



**WEST BENGAL STATE UNIVERSITY**  
B.Com. Honours 5th Semester Examination, 2021-22

**FACADSE02T-B.COM. (DSE1/2)**

**CORPORATE ACCOUNTING**

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.*

*Candidates should answer in their own words and adhere to the word limit as practicable.*

**GROUP-A**

**Answer any two questions from the following**

10×2 = 20

1. Your client intends to invest not more than Rs. 15,000 in equity shares of BFL Ltd. and wants you to advise him the maximum number of shares he can expect to acquire with the said amount on the basis of following information available to him:

Paid up Capital	<u>Rs.</u>
6% Preference Shares of Rs.100 each	5,00,000
Equity Shares of Rs.10 each	3,00,000

Average net profit of the business is Rs. 57,000; Expected normal yield is 7% in case of such equity shares. Total tangible assets Rs. 9,49,000; Total outside liabilities Rs. 95,000.

Goodwill is to be calculated at 5 years purchase of super profits.

2. The following balances were extracted from the books of IEX Ltd.:

10,000 11% Redeemable Preference Shares of Rs. 10 each, fully paid up; 5,000 10% Redeemable Preference Shares of Rs. 10 each, Rs. 8 paid up; 20,000 Equity Shares of Rs. 10 each, fully paid up; General Reserve Rs. 2,00,000; Profit & Loss A/c Rs. 1,00,000; Capital Reserve Rs. 20,000; Securities Premium Rs. 15,000. After complying all the regulations, all the preference shares are redeemed at 10% premium. For this purpose 5,000 equity shares of Rs. 10 each are issued at 10% premium. Holders of 500 11% Preference Shares are untraceable. For creation of Capital Redemption Reserve, if any, minimum use of free reserve is to be made.

Give journal entries for recording the above transactions.

3. (a) KBC Ltd. issued 50,000 equity shares. The issue was underwritten as follows:

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Underwriter K- 40%; Underwriter B- 30%; Underwriter C- 30%

Applications for 40,000 shares were received in all, out of which applications for 10,000 shares had the stamp of Underwriter K; those for 5,000 shares that of Underwriter B; and those for 10,000 shares for Underwriter C. The remaining applications for 15,000 shares did not bear any stamp.

Determine the liability of the underwriters.

(b) Write a note on 'buy back of shares'.

4. Following a series of trading losses, ABC Ltd. resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate its Securities Premium Account.

The company's Balance Sheet prior to implementation of the scheme was:

Liabilities	Rs.
Shareholder's Funds:	
50,000 fully paid equity shares of Rs. 10 each	5,00,000
Securities Premium	50,000
Profit & Loss A/c	(50,000)
Current Liabilities:	
Bank Overdraft	73,000
Creditors	62,000
<b>Total</b>	<b>6,35,000</b>
<b>Assets</b>	
Non-Current Assets:	
Land & Building	1,62,000
Plant & Machinery	2,07,000
Goodwill	1,00,000
Current Assets:	
Inventories	92,000
Debtors	74,000
<b>Total</b>	<b>6,35,000</b>

It was resolved to apply the sum available under the scheme:

- To write off the Goodwill and the debit balance of Profit & Loss A/c.
- To provide a bad debts reserve of 10% of the book value of debtors.
- To reduce the book value of assets by the following amounts:  
Land & Building- Rs. 42,000; Plant & Machinery- Rs. 67,000; Inventories- Rs. 33,600

Show the journal entries required to give effect to the scheme of reconstruction.

5. The Balance Sheet of MA Ltd. as on 31.3.2020, being the date of voluntary winding up is as under:

Liabilities	Rs.
Shareholder's Funds:	
12%, 10,000 Cum. Pref. Shares of Rs. 100 each, fully paid	10,00,000
5,000 Equity shares of Rs. 100 each, Rs. 60 paid up	3,00,000
5,000 Equity shares of Rs. 100 each, Rs. 50 paid up	2,50,000
Profit & Loss A/c	(3,72,000)
Non Current Liabilities:	
15% Debentures	4,00,000

Current Liabilities:	
Preferential Creditors	1,05,000
Bank Overdraft	3,03,000
Trade Creditors	7,42,000
<b>Total</b>	<b>27,28,000</b>
<b>Assets</b>	
Non-Current Assets:	
Land & Building	3,86,000
Plant & Machinery	8,21,000
Current Assets:	
Inventories	1,84,000
Debtors	13,37,000
<b>Total</b>	<b>27,28,000</b>

Preference Dividend is in arrears for two years. By 31.3.2021 the assets realized as follows:

Land & Building- Rs. 9,84,000; Plant & Machinery- Rs. 7,12,000; Inventories- Rs. 1,63,000; Debtors- Rs. 11,91,000.

Expenses of liquidation is Rs. 54,000. The remuneration of the liquidator is 3% of the realization.

Prepare the Liquidator's Final Statement of Affairs.

6. Explain the Sinking Fund method of redeeming debentures.

### GROUP-B

**Answer any two questions from the following**

15×2 = 30

7. The following information are obtained from the books of Sunrise Company Ltd., as on 30th April, 2021:

Capital	Rs.
10,000 Equity Shares of Rs. 10 each fully paid up	1,00,000
10,000 Equity Shares of Rs. 10 each, Rs. 7.50 per share paid up	75,000
10,000 Equity Shares of Rs. 10 each, Rs. 5 per share paid up	50,000
General Reserve	1,35,000
Liabilities to Sundry Parties	55,000
Fixed Assets less Depreciation	1,67,000
Commission on issue of shares	6,000
Preliminary Expenses	9,000
Floating Assets	2,33,000

It is estimated that the normal average profit less tax of the company will be, maintained at Rs. 34,000 and the expected rate for capitalization purpose is 8%. Calculate the value of each type of the shares by the asset-backing method (excluding goodwill) and also by the yield method.

8. PKM Ltd. is a company with an authorized capital of Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each. On 31st March 2020, 25,000 shares were fully called up.

The following balances extracted from the ledger of the company as on 31st March, 2021:

	Rs.		Rs.
Stock	50,000	Printing and Stationary	2,400
Sales	4,25,000	Advertising expenses	14,300
Purchases	3,00,000	Debtors	38,700
Wages	70,000	Creditors	35,200
Discount allowed	4,200	Plant and Machinery	80,500
Discount received	3,150	Furniture	17,100
	Rs.		Rs.
Insurance up to 30.06.2020	6,720	Cash at bank	1,34,700
Salaries	18,500	General Reserve	25,000
Rent	6,000	Loan from Managing Director	15,700
General Expenses	8,950	Bad Debts	3,200
Profit & Loss A/c (Opening) (Cr.)	6,200	Calls-in-arrear	5,000

You are required to prepare Profit and Loss Account for the year ended 31st March, 2021 and the Balance Sheet as on that date of the company as per Schedule III.

The following further information is given:

- Closing stock Rs. 91,500
  - Depreciation to be charged on plant and furniture at 15% and 10% respectively
  - Outstanding liabilities : Wages- Rs. 5,200; Salaries- Rs. 1,200; Rent- Rs. 600
  - Dividend @5% on paid-up share capital is to be provided
  - Make a provision for taxation @30%.
9. The summarized Balance Sheets of a holding company H Ltd. and its subsidiary S Ltd. as on 31.12.2020:

Liabilities	H. Ltd. (Rs.)	S Ltd. (Rs.)
Shareholders Fund:		
Share Capital (Rs.100 each)	1,60,000	1,20,000
General Reserve	20,000	15,000
Profit & Loss A/c	28,000	24,000
Current Liabilities:		
Current A/c with H Ltd.		12000
Creditors	10,000	9,000
	<b>2,18,000</b>	<b>1,80,000</b>

<b>Assets</b>		
Non Current Assets:		
Land & Building	24,000	1,10,000
Non Current Investment:		
Investment in shares of S Ltd.	1,40,000	
Current Assets:		
Current A/c with S Ltd.	13,600	
Inventories	25,000	42,000
Debtors	13,000	20,000
Cash at bank	2,400	8,000
	<b>2,18,000</b>	<b>1,80,000</b>

Additional information:

- H Ltd. holds 1000 shares of S Ltd. acquired on 30.6.2020.
- On 1.1.2020 S Ltd. had Rs. 12,000 in General Reserve and Rs. 6,000 in Profit & Loss A/c.
- A remittance of Rs. 2,000 by S Ltd. to H Ltd. has not been adjusted in the books of H Ltd.
- Stock of H Ltd. includes Rs. 5,600 worth of purchases on which S Ltd. made a profit of Rs. 600.
- 10% dividend was proposed by both the companies.
- Included in the Current A/c with H Ltd. is an amount of Rs. 400 being interest credited to H Ltd. the same not yet been considered in the books of H Ltd.

Prepare Consolidated Balance Sheet as on 31.12.2020.

10. The Balance Sheets of two companies as on 31<sup>st</sup> March 2021 are given below:

<b>Liabilities</b>	<b>V Ltd. (Rs.)</b>	<b>A Ltd. (Rs.)</b>
Shareholders Fund:		
Share Capital (Rs. 10 each)	15,00,000	3,90,000
Securities Premium	4,500	
General Reserve	1,00,000	
Profit & Loss A/c	1,65,650	(1,36,000)
Non Current Liabilities:		
8% Debentures	3,50,000	70,000
Current Liabilities:		
Bank Overdraft		6,000
Creditors	57,850	2,57,000
	<b>21,78,000</b>	<b>5,87,000</b>
<b>Assets</b>		
Non Current Assets:		
Land & Building	4,00,000	1,80,000
Plant & Machinery	3,50,000	1,00,000
Goodwill	1,50,000	50,000
Current Assets:		
Inventories	6,82,000	1,62,000
Debtors	2,58,500	95,000
Bank	3,37,500	
	<b>21,78,000</b>	<b>5,87,000</b>

The two companies decided to amalgamate on 31.3.2021 to form a new company VA Ltd. on the following terms:

V Ltd.:

- (i) 6 shares of Rs.10 each fully paid in the new company in exchange for every 5 shares in V Ltd. and Rs. 10,000 in cash; (ii) the debentures holders were to be allotted such Debentures in the new company bearing interest at 7% p.a. as would bring the same amount of interest.

A Ltd.:

- (i) 1 share of Rs.10 each fully paid in the new company in exchange for every 3 shares in V Ltd. and Rs. 5,000 in cash; (ii) the debentures holders were to be allotted such Debentures in the new company bearing interest at 7% p.a. as would bring the same amount of interest.

The new company took over all the assets and liabilities of the existing companies.

Show journal entries in the books of VA Ltd. giving effect to the arrangement and prepare its Opening Balance Sheet.

11. The issued share capital of Alfa Ltd. consists of 1,00,000 equity shares of Rs. 10 each fully paid up. The company issued another 1,00,000 shares of the same class at a premium of Rs. 10 per share. Half of the price was payable with the application and the balance was payable on allotment, distribution being as follows:

	With application (Rs.)	On allotment (Rs.)
Share Capital	5	5
Share Premium	5	5

All the shares were subscribed. One shareholder holding 300 shares paid the full offer price with his application. Another shareholder holding 200 shares failed to pay the allotment money and his shares were subsequently forfeited. Later, the shares were re-issued as fully paid up for Rs. 4,000 cash.

Journalise the above mentioned transactions.

12. Write short notes:

- (i) Reduction of Share Capital
- (ii) Securities Premium and its uses
- (iii) Types of Preference Shares.

**N.B. :** Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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