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S.Y. B.Com. EXAMINATION, 2012

CORPORATE ACCOUNTING

(2008 PATTERN)

Time : Three Hours

Maximum Marks : 80

N.B. :— (i) All questions are compulsory.

(ii) Figures to the right indicate full marks.

(iii) Use of calculator is allowed.

1. (A) Fill in the blanks (any *five*) : [10]

(i) Shares issued at face value is known as.....

and any call amount not paid by shareholders is known as..... .

(ii) Accounting Standard (AS) 6 deals with.....and

Accounting Standard (AS) 9 deals with..... .

(iii) Loss prior to incorporation is known as.....and

post-incorporation profits are available for distribution of..... .

(iv) A company winding up by the court is called as.....

winding up and government taxes includes in.....
creditors.

P.T.O.

(v) In case of Amalgamation if the value of net Assets taken over is more than the payment made, the difference is termed as.....and if the value of net Assets taken is less than the payment made, the difference is termed as..... .

(vi)of shares means converting shares of larger denomination into shares of smaller denominations and.....of shares means converting shares of smaller denomination into shares of larger denomination.

(vii) Profit earned by the subsidiary company after the date of purchase of shares by the holding company are known as.....profit and share premium of subsidiary company should always be treated as..... profit.

(B) Write short notes on (any *two*) : [14]

- (i) Accounting Standard (AS)2
- (ii) Forfeiture of shares
- (iii) Amalgamation of a company
- (iv) Scheme of capital reduction
- (v) Holding company and Subsidiary company.

2. The following Trial Balance for the year ended 31st March 2011 is extracted from the books of Mumbai Industries Ltd., Mumbai : [14]

Particulars	Debit (Rs.)	Credit (Rs.)
Land and Building	4,00,000	—
Plant and Machinery	15,00,000	—
Furniture and Fittings	80,000	—
Stock as on 1-4-2010	4,40,000	—
Salaries	1,10,000	—
Printing and stationery	20,000	—
Purchases	20,00,000	—
Carriage Inward	4,00,000	—
Wages	5,60,000	—
Calls in arrears	20,000	—
Share Capital (called up)	—	10,00,000
General Reserve	—	2,80,000
7% Debentures	—	10,00,000
Sundry Creditors	—	3,00,000
Bank Overdraft	—	2,50,000
Debenture Redemption Fund	—	3,50,000
Profit and Loss Appropriation A/c	—	2,00,000
Bills Payable	—	1,20,000
Trade Investment	60,000	—

Cash in hand	20,000	—
Preliminary Expenses	40,000	—
Debenture Interest	35,000	—
Sales	—	33,20,000
Directors Fees	45,000	—
Rent, Rates and Insurance	30,000	—
Bad debts	40,000	—
Audit Fees	30,000	—
General Expenses	70,000	—
Debtors	7,20,000	—
Bills Receivable	2,00,000	—
	68,20,000	68,20,000

The following adjustments and information should be considered :

- (a) Stock as on 31st March 2011 Rs. 14,00,000.
- (b) Salaries outstanding Rs. 10,000 and Insurance prepaid Rs. 4,000.
- (c) Further bad debts to be written off Rs. 20,000 and create a reserve for Doubtful Debts at 5% on Sundry Debtors.
- (d) Interest on Debentures for six months is outstanding.
- (e) Depreciate plant and machinery by 10% and land and building by 20% p.a.
- (f) The authorised share capital of the company is Rs. 50,00,000 divided into 50,000 equity shares of Rs. 100 each.
- (g) Write off 25% of the preliminary expenses.

(h) The Board of Directors have decided to make the following appropriations :

(i) Transfer Rs. 50,000 to General Reserve.

(ii) Transfer Rs. 1,00,000 to Debenture Redemption Fund.

(iii) Equity Dividend at 10% should be provided for.

Prepare Trading Account, Profit and Loss Account, Profit and Loss Appropriation Account for the year ended on 31st March 2011 and Balance Sheet as on that date.

Or

Bharat Electronic Ltd. invited application for 6,000 equity shares of Rs. 100 each at premium of 10% payable as follows : [14]

On Application	Rs. 20
On Allotment	Rs. 40 (including premium)
On First Call	Rs. 30
On Final Call	Rs. 20

The applications received were for 10,000 shares and pro-rata allotment was made to the applications of 9,000 shares, the remaining applications were rejected and the application money was refunded. Excess application money was adjusted against money due on allotment. All money dues were received except first and final call on 100 shares of Mr. Ram, which were forfeited and these forfeited shares were reissued to Mr. Shyam at Rs. 80 per share. Pass Journal entries in the books of Bharat Electronic Ltd.

3. (A) Goyal Limited was incorporated on 1st August, 2010 to take over the running business of Mr. Sagar from 1st April 2010. The Profit and Loss A/c for the year ended 31st March 2011 is as follows : [8]

Dr.		Profit and Loss A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Rent and Taxes	30,000	By Gross Profit	2,10,000		
To Electricity charges	4,800				
To Salaries	72,000				
To Directors Fees	6,000				
To Auditors Fees	3,200				
To Commission	12,000				
To Advertisement	8,000				
To Interest on Loan	6,000				
To Discount	7,000				
To Office Expenses	15,000				
To Carriage	6,000				
To Preliminary Exp.	13,000				
To Bad debts	4,000				
To Net Profit	23,000				
	2,10,000			2,10,000	

The total sales for the year ending on 31st March 2011 was Rs. 10,00,000, divided into Rs. 3,00,000 for the period upto 1st August, 2010 and Rs. 7,00,000 for the remaining period. Prepare a statement showing profit prior to and after incorporation of Goyal Ltd.

- (B) Amit Ltd. acquired equity shares in Sumit Ltd. on 1-4-2010. Their Balance Sheet as on 31-3-2011 were as follows :[14]

Balance Sheet as on 31-3-2011

Liabilities	Amit Ltd.	Sumit Ltd.
	(Rs.)	(Rs.)
Share Capital :		
Shares of Rs. 100 each	5,00,000	3,00,000
General Reserve	40,000	10,000
Profit and Loss A/c	70,000	5,000
Bills Payable	50,000	25,000
Creditors	1,40,000	60,000
	8,00,000	4,00,000
Assets		
	(Rs.)	(Rs.)
Land and Building	2,00,000	1,00,000
Plant and Machinery	1,50,000	2,00,000
Investments 2700 shares in Sumit Ltd.	2,97,000	—
Stock	40,000	30,000
Debtors	50,000	60,000
Bills Receivable	63,000	10,000
	8,00,000	4,00,000
		P.T.O.

Additional Information :

- (i) On the date of purchase of shares there was no balance in General Reserve and profit and loss showed a debit balance of Rs. 10,000 in the books of Sumit Ltd.
- (ii) Sundry Debtors of Sumit Ltd. include Rs. 40,000 due from Amit Ltd.
- (iii) Bills payable of Sumit Ltd. include Rs. 18,000 in favour of Amit Ltd. which has discounted Rs. 3,000 of them.
- (iv) Stock of Sumit Ltd. includes Rs. 4,000 being purchased from Amit Ltd. on which the company made a profit of $33\frac{1}{3}\%$ on cost.

Prepare consolidated Balance Sheet with necessary workings from the balance sheet of Amit Ltd. and Sumit Ltd.

4. (A) Bad Luck Ltd. went into liquidation on 31-3-2011. The Balance sheet as on that date was as under : [10]

Balance Sheet as on 31-3-2011

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold Property	80,000
Issued and Subscribed :		Plant and Machinery	69,000
(i) 8000, 8% Preference		Stock	75,000
shares of Rs. 10 each	80,000	Cash in hand	1,000

(ii) 12000 Equity shares of Rs. 10 each	1,20,000	Debtors	55,000
5% Debentures (Secured on Freehold Property)	60,000	Profit and Loss	79,000
Income Tax	4,000		
Trade Creditors	65,000		
Bank Overdraft	30,000		
	<u>3,59,000</u>		<u>3,59,000</u>

(a) The interest on debentures were paid upto 31-3-2010.

(b) Preference dividend were in arrears for two years.

(c) The assets realised were as follows :

Freehold property Rs. 1,60,000, Plant and Machinery
Rs. 62,000, Stock Rs. 73,000 and Debtors Rs. 50,000.

(d) The expenses of liquidation amounted to Rs. 5,000 and
liquidators remuneration was fixed at Rs. 1500 plus 2%
on all assets realised except cash.

(e) The creditors include the preferential creditors which
amounted to Rs. 5,000.

Prepare the Liquidator's Final Statement of Account.

- (B) The following was the Balance Sheet of Navin Ltd. as on 31-3-2011 : [10]

Balance Sheet as on 31-3-2011

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold Property	23,75,000
15,000 7% Cumulative Preference shares of Rs. 100 each	15,00,000	Plant and Machinery	8,00,000
2,75,000 Equity Shares of Rs. 10 each	27,50,000	Goodwill	3,00,000
Share Premium A/c	4,00,000	Stock	3,50,000
Sundry Creditors	4,00,000	Debtors	2,25,000
		Preliminary Exp.	2,50,000
		Profit and Loss A/c	7,50,000
	50,50,000		50,50,000

The following scheme of reconstruction was approved and duly sanctioned :

- (a) Preference shares to be reduced to Rs. 80 per share.
- (b) Equity shares to be reduced to Rs. 5 per share.
- (c) Write off all intangible assets and share premium account.
- (d) Freehold property to be written down to Rs. 18,50,000.

Give necessary journal entries to record the above transactions in the books of Navin Ltd. Also prepare a Revised Balance Sheet after the scheme of reconstruction as on 31-3-2011.

Or

The following was the Balance Sheet of Poonam Ltd. as on 31-3-2011 :

Balance Sheet as on 31-3-2011

Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	60,000
10,000 Equity shares		Buildings	80,000
of Rs. 20 each	2,00,000	Machinery	1,30,000
6000, 8% Cumulative		Stock	50,000
Preference shares of		Sundry Debtors	30,000
Rs. 20 each fully paid	1,20,000	Cash	10,000
Debentures	80,000	Preliminary Expenses	6,000
Sundry Creditors	20,000	Profit and Loss	54,000
	4,20,000		4,20,000

The scheme of reconstruction was agreed as follows :

- (a) A new company to be formed "Sonam Ltd." with an authorised capital of Rs. 6,00,000 all in equity shares of Rs. 10 each.
- (b) Two equity shares of Rs. 5 paid up in the new company issued for every one equity share in the old company.
- (c) Four equity shares of Rs. 5 paid up in the new company to be issued for every Preference share in the old company.

- (d) Debentureholders to be allotted 8000 equity shares as fully paid up in the new company.
- (e) Sundry creditors to be taken over by new company.
- (f) The remaining equity shares to be issued to the public and duly collected in full.
- (g) The Assets of the old company to be taken over subject writing down the value of machinery by Rs. 10,000.

Show the necessary ledger accounts in the books of the old company and the opening journal entries and Balance sheet in the books of new company.

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