,000
II. ASSETS			
(1) Non – Current Assets			
(a) Fixed Assets		10,00,000	50,000
(2) Current Assets			
(a) Inventories (Stock)		4,80,000	2,10,000
(b) Trade Receivables		2,90,000	1,50,000
(c) 1,000 Shares in B Ltd.		1,50,000	
(d) 3,000 Shares in A Ltd.			5,00,000
(e) Cash and Cash Equivalents		1,40,000	90,000
TOTAL		20,60,000	10,00,000

Additional Information:

B Ltd. traded in Raw Materials which were required by A Ltd. for manufacturer of its products. Stock of A Ltd. includes ₹1,00,000 for purchase made from B Ltd. on which the company B Ltd. made a profit of 12% on selling price. A Ltd. owed ₹25,000 to B Ltd. in this respect. It was decided that A Ltd. should B Ltd. on the basis of the intrinsic value of the shares of the two companies. Before absorption A Ltd. declared dividend of 10%. A Ltd. also decided to reduce the shares in B Ltd. before recording entries relating to the absorption.

You are required to construct the balance sheet just after the absorption after showing properly all the workings.

9. Longitude Ltd. is in the process of acquiring Latitude Limited on a share exchange basis. Following relevant data are available: 15

Particulars		Longitude Limited	Latitude Limited
Profit After Tax	₹ in Lakhs	140	60
Number of Shares	Lakhs	15	16
Earnings Per Share	₹	8	5
Price Earnings Ratio (ignore Synergy)		15	10

You are required to determine:

- (i) Pre-merger Market Value Per Share.
 (ii) The maximum Exchange Ratio Longitude Limited can offer without the dilution of EPS and Market Value Per Share.

[Calculate Ratios up to 04 decimal points and amounts and number of shares up to 02 decimal points]

10. The following were the Balance Sheet of Proxy Ltd and Foxy Ltd. as on March 2001. 15

Particulars	Note No.	Proxy Ltd. (₹)	Foxy Ltd. (₹)
I. EQUITY & LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital			
Equity share capital @₹10 each		15,000	6,000
(b) Reserve & Surplus			
Securities Premium		3,000	
Foreign Projects Reserve			310
General Reserve		9,500	3,200
Surplus, that is, Balance in Statement of Profit and Loss		2,870	825
Sub Total		30,370	10,335
(2) Non – Current Liabilities			
12% Debentures			1,000
(3) Current Liabilities			
(a) Trade Payables (Creditors)		1,080	463
(b) Bills Payables		120	
(c) Sundry Provisions		1,830	702
Sub Total		3,030	2,165
TOTAL		33,400	12,500
II. ASSETS			
(1) Non – Current Assets			
(a) Land & Buildings		6,000	
(b) Plant & Machinery		14,000	5,000
(c) Furniture, Fixture and Fittings		2,304	1,700
(2) Current Assets			
(a) Inventories (Stock)		7,862	4,041
(b) Debtors		2,120	1,020
(c) Bills Receivables			80
(d) Cost of Issue of Debentures			50
(e) Cash and Cash Equivalents		1,114	609
TOTAL		33,400	12,500

All the bills receivable held by Foxy Ltd. were Proxy Ltd.'s acceptances. On 01.04.2001 Proxy Ltd. took over Foxy Ltd. in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business Proxy Ltd. would allot three fully paid equity shares of ₹10 each at par for every two shares held in Foxy Ltd. It was also agreed that 12% Debentures in Foxy Ltd. would be converted in to 13% Debentures in Proxy Ltd. of the same amount and denomination. Expenses of Amalgamation amounting to ₹1 Lakh were borne by Proxy Ltd. You are required to construct Proxy Ltd. Balance Sheet under Schedule III immediately after the merger is over.

- | | | | |
|-----|-----|--|---|
| 11. | (a) | Describe Take Over Strategies. | 5 |
| | (b) | State the Acquisition Process of Companies. | 5 |
| | (c) | State any 5 strategies of Defense in case of takeover bid. | 5 |
