

**B. COM. DEGREE END SEMESTER EXAMINATION : OCTOBER 2022****SEMESTER 3 : FINANCE AND TAXATION****COURSE : 19U3RCOM10 : CORPORATE ACCOUNTING***(For Regular - 2021 Admission and Improvement / Supplementary - 2020/2019/2018/2017/2016 Admissions)*

Time : Three Hours

Max. Marks: 75

**PART A****Answer any 10 (2 marks each)**

1. What is Syndicate Underwriting?
2. How will you treat statutory reserves in amalgamation in the nature of purchase?
3. What do you mean by redemption of preference shares?
4. What is Weighted Ratio?
5. What do you mean by Absorption? Illustrate with an example.
6. What are Financial Statements?
7. What is meant by Liquidation of a company?
8. Who are Preferential Creditors?
9. What is Consolidation of shares? Give example.
10. What is the purpose for which Capital Redemption Reserve can be utilised?
11. What is Reserve Capital?
12. What is sub-division of shares? Illustrate with an example.

**(2 x 10 = 20)****PART B****Answer any 5 (5 marks each)**

13. What is Bonus Issue?
14. The abstract of the Balance Sheet of the AXE Ltd. As at 31<sup>st</sup> March , 2018 are as follows :  
Liabilities – Equity Share Capital (Rs :100 each) Rs: 1500000 ,12 % Preference Share capital (Rs: 100 each ) Rs: 800000 , 13 % Debentures Rs: 300000.  
On 31<sup>st</sup> March 2018, BXE Ltd agreed to take over AXE Ltd. On the following terms :  
a) For each Preference shares in AXE Ltd. Rs: 10 in cash and one in 9 % preference share of Rs: 100 in BXE Ltd.  
b) For each Equity shares AXE Ltd. Rs: 20 in cash and one in equity share in BXE Ltd. for Rs: 100 each. It was decided that the share of BXE Ltd . will be issued at market price Rs: 140 per share .  
c) Liquidation expenses of AXE Ltd are to be reimbursed by BXE Ltd. to the extent of Rs: 10000 . Actual expenses amounted to Rs: 12, 500.  
You are required to compute the amount of purchase consideration .
15. What are the different ways of alteration of share capital?
16. Following items appear in the trial balance of AB Ltd.as on 31,03,2018

1.40,000 equity shares of Rs 10 each	Rs 4,00,000
2.Capital Redemption Reserve	Rs 30,000
3. Plant Revaluation Reserve	Rs 10,000

4. Securities Premium Reserve	Rs 35,000
5. General Reserve	Rs 1,00,000
6. Surplus of statement of profit and loss A/c	Rs 50,000
7. Capital Reserve (including Rs 25,000 being profit on sale of Machinery)	Rs 75,000

The company decided to issue Bonus shares to its shareholders at the rate of one share for every four shares held.

Pass journal shares. It is desired that there should be minimum reduction in free reserves.

17. Give Journal Entries for forfeited and reissue of forfeited shares

X Ltd. forfeited 100 equity shares of Rs.10 each held by Shree Ram on 15<sup>th</sup> December, 2017 for non-payment of First call of Rs.2 per share and the final call of Rs.3 per share. These shares were reissued to Ganga Ram on 25<sup>th</sup> December, 2017 at a discount of Rs.3.50 per share.

18. A Ltd has an authorized capital of Rs. 1,00,00,000 divided into 1,00,000 shares of Rs 100 each. The company issued all the shares for subscription to the public at a premium of Rs. 10 each. The entire issue was underwritten as follows:

A 60,000 shares (Firm underwriting 10,000 shares)

B 30,000 shares (Firm underwriting 4,000 shares)

C 10,000 shares (Firm underwriting 2,000 shares)

Of the total issue, only 90,000 shares including firm under writing were subscribed for, marked applications forms excluding firm underwriting were as follows:

A. 32000 shares, B. 20,000 shares, C. 8,000 shares

Calculate the liability of each underwriter giving the benefit of firm underwriting to all underwriters

19. New India Ltd. Purchased a running business on 01.01.2017 . from Singh Brothers . Date of Incorporation of the company was 01.05.2017 . The combined profit and loss account of the company prior to end after the date of Incorporation is as under .

Particulars	Rs:	Particulars	Rs:
To Electricity Charges	6000	By Gross Profit	150000
To Rent	6000	By Discount	6000
To Directors sitting fees	3600		
To Preliminary expenses	4900		
To Carriage outwards	2000		
To Selling expenses	3500		
To Interest paid to vendors	10000		
To Net Profit	120000		
	<b>156000</b>		<b>156000</b>

Following further information is available :

a) Sales upto 30.04.2017 were Rs:3,00,000 out of total sales of Rs: 15,00,000 of the year .

b) Purchases upto 30.04.2017 were Rs: 3,00,000 out of total purchases of Rs: 9,00,000 of the year.

c) Interest paid to vendors on 01.11.2017 @ 12% p.a. on Rs:1,00,000 being purchase consideration .

From the above, Prepare a statement showing profit prior to incorporation .

20. From the following particulars relating to Life Style Ltd, which was liquidated on 31.3.2018, calculate the amount of unsecured creditors and preferential creditors:

	Amount
Trade creditors	1,42,200
Provident fund of workers	11,000

Gas bills outstanding for gas supplied	420
Dues to City Corporation for local taxes	10,000
Salary of clerk for six months	30,000
Salary of peons for four months	6,000
Directors' fees for four months	8,000
Income tax due for 2017-18	10,000
Compensation under workmen's Compensation Act	9,000

(5 x 5 = 25)

### PART C

#### Answer any 3 (10 marks each)

21. XY Ltd. went into liquidation on 30th June, 2019. Prepare liquidator's Final statement of Account presented to the court by the liquidator on completing the winding up process.

	Amount
Preferential creditors	10,000
Unsecured creditors	1,50,000
Unsecured creditors	2,00,000
12% preference share capital: Shares on 10 each fully paid	3,00,000
Liquidation expense	2,000
Secured creditors (securities realised Rs. 1,20,000)	1,60,000
Equity share capital: 40,000 shares of Rs 10 each fully paid	4,00,000
Liquidator is entitled to a remuneration @ 2% of all assets realised including assets held as security and 3% of amount paid to unsecured creditors including preferential creditors	
Sundry assets realised Rs 4,80,000.	

22. Prepare a Balance Sheet of Anupama Ltd. As on 31st March 2006 which has an authorized capital of Rs.3,00,000 consisting 30,000 shares of Rs. 10 each.

Goodwill	12,500	Bills payable	19,000
Premises	1,85,000	Creditors	25,000
Furniture (opening value)	3,600	Provision for taxation	12,500
Depreciation of the year	180	18% Debentures	1,50,000
Stock of goods	50,500	Interest on Debentures due	4,500
Sundry Debtors	40,000	Equity share capital	2,30,000
Machinery (Opening value)	1,50,000	Calls in arrears	3,750
Depreciation charged	15,000	General reserve	12,500
Cash in hand	375	Addition to general reserve	5,000
Cash at bank	19,950	Loan to managing director	1,325
14% Government schemes	30,000	Surplus A/c	24,570
Preliminary expenses	1,250	11% Preference share capital	1,00,000
Building under construction	1,00,000		

Additional Information:

a) Bills discounted but not yet matured Rs:50,000

23. A company's position on 31.12.2018 are as follows:

a) 20000 equity shares of Rs 100 each - 20,00,000

b) 10,000 6% debentures of Rs 100 each - 10,00,000

- c) Interest outstanding on debentures - 1,20,000  
d) Sundry creditors - 5,00,000  
e) Fixed assets - 20,00,000  
f) Current assets - 6,50,000

Fixed assets were revalued at Rs 9,60,000 and current assets at Rs 4,80,000. The capital reduction scheme approved by the court (tribunal) was as follows:

- 1) The shares were sub-divided into shares of Rs 5 each and 90% of the shares were surrendered.
- 2) Claims of debenture holders were reduced to Rs 4,90,000 for which Rs 2,50,000 equity shares were allotted.
- 3) Creditors agreed to reduce their claims to Rs 3,00,000, one third of which was satisfied by the issue of equity shares out of those surrendered.

Draft journal entries.

24. a) What are the conditions for Buy back of equity shares as per section 68 (2) of the Companies Act, 2013?  
b) Distinguish between Reserve Capital and Capital Reserve.
25. A Ltd. acquired the undertaking of B Ltd. on 31-3-2020 for a purchase consideration of Rs.2,50,00,000 to be paid by fully paid equity shares of Rs. 10 each. Data taken from the books of the two companies on the date of acquisition were as follows:-

Particulars	A Ltd. (Rs)	B Ltd. (Rs)
<b>I. Equity and Liabilities</b>		
(1) Shareholders' funds		
(a) Share Capital:		
Equity shares of Rs. 10 each fully paid up	2,50,00,000	1,50,00,000
(b) Reserves and Surplus :		
General reserve	1,20,00,000	18,00,000
Development Rebate reserve	10,00,000	37,00,000
Worker's Compensation Fund	15,00,000	24,00,000
Surplus Account	10,00,000	53,00,000
<b>Shareholders' Fund</b>	<b>4,05,00,000</b>	<b>2,82,00,000</b>
(2) Current Liabilities	45,00,000	95,00,000
Total Equities and Liabilities	4,50,00,000	3,77,00,000
<b>II. Assets</b>		
(1) Non- Current Assets		
Land and Building	1,20,00,000	80,00,000
Plant and Machinery	2,00,00,000	1,80,00,000
Furniture and Fixtures	10,00,000	20,00,000
(2) Current Assets		
Stock	55,00,000	40,00,000
Debtors	45,00,000	40,00,000
Bank Balance	20,00,000	17,00,000
Total Assets	4,50,00,000	3,77,00,000

Pass the necessary journal entries in the books of A Ltd. when Amalgamation is in the nature of a) merger and b) by way of purchase. Also prepare the Balance sheet of A Ltd. after amalgamation assuming that Development Rebate Reserve and Workers' Compensation Fund of B Ltd are required to be continued in the books of A Ltd. Notes to accounts need not be prepared.

(10 x 3 = 30)