

ASSIGNMENT QUESTIONS OF U.G

COMMERCE (B.COM)

SEMESTER – III

DSC 6

CORPORATE ACCOUNTING

GROUP A

Answer any 1 question (Maximum 600 Words)

[1X8= 8]

1. Mohan Ltd. issued 10,000, 8% debentures of Rs. 100 each at a premium of 10% on 1.4. 2017. It purchased sundry assets of the value of Rs,2,50,000 and took over current liabilities of Rs. 40,000 and issued 8% debentures at a premium of 5% to the vendor. On the same date it took loan from the Bank for Rs. 1,00,000 and issued 8% debentures as Collateral Security. Record the relevant journal entries in the books of Mohan Ltd. including that of interest on debentures and also prepare extract of balance sheet on 31-03- 2018. [8]

2. The following balances and particulars are extracted from the books of Pant Co. Pvt. Ltd. for the year ended 31st December 1994:

	Rs.
Share Capital : Authorised, issued & fully paid-up (50,000 Equity Shares)	5,00,000
General Reserve (as on 1.1.94)	1,50,000
Furniture (including additions of Rs. 5,000)	35,000
Office equipment (as at 1.4.94)	22,000
Motor Car (Purchased 30.12.94)	30,000
Sundry Debtors (Unsecured)	8,50,000
Advance to staff	10,000
Cash in hand	2,000
Balance with Bank of India (including fixed deposit of Rs. 1,00,000)	1,40,000
Loan from directors	2,00,000
Liability for expenses and goods	2,67,000
Provision for tax (as on 1.1.94)	1,00,000
Profit and Loss A/c (as on 1.1.94)	3,000
Closing Stock (20,000 metres)	3,00,000
Advance Tax paid	1,90,000
Depreciation written-off up to 31.12.94 : (Furniture Rs. 5,000; Office equipment Rs. 2,000)	7,000
Opening Stock (10,000 meters)	1,50,000
Legal charge including Rs. 3,000 paid to creditors for tax representation	10,000
Salaries to Staff	50,000
Miscellaneous Expenses (including Rs. 4,000 for tour (within India) & Rs. 36,000 for (foreign tour)	2,00,000
Purchase of cloth (2.10 meters)	30,39,000
Audit fees	4,000
Interest on fixed deposits with bank	5,000
Sales (2 lakhs metres), including export sales of Rs. 10 lakhs) Rs. 35,00,000	

Further information:

(a) Rate of depreciation — Furniture 10%; Office Equipment's 15%; Motor Car 20%

(b) M. D. is entitled to a commission @ 10% of net profit after providing for such commission subject to maximum of Rs. 36,000 p.a.

(c) Debtors include Rs. 1,50,000 outstanding for more than 6 months, out of this Rs. 20,000 is considered doubtful for which provision is to be made in the accounts.

(d) Tax liability for 1994 is estimated at Rs. 2,00,000 for which provision is to be made.

(e) Transfer to General Reserve Rs. 50,000 out of net profits and Proposed Dividend is @ 6% on equity shares.

Prepare Profit and Loss Account for the year ended 31st December 1994 in accordance with the requirements of Companies Act, 2013. [8]

3. Write a short note on "Valuation of GOODWILL". [8]

4. From the following particulars of Bharat Gas Limited, calculate Cash Flows from Investing Activities. Also show the workings clearly preparing the ledger accounts. [8]

Particulars	Note No.	Figures as the end of 2017 (Rs)	Figures as at the end of reporting 2016 (Rs)
II) Assets			
1. Non-current Assets			
a) Fixed assets			
i) Tangible assets	1	12,40,000	10,20,000
ii) Intangible assets	2	4,60,000	3,80,000
b) Non-current investments	3	3,60,000	2,60,000

Notes: 1 Tangible assets = Machinery
2 Intangible assets = Patents

Notes to accounts:

	Figures of current year	Figures of previous year
1. Tangible Assets	12,40,000	10,20,000
Machinery		
2. Intangible Assets	3,00,000	1,00,000
Goodwill	1,60,000	2,80,000
Patents	4,60,000	3,80,000

Non-current Investments

10% long term investments	1,60,000	60,000
Investment in land	1,00,000	1,00,000
Shares of Amartex Ltd.	1,00,000	1,00,000
	3,60,000	2,60,000

- (a) Patents were written-off to the extent of Rs 40,000 and some Patents were sold at a profit of Rs 20,000.
- (b) A Machine costing Rs 1,40,000 (Depreciation provided thereon Rs 60,000) was sold for Rs 50,000. Depreciation charged during the year was Rs 1,40,000.
- (c) On March 31, 2016, 10% Investments were purchased for Rs 1,80,000 and some Investments were sold at a profit of Rs 20,000. Interest on Investment was received on March 31, 2017.
- (d) Amartax Ltd., paid Dividend @ 10% on its shares.
- (e) A plot of Land had been purchased for investment purposes and let out for commercial use and rent received Rs 30,000.

5. Given below are the Balance Sheets of Ashwathama Ltd. and Bheeshma Ltd. as on 31st December, in which date the Companies were amalgamated and a new Company Chandrachuda Ltd. was formed.

(in ` 000s)

Liabilities	Ashwa-thama Ltd.	Bheeshma Ltd.	Assets	Ashwa-thama Ltd.	Bheeshma Ltd.
Equity Shares of Rs. 10 each	70,00	60,00	Sundry Fixed Assets	85,00	70,60
Reserves	20,00	40,00	Sundry Current Assets	20,00	30,00
Sundry Creditors & Other Current Liabilities	15,00	10,00	Miscellaneous Expenditure	—	10,00
Total	105,00	110,00	Total	+105,00	110,00

It was agreed that Sundry Fixed Assets of Ashwathama Ltd. would be valued at 100,00 thousand and that of Bheeshma Ltd. at Rs. 95,00 thousand. Chandrachuda Ltd. would issue the requisite number of Equity Shares of Rs. 10 each at 10% premium to discharge claim of the Equity Shareholders of Ashwathama Ltd. & Bheeshma Ltd. How many shares of Chandrachuda Ltd. should be issued to take over the business of the two merging Companies? [8]

6. State the advantages and disadvantages of holding company. [8]
7. Define accounting ratio. State the objectives of accounting ratio. [2+6= 8]

GROUP B

Answer any 1 question (Maximum 1000 Words) [1X12= 12]

1. Rajesh Ltd. Issued a prospectus inviting applications for 3,00,000 shares of Rs. 10 each at a premium of Rs. 4 per share, payable as follows :

- On Application - Rs. 4 (including Rs. 1 premium)
- On Allotment - Rs. 3 (including Rs. 1 premium)
- On First Call - Rs. 4 (including Rs. 1 premium)

On Second & Final Call - Rs. 3 (including Rs. 1 premium)

Applications were received for 3,80,000 shares and pro-rata allotment was made on the applications for 3,50,000 shares. It was decided to utilise excess application money towards the sums due on allotment.

X, to whom 6,000 shares were allotted, failed to pay the allotment money and his shares were forfeited after allotment.

Y, who applied for 10,500 shares failed to pay the two calls and on his such failure, his shares were forfeited.

Z, who was allotted 3,000 shares did not pay final call.

Of the shares forfeited, 11,000 shares were reissued as fully paid up for Rs. 9 per share, the whole of Y's shares being included. Prepare Cash Book, Journal and Show the relevant items in the Balance Sheet. [12]

2.

The Trial Balance of T.V. Limited [having an authorised capital of Rs. 8,00,000] at 31st December 1996 was as under: [12]

	Debit Rs.	Credit Rs.
Share Capital (Shares of Rs. 100 each fully paid)		5,00,000
Share Premium Account		50,000
Land and Building (Cost Rs. 3,00,000)	2,50,000	
Plant and Machinery (Cost Rs. 4,00,000)	30,00,000	
Live stock	20,000	
Gross Profit earned during 1996		1,30,000
General Reserve		2,00,000
6% Debentures [Issued on 1st January 1989 secured by mortgage on land and redeemable on 31.12.98]		1,00,000
Sundry Debtors and Creditors	60,000	30,000
Stock as at 31.12.96 (at cost on market value, whichever is lower)	50,000	
Salaries	19,000	
Directors' Fees	10,000	
General Expenses	15,000	
Cash at Bank	6,400	
Cash in hand	600	
Bills Receivable	20,000	
Discount on issue of Debentures	4,000	
Profit and Loss b/d		10,000
Investment [4% Government Securities, face value Rs. 1,00,000 purchased on 1.1.96]	95,000	
Investment in Equity Shares [10,000 shares of Rs. 25 each Rs. 20 paid up]	1,70,000	
	10,20,000	10,20,000

Further informations:

(1) Of the shares allotted 2,000 shares worth Rs. 2,00,000 were allotted as fully paid to vendor from where a running business was acquired.

(2) Of the Debtors Rs. 10,000 were outstanding but are considered good except a debt of Rs 5,000 doubtful to be provided.

(3) A provision of Rs. 25,000 is to be made for Income Tax.

(4) The market value of Government securities on the date of the Balance Sheet was Rs. 93,000 and that of equity shares was 1,60,000.

(5) Auditor's fee Rs. 3,000 should be provided for. Included in General Expenses is six month's insurance Rs. 1,500 paid for the year to end on 30th June 1997.

(6) Interest on Debentures issued and on Investment in Government Securities should be taken into account.

(7) Depreciation is to be provided for @ 6% original cost of Machinery and 2% on the original cost of Land and Building.

(8) Provide for a dividend of 5% on shares.

Prepare Profit and Loss Account, Profit and Loss Appropriation Account and the Balance Sheet as on 31.12.1996 as per schedule III of company act 2013.

3. Briefly discuss the concept of "Valuation of Shares". [12]

4. From the following Balance Sheet of A Ltd., prepare Cash Flow Statement: [12]

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	2,50,000	2,00,000
(b) Reserves and Surplus,		90,600	80,500
2. Current Liabilities			
(a) <i>Short-term Borrowings:</i> Bank Loan		...	70,000
(b) Trade Payables		1,35,200	1,50,000
(c) <i>Short-term Provisions:</i> Provision for Tax		35,000	30,000
Total		5,10,800	5,30,500
II. ASSETS			
1. Non-Current Assets			
<i>Fixed Assets:</i>			
(i) Tangible Assets	2	3,59,000	3,50,000
(ii) <i>Intangible Assets:</i> Goodwill		5,000	...
2. Current Assets			
(a) Inventories		74,000	1,00,000
(b) Trade Receivables		64,200	80,000
(c) Cash and Cash Equivalent		8,600	500
Total		5,10,800	5,30,500

Notes to Accounts

Particulars	31st March, 2019 (₹)	31st March, 2018 (₹)

I. Reserves and Surplus		
General Reserve	60,000	50,000
Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss	30,600	30,500
	90,600	80,500
2. Tangible Assets		
Land and Building	1,90,000	2,00,000
Plant and Machinery	1,69,000	1,50,000
	3,59,000	3,50,000

Additional Information:

- Proposed Dividend for the year ended 31st March, 2019 was ~~₹ 005~~ and for the year ended 31st March, 2018 was ₹ 14,000.
- Interim Dividend paid during the year was ₹ 9,000.
- Income Tax paid during the year was ₹ 28,000.
- Machinery was purchased during the year ₹ 33,000.
- Depreciation to be charged on machinery ₹ 4,000 and building ₹ 10,000.

- Distinguish between amalgamation and acquisition. Discuss briefly the different types of amalgamation. [5+7= 12]
- Define subsidiary company. State the requirements of Sec.212 (Legal Requirements for presenting Information to the Members of the Holding Company) by the holding company. [4+8= 12]
- State the different types of ratios. Define Gross profit ratio and operating ratio. [6+3+3= 12]