

C.U.SHAH UNIVERSITY

Summer Examination-2019

Subject Name: Company Accounts-II

Subject Code: 4CO04COA1

Branch: B.Com. (English)

Semester: 4

Date: 22/04/2019

Time: 02:30 To 05:30

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) Explain the meaning of Amalgamation. (1)
 - b) State the meaning of External Reconstruction. (1)
 - c) Net Assets – Purchase Price = _____ (1)
 - d) What is Intrinsic Value of Shares? (1)
 - e) Write the name of Indian Accounting Standard No.16. (1)
 - f) What is the meaning of Capital Reduction? (1)
 - g) State the meaning of Liquidator. (1)
 - h) What is the Liquidation of Company? (1)
 - i) Explain the meaning of Fully Secured Creditors. (1)
 - j) Give the name of Indian Accounting Standard No.17. (1)
 - k) Explain the meaning of Liquidation Expense. (1)
 - l) Who are Preferential Creditors? (1)
 - m) Purchase Price – Net Assets = _____ (1)
 - n) What is the name of Indian Accounting Standard No.19 ? (1)

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

- Q-2 Attempt all questions (14)**

A Ltd. and B Ltd. decided to amalgamate on 1st April, 2019. A new company called **C Ltd.** was formed to take over the business of both the companies. The Balance Sheet of the two amalgamating companies as on 31st March, 2019 were as follows :

The A Ltd.

| Liabilities | Rs. | Assets | Rs. |
|---|-----------------|----------------------------|-----------------|
| Share Capital: 2,000 Equity Shares Of Rs.100 each | 2,00,000 | Land and Building | 40,000 |
| Creditors | 50,000 | Machinery | 60,000 |
| Creditors for outstanding rent | 1,000 | Stock | 20,000 |
| | | Debtors | 70,000 |
| | | Cash | 11,000 |
| | | Profit and Loss Account | 50,000 |
| | 2,51,000 | | 2,51,000 |



The B Ltd.

| Liabilities | Rs. | Assets | Rs. |
|----------------------------|-----------------|-------------------|-----------------|
| Share Capital : | | Goodwill | 25,000 |
| 3,000 Equity Shares of | | Land and Building | 1,50,000 |
| Rs. 100 each | 3,00,000 | Machinery | 1,25,000 |
| Reserve Fund | 50,000 | Stock | 50,000 |
| Dividend Equalization fund | 25,000 | Debtors | 1,00,000 |
| Profit and Loss Account | 40,000 | Prepaid Insurance | 2,000 |
| Creditors | 37,000 | | |
| | 4,52,000 | | 4,52,000 |

The new company issues its Equity Shares of Rs. 100 each in payment of purchase price.

Prepare necessary Ledger Accounts and give journal entries to close the books of the **A Ltd.**

Q-3

Attempt all questions

(14)

The assets of the **M Co.Ltd.** are purchased by the **N Co.Ltd.** the purchase consideration was as follows :

- (1) A payment in cash of Rs. 90 for every share in the M Co.Ltd.
- (2) A further payment in cash of Rs. 550 for every Debenture in the M Co.Ltd., Which the debenture holders have agreed to accept in full discharge of their debentures.
- (3) An exchange of four shares of the N Co.Ltd. of Rs.75 each (quoted in the market at Rs. 140 each) for every share in the M Co.Ltd.

The Balance Sheet of the **M Co.Ltd.** , stood as follows when taken over :

| Liabilities | Rs. | Assets | Rs. |
|-------------------------|------------------|--------------------|------------------|
| Paid up capital : | | Land and Buildings | 11,00,000 |
| 6,000 shares of Rs. 500 | | Machinery | 15,50,000 |
| each fully paid | 30,00,000 | Furniture | 2,60,000 |
| 1,300 Debentures | | Patents | 2,40,000 |
| of Rs.500 each | 6,50,000 | Work-in-Progress | 8,15,000 |
| Sundry Creditors | 2,50,000 | Stock of Goods | 1,85,000 |
| Workmen's Saving bank | 2,00,000 | Sundry Debtors | 2,65,000 |
| Insurance Fund | 65,000 | Cash | 85,000 |
| Reserve Fund | 2,75,000 | | |
| Profit and Loss Account | 60,000 | | |
| | 45,00,000 | | 45,00,000 |

Prepare necessary Ledger Accounts to close the books of **M Co.Ltd.** And pass necessary journal entries in the books of **N Co.Ltd.**

Q-4

Attempt all questions

(14)



- (a) Describe the purposes of amalgamation and absorption. (7)
 (b) Write a note on Net Assets Method. (7)
Q-5 Attempt all questions (14)
 (a) On 31-3-2019 the Balance Sheet of **R Ltd.** was as under : (7)

| Liabilities | Rs. | Assets | Rs. |
|---|-----------------|-------------------|-----------------|
| Share Capital : | | Sundry Assets | 1,57,000 |
| 75,000 6% Cumulative Preference Shares of Rs. 1 each fully paid | 75,000 | Profit & Loss A/c | 52,000 |
| 1,00,000 Equity Shares of Rs. 1 each fully paid | 1,00,000 | | |
| 5% Debentures | 20,000 | | |
| Accrued Int. on Debentures | 2,000 | | |
| Sundry Creditors | 12,000 | | |
| | 2,09,000 | | 2,09,000 |

No dividend has been paid on the preference shares for the past two years. It is proposed that a New Company **Q Ltd.** be formed to take over the whole of the Assets. The Capital of the New Company to consist of Equity Shares of Rs. 1 each.

The following scheme has been duly adopted and sanctioned :

- (a) Shares in the New Company to be issued in exchange for shares of the old Company on the following basis :
- (1) Equity Shareholders to receive one new share for every five shares held by them.
 - (2) Preference Shareholders to receive three new shares for every five shares held and a further one-half new share for every 25 shares held in satisfaction of the arrears of Preference Dividend.
- (b) The Debenture-holders to be paid by the new company the amount due to them in respect of principal and to waive any claim for arrears of interest.
- (c) The Other creditors to be paid 25% of their claims by the New Company in cash and to be allotted shares in the New Company to the extent of one-half of the balance.

You are requested to close the books of the Old Company assuming that the cost of winding up is to be borne by the New Company and that no fractional holding results from the scheme. Your answer should show the losses sustained by each class of shareholders by reconstruction.

- (b) Write a note on Reconstruction Account. (7)
Q-6 Attempt all questions (14)
 (a) The position of **Z Ltd.** was as under on 31-03-2019 when it was taken into voluntary liquidation. (7)

| Particulars | Rs. |
|--|----------|
| Share Capital : 5,000 Equity Shares of Rs. 100 each | 5,00,000 |
| 1,000 Preference Shares of Rs.100 each | 1,00,000 |
| Fully secured creditors (Securities realized Rs. 2,40,000) | 2,10,000 |
| 3 months salaries (of 6 clerks) | 7,000 |
| 5 workmen's salaries for last 12 months | 30,000 |
| Income-tax and local rates | 35,000 |
| Unsecured creditors | 8,34,000 |



| | |
|-----------------------------------|-----------|
| Debentures having floating charge | 15,00,000 |
| Liquidation expenses | 25,000 |
| Liquidator's remuneration | 50,000 |

Assets realized Rs.28,41,000 including the securities in the hands of fully secured creditors. Income-tax included Rs.5,000 assessed on 31-3-2018.

Prepare Liquidator's Final Statement of Accounts.

- Q-7** (b) Explain the modes of winding up a company. (7)
Attempt all questions (14)
(a) Write a note on Intrinsic value of shares. (7)
(b) Describe the Preferential Creditors. (7)
- Q-8** **Attempt all questions** (14)
(a) Explain the Indian Accounting Standard-**Related Party Disclosure**. (7)
(b) Discuss the Indian Accounting Standard- **Earning Per Share**. (7)

