

C.U.SHAH UNIVERSITY

Summer Examination-2017

Subject Name : Corporate Accounting-II

Subject Code : 4CO04CAC1

Branch : B.Com. (English)

Semester : 4

Date : 18/04/2017

Time : 10:30 To 01:30

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.

- Q-1 Attempt the following questions: (14)**
- a)** While calculating purchase consideration -----value of assets is considered. 1
 (a) Book value (b) Revalued price (c) Average price (d) Capital price
- b)** Net Assets minus Capital Reserve is ----- 1
 (a) Goodwill (b) Total assets (c) Purchase consideration (d) None of this
- c)** The shares received from the new company is recorded at----- 1
 (a) Face value (b) Market value (c) Average price (d) None of this
- d)** For the capital reduction scheme, there are which sections in the Company Act? 1
 (a) 100 to 104 (b) 200 to 204 (c) 300 to 304 (d) 400 to 404
- e)** The title of Indian Accounting Standard No. 16 is ----- 1
 (a) Owners Borrowing Cost (b) Cost of Employed Capital
 (c) Borrowing Cost (d) Cost of Financial Lease
- f)** Net Assets / No. of Equity shares = ? 1
 (a) Yield value of share (b) Intrinsic value of share
 (c) External value of share (d) Face value of share
- g)** When Indian Accounting Standard No. 18 issued by ICAI? 1
 (a) In 2000 (b) In 2008 (c) In 2005 (d) In 2011
- h)** Both of the old companies will not exist in ----- 1
 (a) Internal reconstruction (b) Absorption
 (c) External reconstruction (d) Amalgamation
- i)** If purchase consideration is less than net assets, the amount of difference is----- 1
 (a) Capital Reserve (b) Goodwill (c) consideration (d) Dissolution expenses



- j) The most important reason for capital reduction is----- 1
 (a) low value of goodwill (b) Over capitalization
 (c) Under capitalization (d) None of this
- k) Who will sacrifice in the capital reduction scheme? 1
 (a) Equity shareholder (b) Preference shareholder
 (c) Creditors (d) All of them as per requirement
- l) Write the full form of EPS. 1
- m) Write the formula of EPS. 1
- n) Write the definition of lease. 1

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

Q-2 Attempt all questions (14)

- a. The following is the Balance Sheet of XYZ Ltd. as on 31-3-2017: 14

Liabilities	Rs.	Assets	Rs.
Share Capital :		Fixed Assets	3,60,000
Equity shares of Rs. 10 each	1,40,000	Current Assets	6,40,000
13% Cum. Preference shares of Rs100	20,000	P & L A/c	60,000
8% Debenture	60,000		
Current Liabilities	8,40,000		
	10,60,000		10,60,000

The following scheme of capital reduction was approved by the court:

- (1) All existing equity shares are reduced to Rs. 4 each.
- (2) All preference shares are reduced to Rs. 60 each.
- (3) Fixed assets are to be written down by 33 1/3%.
- (4) To reduce the value of current assets Rs. 5,33,000.
- (5) The debenture holders to surrender their existing debenture of Rs. 100 each and exchange the same for fresh equal number of debentures of Rs. 75 each.
- (6) One of the creditors of the company to whom the company owes Rs. 5,00,000 decided to forgo 40% of his claim. He is allotted 25,000 equity shares of Rs. 4 each in part satisfaction of the balance of his claim.

Pass journal entries and prepare the Balance Sheet after capital reduction.

Q-3 Attempt all questions (14)

- a. State the reasons for Capital Reduction. 7
- b. State the provisions of companies Act for Capital Reduction. 7

Q-4 Attempt all questions (14)

- a. The balance sheet of RK Ltd. on 31-3-2017 is under : 14



Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	25,000
Equity shares of Rs. 100 each	4,00,000	Building	2,00,000
Workmen Compensation fund	10,000	Furniture	50,000
8% Debenture	1,50,000	Machinery	1,50,000
General Reserve	20,000	Investments	20,000
P & L A/c	10,000	Debtors	80,000
Provident fund	10,000	Bills receivable	60,000
Creditors	20,000	Cash and Bank	,40,000
Bills Payable	5,000		
	6,25,000		6,25,000

The PK Ltd. absorbed the RK Ltd. on following condition from 1-4-2017:

- (1) To take over all assets except investments and bills receivable.
- (2) Discharge the debenture debt at a discount of 5% by issue of 10% debentures in PK Ltd.
- (3) The equity shareholders of RK Ltd. to be allotted 12 equity shares of PK Ltd. of Rs. 10 each at a premium of Rs.2 per share for every share held by them.
- (4) To take over liabilities except bills payable.
- (5) Liquidation expenses Rs. 6,500 of RK Ltd. are borne by PK Ltd.
- (6) Value of fixed assets are 50% more than its book value.
- (7) RK Ltd. sold the investments for Rs. 25,000 and Rs. 50,000 was realised from bills receivable.
- (8) Bills payable paid in full.

You are required to prepare ledger accounts in the books of RK Ltd. & calculation of Goodwill or capital reserve.

Q-5

Attempt all questions

(14)

a. The following were the balance sheets of AB Ltd. and CD Ltd. as on 31-3-2017. **14**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Equity Shares of Rs. 10 each	10,00,000	5,00,000	Fixed Assets	9,00,000	5,00,000
General Reserve	3,00,000	1,00,000	Goodwill	1,00,000	----
P & L A/c	2,00,000	---	Investment (market value Rs. 1,50,000)	1,00,000	----
Creditors	4,00,000	3,00,000	Stock	----	1,80,000
Bills payable	1,00,000	1,00,000	Other current assets	7,00,000	2,20,000
			Loan and advances	2,00,000	1,00,000
	20,00,000	10,00,000		20,00,000	10,00,000

On the above date, both the companies decided to amalgamate and formed a new company ABCD Ltd. with an authorized capital of Rs. 30,00,000 divided in to equity share of Rs. 10 each. ABCD Ltd. has taken over the assets of both the companies on the following conditions:

- (1) Fixed assets of AB Ltd as shown in the books are 10% less than the market value whereas stock of CD Ltd. is overvalued by 20%.
- (2) ABCD Ltd has issued 2,80,000 equity shares to both the companies as fully paid at 10% premium in the ratio 3 : 1 as payment of their purchase consideration.



(3) ABCD Ltd. has issued the remaining shares to the public for cash at 10% premium, which were fully paid.

(4) The liquidation expenses of AB Ltd. and CD Ltd. were Rs. 10,000 and Rs. 5000 respectively.

Pass necessary journal entries in the books of ABCD Ltd and prepare Balance Sheet.

Q-6

Attempt all questions

(14)

Balance Sheet of the ABC Ltd. as on 31-3-2017:

14

Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	1,00,000
Equity shares of Rs. 10 each	3,00,000	Building	1,75,000
10% Cum. Preference shares of	2,00,000	Machinery	3,00,000
Rs100	1,50,000	Stock	85,000
8% Debenture	70,000	Debtors	
General Reserve	90,000	1,04,000	1,00,000
P & L A/c	60,000	Less: B.D.R	40,000
Creditors	30,000	4,000	40,000
Bills Payable		Bills receivable	60,000
		Cash and Bank	
		Preliminary expenses	
	9,00,000		9,00,000

The XYZ Ltd. was formed to take over the business of the ABC Ltd. except Bank Balance.

The following terms were agreed upon:

(1) 5 Equity shares of Rs. 100 each fully paid in the New Co. to be issued for every 4 shares in the Old Co.

(2) 4 Equity shares of Rs. 100 each fully paid in the New Co. to be issued for every 5 Equity shares in the Old Co.

(3) The debenture holders of the Old. Co. to be issued sufficient debentures of the New Co. so as to give a premium of 10%.

(4) Expenses of liquidation which amounted to Rs. 10,000 are borne by the New Co. and paid for in cash.

(5) Bills receivable are not taken over by the New Co. and Rs. 32,000 was realised from bills.

You are required to prepare necessary ledger accounts in the books of ABC Ltd.

Q-7

Attempt all questions

(14)

a. State the meaning and purpose of amalgamation.

7

b. Write a note on purchase consideration method.

7

Q-8

Attempt all questions

(14)

a. Explain diluted earning per share as per AS-20.

7

b. Which disclosures are required as per AS-17.

7

