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4 (Sem-3) ADCA

2016

**ADVANCED CORPORATE ACCOUNTING**

Paper – 306

**(Accountancy Major)**

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. Answer the following as directed :  $1 \times 8 = 8$

- (a) What is 'intrinsic value' of a share ?
- (b) 'Profit earned prior to incorporation can not be distributed as dividend.' (State whether True or False)
- (c) After writing off all losses, the balance of Reconstruction Account is transferred to \_\_\_\_\_ Account. (Fill in the blank)
- (d) What is Capital Reduction Account ?

Turn over

(e) State the meaning of winding up of a company.

(f) The liquidation caused by inability to pay debt is referred to as ——— liquidation. (Fill in the blank)

(g) In India, preparation of Consolidated Financial Statement is ———. (Fill in the blank selecting appropriate option from below):

(i) Mandatory

(ii) Not mandatory

(iii) Mandatory under Companies Act

(iv) Mandatory for listed companies.

(h) The parent organisation acquiring controlling interest in another company is called the holding company. (State whether True or False)

2. Answer as directed : 3×4=12

(a) Explain the Asset Backing Method of valuation of shares.

(b) Mention any three situations which call for internal reconstruction of a company.

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(c) What is Liquidator's Final Statement of Account ?

(d) Briefly explain Cost of Control in the context of holding company.

3. Answer as directed :

(a) The following particulars relate to ABC Ltd. :

Total assets Rs. 18,75,000

External liabilities Rs. 2,75,000

Share capital :

14% Preference shares of Rs. 10 each, fully paid Rs. 5,00,000.

40,000 Equity shares of Rs. 10 each, fully paid Rs. 4,00,000.

60,000 Equity shares of Rs. 10 each, Rs. 7.50 paid, Rs. 4,50,000.

Calculate the value of each category of equity shares of the company. 5

Or

Mention the factors which influence the valuation of a company's share. 5

(b) CMD Ltd. passed a resolution on 30th June, 2016 to convert its 80,000 fully paid equity shares of Rs. 10 each into Rs. 7 per share fully paid up and to return Rs. 3 per share to equity shareholders.

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[Turn over

Pass necessary journal entries in the books of the company. 5

Or

Briefly explain various modes of alteration of share capital. 5

(c) Prepare the list of preferential creditors in respect of liquidation of a company. 5

(d) Explain briefly the need for preparation of consolidated financial statement. 5

4. (a) Bright Star Ltd. was incorporated on 1st July, 2015 to acquire a running business with effect from 1st April, 2015. The accounts for the year ended 31st March, 2016 disclose the following :

(i) There was a gross profit of Rs. 3,00,000.

(ii) The sales for the year amounted to Rs. 12,00,000 of which Rs. 2,40,000 were for the first six months.

(iii) The expenses debited to the Profit and Loss Account included :

Directors fees Rs. 15,000

Bad debts Rs. 3,600

Advertising Rs. 12,000 (under a contract amounting to Rs. 1,000 per month)

Salaries Rs. 64,000

Preliminary expenses written off Rs. 5,000

Debenture interest Rs. 3,000

Prepare a statement showing the amount of profit made before and after incorporation. 10

Or

Explain the accounting treatment of profit / loss prior to incorporation. Also state the procedure for ascertaining such profit / loss. 5+5=10

(b) Following was the Balance Sheet of Rajashree Ltd. as on 31st March, 2016 :

Balance Sheet as on 31.3.16

Particulars	Amount (Rs.)
<b>I. EQUITY AND LIABILITIES :</b>	
1. Shareholders' fund :	
(a) Share capital :	
15,000 Equity shares of Rs. 10 each	1,50,000
15,000 7% Preference shares of Rs. 10 each	1,50,000

Particulars	Amount (Rs.)
(b) Reserves and Surplus :	
Surplus (debit balance of Profit and Loss Account)	(60,000)
2. Current Liabilities :	
(a) Trade payables :	
Creditors	40,000
Total	2,80,000
<b>II. ASSETS :</b>	
1. Non-current assets :	
(a) Tangible assets :	
Machinery	1,60,000
(b) Intangible assets :	
Goodwill	25,000
2. Current assets :	
(a) Stock	33,000
(b) Trade receivables :	
Debtors	62,000
Total	2,80,000

In the general meeting, it was resolved that :

- (i) Equity shares of Rs. 10 each be reduced to shares of Rs. 6 each fully paid and 7% preference shares of Rs. 10 each be reduced to 8% preference shares of Rs. 7 each fully paid up. The number of shares in each case was to remain the same.
- (ii) The amount so available be used for writing off fictitious and intangible assets and machinery to the extent possible.

Pass necessary journal entries in the books of the company and prepare the Balance Sheet after the above entries.

10

Or

Elaborate the accounting entries to be made in the books of a limited company that has adopted a scheme of internal reconstruction.

10

- (c) North-East Co. Ltd. went into voluntary liquidation having the following liabilities :  
Unsecured creditors Rs. 85,000.

Secured creditors Rs. 58,000 (realisable value of securities Rs. 65,000).

Creditors for tax and government revenue Rs. 15,000.

8% debenture having a floating charge on the assets Rs. 18,000.

Interest due on debenture Rs. 560.

Liquidation expenses amounted to Rs. 400.

The liquidator is entitled to a remuneration of 5% on the assets realised and of 3% on the amount distributed to unsecured creditors. The various assets (excluding the securities held by secured creditors) realised Rs. 85,000.

Prepare Liquidator's Final Statement of Account showing the proportion paid to unsecured creditors. 10

Or

State the features of Liquidator's Final Statement of Account. Explain the procedure of determining the liquidator's remuneration on the liquidation of a company. 4+6=10

(d) The following is the Balance Sheet of H. Ltd. and its subsidiary S. Ltd. as on 31st March, 2016 :

Balance Sheet as on 31.3.16

Particulars	H. Ltd. (Rs.)	S. Ltd. (Rs.)
<b>I. EQUITY AND LIABILITIES :</b>		
1. Shareholders' funds :		
(a) Share capital :		
Equity shares of Rs. 10 each	60,000	20,000
(b) Reserves and Surplus :		
Surplus (Balance of statement of profit and loss)	5,000	4,000
2. Current liabilities :		
Trade payables :		
Sundry creditors	17,000	6,000
Total	82,000	30,000
<b>II. ASSETS :</b>		
1. Non-current assets :		
(a) Tangible assets	68,000	30,000
(b) Non-current investments		
1,600 shares in S. Ltd.	14,000	—
Total	82,000	30,000

The shares were acquired by H. Ltd. on 1st October, 2015.

You are required to ascertain as per AS-21.

- (i) The equity of the subsidiary on the date of acquisition of shares by H. Ltd. and the share of H. Ltd and Minority in the equity of the subsidiary.
- (ii) The movement in the equity of the subsidiary since the date of parent – subsidiary relationship.
- (iii) The Minority Interest on 31 March, 2016.
- (iv) The cost of control / capital reserve. 10

Or

Discuss the provisions of AS-21 in regard to preparation of consolidated Balance Sheet. 10