

Enrollment No: _____

Exam Seat No: _____

C.U.SHAH UNIVERSITY

Winter Examination-2015

Subject Name : Corporate Accounting-II

Subject Code : 4CO04CAC1

Branch : B.Com. (English)

Semester : 4

Date : 20/ 11/ 2015

Time : 2:30 To 5:30

Marks : 70

Instructions:

- (1) Use of Programmable calculator & any other electronic instrument is prohibited.
 - (2) Instructions written on main answer book are strictly to be obeyed.
 - (3) Draw neat diagrams and figures (if necessary) at right places.
 - (4) Assume suitable data if needed.
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- Q-1 Attempt the following questions: (14)**
- | | | |
|-----|--|---|
| (a) | What is Goodwill? Explain its calculation. | 1 |
| (b) | What is Capital Reserve? Explain its calculation. | 1 |
| (c) | Share received from new company are consider at which price? | 1 |
| (d) | When the vendor company transfers its assets to Realization Account, at which value it will transfer? | 1 |
| (e) | In which account the balance of forfeited shares A/c is created? | 1 |
| (f) | When the vendor company pays liquidation expenses, in which account it will debited? | 1 |
| (g) | Whose permission is required for capital reduction? | 1 |
| (h) | After writing off Accumulated loss under the scheme of capital reduction, in which account the remaining balance of capital reduction is transfer? | 1 |
| (i) | From when Accounting Standard-17. is implemented? | 1 |
| (j) | What is the heading of Accounting Standard-17? | 1 |
| (k) | State the methods of capital reduction. | 1 |
| (l) | What is borrowing cost? | 1 |
| (m) | What is diluted earning? | 1 |
| (n) | Write the formula of Basic Earnings Per Share. | 1 |

Attempt any four questions from Q-2 to Q-8

- Q-2 Attempt all questions (14)**
- a. The Balance Sheet of X Ltd. and Y Ltd. as on 31-3-2015 are as under : **14**



Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
Eq. shares of Rs.10 each	80,000	50,000	Land & Building	65,000	20,000
General Reserve	20,000	15,000	Machinery	25,000	10,000
Worker's accident			Investment	10,000	---
Comp. Fund.	---	5,000	Stock	25,000	20,000
P.F.	10,000	10,000	Debtors	5,000	5,000
10% Debentures	20,000	5,000	Cash	40,000	40,000
Creditors	25,000	10,000	Preliminary Exps.	5,000	10,000
Bills Payable	12,000	10,000			
	8,000	---			
	1,75,000	1,05,000		1,75,000	1,05,000

It was decided to establish a new company XY Ltd. on 1-4-2015 to carry out amalgamation of the companies. Main conditions of amalgamation were as under:

For X Ltd...

1. Goodwill was to be calculated at twice the total profit of the past four years. Average profits of the last four years was Rs. 3750.
2. Book value of land and building is 30% more than the market value, land and building were to be taken at the market price.
3. Cash and Investments (to the extent of Rs. 15,000) are not be taken over.
4. Other assets and debts to be taken over at their book value.
5. Purchase consideration, 8000 Eq. shares of Rs. 10 each of the XY Ltd. at a market price Rs.12.
6. 12.5% XY Company's debentures to the debenture holders of the X Company in such a manner that debenture holders of X company do not sustain any interest loss in future.
7. Balance amount in cash.

For Y Ltd...

1. For five equity shares of Y Ltd, 6 equity shares of XY Ltd. of Rs. 10 each are to be given, at Rs.12 per share.
2. Rs.2 in cash per equity share in Y Ltd.



3. 12.5% XY Company's debentures to the debenture holders of the Y Ltd. in such a manner that debenture holders of X company do not sustain any interest loss in future.
4. Consider value of Machinery at 50% more than book values and values and value of stock at 25% more than book value. Other assets and debts to be taken at their book values. Write necessary journal entrees in the books of XY Ltd. and prepare opening as on 1-4-2015.

Q-3
a.

Attempt all questions

The assets and liabilities of R Ltd. and the K Ltd. on 31-3-2015 were follows:

(14)
14

R Ltd.

Liabilities	Rs.	Assets	Rs.
Equity shares, of Rs. 10 each	1,25,000	Land & Building	95,000
Debenture	50,000	Machinery	50,000
Creditors	15,000	Stock	40,000
P.& L. Account	40,000	Debtors	25,000
		Cash	10,000
		Goodwill	10,000
	2,30,000		2,30,000

K Ltd.

Liabilities	Rs.	Assets	Rs.
Equity shares, of Rs. 10 each	80,000	Land & Building	35,000
Creditors	10,000	Machinery	10,000
Reserve	5,000	Stock	25,000
		Furniture	5,000
		Debtors	20,000
	95,000		95,000

The E Ltd. agreed to purchase the following assets at these valuation:

Land & buildings at book value, Plant less 10%, Furniture at Rs. 4500, Sundry Debtors less 5%, and Stock less 20%.

It is also agreed to give Rs. 40,000 and to allot Rs. 10,000 shares for the purchase consideration with a cash payment for the balance. The shares of K Ltd. were quoted on stock exchange at Rs. 12.50.

Show necessary journal entries in the books of R Ltd, and prepare the balance sheet on



completion of the agreement.

Q-4 Attempt all questions

(14)

a.

Balance Sheet of X Ltd. as on 31-3-2015:

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Liabilities	Rs.	Assets	Rs.
4000 equity shares, of Rs. 100 each	4,00,000	Goodwill	2,00,000
8% pref. shares of Rs. 10 each	2,00,000	Land & Building	1,80,000
Reserves	1,00,000	Machinery	3,00,000
P.& L. Account	60,000	Stock	1,00,000
6% Debenture	1,60,000	Debtors 1,04,000	
Creditors	80,000	Less: B.D.R. 4,000	1,00,000
		Bills Receivable	20,000
		Bank Balance	90,000
		Preliminary Exps.	10,000
	10,00,000		10,00,000

A Ltd. was formed 1-4-2015 to take over the business of X Ltd. except Bank balance. The following terms were agreed upon:

1. One Equity share of Rs. 100 each fully paid in the new company to be issued for every 8 pref. share in the old company.
2. 4 Equity shares of Rs.100 each fully in the new company to be issued for every 5 Equity shares in the old company.
3. The debenture holders of the old company to be issued sufficient 7% Debenture of the new company so as to give them a premium of 5%.
4. Expenses of liquidation which amounted to Rs. 6000 are to be borne by the new company and paid for in cash.
5. Bills Receivable are not taken over by the new company and Rs. 16,000 was realized from these bills.

Prepare necessary ledger accounts to close the books of X Ltd.

b. Explain the meaning of reconstruction and its types.

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Q-5 Attempt all questions

(14)

a. What is the meaning of Amalgamation? Explain its objectives.

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b. What is capital reduction? State the reasons for reducing capital.

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Balance Sheet of A Ltd. as on 31-3-2015:

Liabilities	Rs.	Assets	Rs.
20,000 equity shares, of Rs. 10 each	2,00,000	Goodwill	18,000
10,000 6% pref. shares of Rs. 10 each	1,00,000	Land & Building	80,000
Debenture	40,000	Machinery	80,000
Outstanding interest on debenture	4,000	Patents	40,000
Creditors	20,000	Furniture	8,000
Contingent Liability: Pref. Dividend in arrears	44,000	Stock	50,000
		Debtors	20,000
		Bank Balance	5,400
		Preliminary Exps.	2,600
		P & L A/c	60,000
	3,64,000		3,64,000

The company proved unsuccessful and a scheme for the reduction of capital was adopted by the shareholders and was approved by the tribunal. The scheme provided for the following:

1. Pref. shares to be reduced to Rs. 6 and equity shares to be reduced by Rs. 6.
2. Debenture holders to waive their outstanding interest.
3. The pref. shareholders to waive their arrears of dividend and Rs. 25,000 to be paid to them in lieu thereof.
4. Goodwill, the debit balance of Profit and loss account, Preliminary Expenses are to be written off.
5. The balance available to be utilized for writing down the values of the assets as under:
Land & Building Rs. 20,000, Machinery Rs. 20,000, Patents Rs. 30,000, Furniture 4000.
6. Provision for bad debts to be made at 5% on debtors.

Pass necessary journal entries.

- b.** Stat the provisions of companies Act. for capital reduction. **7**
- Q-7 Attempt all questions (14)**
- a.** Explain Lease, Finance Lease and Operating Lease as per Accounting Standard-19. **7**
- Explain Segment Revenue and Segment Income as per Accounting Standard-17. **7**
- Q-8 Attempt all questions (14)**
- Explain Business Segment and Geographical Segment as per Accounting Standard-17. **7**
- Disclosure of which matters is necessary as per Accounting Standard-18. **7**

