

CORPORATE ACCOUNTING

Q1) a) Fill in the blanks with appropriate term from the given option (any five) :

[5]

- i) Accounting Standard- 6 deals with _____. (Depreciation Accounting / Accounting for Amalgamation)
- ii) Central & State Taxes are _____ creditors (Unsecured / Preferential)
- iii) Under _____ one company goes into liquidation and a new company is formed (External Reconstruction / Internal Reconstruction)
- iv) Balance of capital reduction account is transferred to _____ (Capital Reserve / General Reserve)
- v) Pre- acquisition Profit is also known as _____ (Capital Profit / Revenue Profit)
- vi) Goodwill is also known as _____ (Cost of Control / Cost of acquisition)
- vii) Capitalised Value of Profit = $\frac{\text{Normal Rate of Return} \times 100 \times (\text{Profit/Sales})}{100}$

b) State whether True or False (anyfive) :

[5]

- i) Depreciation is not charged on Livestock.
- ii) The Process of Internal Reconstruction is implemented to write off Accumulated Profits.
- iii) Accounting Standard - 14 deals with accounting for Amalgamation
- iv) Dividend is paid as a percentage on Authorised Share Capital.
- v) Absorption means liquidation of two companies and formation of a new company.
- vi) Lawyer appointed by the court to execute the liquidation of a company is known as a Notary.
- vii) Debenture holders are the secured creditors of a company.

c) Write short notes on (any two) :

[14]

- i) Distinguish between Capital Expenditure and Revenue Expenditure.
- ii) Need for Valuation of Shares.
- iii) Accounting Standard 10 - Accounting for Fixed Assets.
- iv) Importance of Computerised accounting.
- v) Order of payment under Liquidation of a company.

Q2) Sanjeevan Ltd., Nasik was registered with an Authorized Capital of Rs. 70,00,000 divided into 7,00,000 Equity Shares of Rs.10/- each.

You are required to prepare a **Statement of Profit and Loss** for the year ended 31st March 2017 as per the revised Schedule VI of the Companies Act 2013.

DO NOT PREPARE BALANCE SHEET AND DO NOT RECORD SECOND EFFECT OF ADJUSTMENTS

The following balances extracted from the books as on 31st March 2017 as follows :

Debit Balances	Rs.	Credit Balances	Rs.
Purchases	7,17,500	Sales	21,35,000
Stock of Raw Material 1.4.2016	1,75,000	Purchase Returns	7,000
Insurance	10,500	Miscellaneous income	10,500
Sales Return	35,000	Interest on Investment	87,500
Bad Debts	7,000		
Wages	2,45,000		
Salaries	70,000		
Rent, Rates and Taxes	31,500		

Carriage Inward	31,500		
Travelling Expenses	26,250		
Legal charges	24,500		
Debenture Interest	43,750		
Audit fees	7,000		
General Expenses	12,250		

Adjustments :

- i) Insurance Prepaid Rs. 1,500
- ii) Depreciate Plant & Machinery by Rs. 25,000 and Furniture by Rs. 2,400
- iii) Stock of Raw Materials as on 31.03.2017 Rs. 3,50,000
- iv) Salaries outstanding Rs. 7,000

[10]

OR

- a) Surya Industries Ltd. Purchased a Plot of Land for which the following information has been given :

[5]

Purchase Price	Rs. 50,00,000
Transfer of title	Rs. 5,00,000
Other Legal Charges	Rs. 1,50,000
Cost of Demolition of Old Building present on the land	Rs. 75,000
Sale of Scrap of Old Building	Rs. 15,000

You are Required to Calculate the cost of Land

- b) Ambertech Co Ltd., Purchased Machine on 01 .04.2016 for Rs.45,00,000. Expenses paid for the installation of the machine were Rs.5,00,000. The estimated life of the Machine is 7 years and its scarp value after its useful life is estimated to be Rs. 1,00,000. Ascertain the amount of depreciation to be charged for the accounting year ending 31.03.2017 under fixed installment method?

[5]

Q3) A) Following is the Balance sheet of Arya Co. Ltd. as on 31.03.2017. [12]

Liabilities	Rs.	Assets	Rs.
<u>Share capital</u>		Goodwill	1,68,000
30,000 Equity Shares of Rs. 10/- each, Rs. 8 paid-up	2,40,000	Land & Building	3,27,000
		Plant & Machinery	1,35,000
45,000 Equity Shares of Rs. 10/- each, Rs. 7 paid-up	3,15,000	Furniture	15,000
		Office Equipment	30,000
15,000, 8% Preference Shares of Rs. 10/- each fully paid	1,50,000	Stock	1,48,500
		Debtors	1,27,500
8% Debentures (having floating charge on all assets)	1,50,000	Bills Receivable	33,000
		Cash in Hand	12,000
Outstanding Debenture Interest	6,000	Profit & Loss A/c	1,05,000
Creditors	2,40,000		
	<u>11,01,000</u>		<u>11,01,000</u>

The Company went in to voluntary liquidation as on the Balance Sheet date.

- i) Preference dividend was in arrears for the last 3 years and it was to be returned before returning equity share capital
- ii) Creditors include a loan from bank of Rs.60,000 secured on the hypothecation of Plant and Machinery.
- iii) Creditors also include preferential creditors of Rs. 15,000.
- iv) The liquidator realized the assets as follows:
Land and Building Rs. 3,22,500, Plant & Machinery Rs. 75,000, Office Equipment Rs. 19,500, Furniture Rs. 12,000, Stock Rs.1,05,000, Debtors Rs. 90,000 and Bills Receivable Rs. 21,000
- v) Legal Charges on Liquidation amounted Rs. 1,500
- vi) The liquidation expenses were Rs. 3,900
- vii) The Liquidators remuneration was fixed at Rs. 1,500 plus 2% on sale of assets excluding cash plus 4% on the amount distributed to unsecured creditors including preferential creditors.
- viii) The liquidator made all payments on 31st March, 2017 Prepare Liquidator's Final Statement of Accounts

B) The Balance Sheet of Sun Ltd. and Star Ltd. as on 31.03.2017 is as follows : [14]

Liabilities	Sun Ltd.	Star Ltd.	Assets	Sun Ltd.	Star Ltd.
<u>Share Capital</u>	10,00,000	5,00,000	Land & Building	2,00,000	1,50,000
(Shares of Rs. 10/- each)			Machinery	3,00,000	3,00,000
			Stock	75,000	50,000
General Reserve as on 01.04.2017	1,00,000	70,000	Sundry Debtors	50,000	60,000
			Investment (shares in S Ltd. at cost)	5,00,000	
Profit & Loss A/c as on 01.04.2017	50,000	30,000	Bills Receivable	10,000	5,000
			Cash at Bank	1,55,000	1,60,000
Sundry Creditors	70,000	70,000			
Bills Payable	10,000	15,000			
	<u>12,90,000</u>	<u>7,25,000</u>		<u>12,90,000</u>	<u>7,25,000</u>

Other Information :

- i) Sun Ltd. acquired 40,000 shares in Star Ltd. on 01.04.2017
- ii) Bills Receivable of Sun Ltd. includes Rs. 3,000 accepted by Star Ltd.
- iii) Debtors of Sun Ltd. include Rs. 10,000 due from Star Ltd. Prepare a Consolidated Balance Sheet of Sun Ltd. and its subsidiary Star Ltd. as on 31.03.2017

Q4) Following is the Balance Sheet of Excellent Ltd. as on 31.03.2017.

[20]

Liabilities	Rs.	Assets	Rs.
<u>Shares Capital</u>		Land & Building	3,85,000
55,000 shares of Rs. 10/-each fully paid	5,50,000	Plant & Machinery	3,02,500
		Stock	2,69,500
General Reserve	88,000	Debtors	1,15,500
Profit & Loss A/c	1,65,000	Cash in hand	38,500
Bills Payable	1,15,500		
Creditors	1,92,500		

	<u>11,11,000</u>		<u>11,11,000</u>
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Excellent Ltd. was absorbed by King Ltd . on the following terms

- i) King Ltd. took over the assets of Excellent Ltd.(excluding Cash) as under :
Land and Building Rs. 4,12,500 , Plant & Machinery Rs. 2,86,000, Stock Rs. 3,30,000 and Debtors at Book Value.
- ii) King Ltd. took over the Creditors and Bills Payable of Excellent Ltd. at their book values.
- iii) King Ltd. discharged the Purchase Consideration by issue of 66,000 equity shares of Rs. 10/- each at Rs.11/- and the balance in cash.
- iv) Excellent Ltd. paid its realisation expenses Rs. 11,000.

You are required to prepare: Realization account, Cash account, Shareholders Account and King Ltd's. account in the books of Excellent Ltd., and also give the opening Journal Entries in the books of King Ltd.

OR

A) Following is the balance sheet of Purohit Ltd. as on 31st March 2017.[10]

Liabilities	Rs.	Assets	Rs.
27,500 Equity Shares of Rs. 10/- each	2,75,000	Freehold Property	1,37,500
		Machinery	1,92,500
Reserve Fund	1,37,500	Furniture	38,500
Profit and Loss	44,000	Stock	55,000
Trade Payable	1,23,750	Trade Receivables	1,21,000
Bills Payable	41,250	Bank balance	71,500
		Formation Expenses	5,500
	<u>6,21,500</u>		<u>6,21,500</u>

Additional Information

- i) Assets were valued as follows :
- | | |
|-------------------|----------|
| Goodwill | 1,21,000 |
| Freehold Property | 3,57,500 |
| Machinery | 1,98,000 |
| Furniture | 66,000 |
| Stock | 68,750 |
| Trade Receivables | 1,07,250 |
- ii) The Profits of the company were :
- | | |
|---------|--------------|
| 2014-15 | Rs. 1,23,750 |
| 2015-16 | Rs. 1,34,750 |
| 2016-17 | Rs. 1,37,500 |
- iii) It is the Practice of the company to transfer 25% of the profit to Reserve Fund
- iv) The fair yield in respect of Equity Share of similar type of companies is ascertained at 10%
- Calculate the value of each Equity Share under:
- a) Intrinsic value Method
 - b) Yield value Method
 - c) Fair Value Method.

B) Following is the Balance Sheet of Sulekha Ltd. as on 31.03.2017. [10]

Liabilities	Rs.	Assets	Rs.
Share Capital		Goodwill	28,500
76,000 Equity shares of		Freehold Property	3,80,000
Rs. 10/- each	7,60,000	Plant & Machinery	5,70,000
5% Preference Shares of		Stock in Trade	95,000
Rs. 10/- each	3,80,000	Debtors	76,000
6% Debentures	1,90,000	Cash	9,500
Bank Overdraft	95,000	Profit and Loss A/c	2,85,000
Creditors	1,90,000	Preliminary Expenses	1,71,000
	<u>16,15,000</u>		<u>16,15,000</u>

The Company got the following scheme of reconstruction approved by the court:

- i) 5% Preference shares to be reduced to Rs. 7.50 per share fully paid.
- ii) Equity shares to be reduced to Rs. 4 per share fully paid.
- iii) 6% Debenture holders to take over Stock in Trade and Debtors in full satisfaction of their claims
- iv) Freehold Property to be appreciated by 30%
- v) Plant and Machinery to be depreciated by Rs. 1,90,000
- vi) Write off all intangible and fictitious assets.

Give necessary journal entries to record the above transactions in the books of Sulekha Ltd. Also prepare a revised Balance Sheet after the scheme of reconstruction as on 31st March 2017.

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