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BBABMC 286

**Choice Based Credit System IV Semester B.B.A. Degree
Examination, September 2022
(2019 – 20 Batch Onwards)
CORPORATE ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 80

Instructions : 1) Provide working notes **wherever** necessary.
2) Follow the instructions **strictly**.

**SECTION – A
(Four marks each)**

Answer **any four** questions.

(4×4=16)

1. How do you calculate purchase consideration under Net Assets Method ?
2. Distinguish between internal reconstruction and external reconstruction.
3. What is the order of payments on Liquidation of companies ?
4. How do you treat the following items of Transferor Company in case of Amalgamation ?
 - a) Workmens' Compensation Fund.
 - b) Employees' Savings Bank Account.
5. The following is the Balance Sheet of Nava Bharat Ltd., as on 31st March, 2022.

Liabilities	₹	Assets	₹
7500 Preference Shares of ₹ 100 each fully paid	7,50,000	Fixed Assets	6,50,000
5000 Equity Shares of ₹ 100 each fully paid	5,00,000	Current Assets	2,00,000
Current Liabilities	50,000	Profit and Loss Account	4,50,000
	13,00,000		13,00,000

P.T.O.



The company having been suffered heavy losses adopted following scheme of reconstruction.

- a) The Preference Shares be reduced to an equal number of fully paid shares of ₹ 50 each.
- b) The Equity Shares be reduced to an equal number of shares of ₹ 25 each.
- c) The amount available be used to write off balances in Profit and Loss A/c, 20% off Current Assets and to reduce Fixed Assets by ₹ 2,00,000.

Pass Journal Entries to record above transactions.

6. Unhealthy Ltd. went into voluntary liquidation. Following was the position : Preferential creditors ₹ 6,000, Unsecured creditors ₹ 40,000, Expenses of liquidation ₹ 5,000, Liquidator's remuneration ₹ 6,000, Debentures having floating charges on assets ₹ 2,00,000, Assets realised ₹ 4,11,000.

Prepare the Liquidator's Final Statement of Account.

7. H Ltd., acquired all the shares in S Ltd., on 1st April, 2021 and the Balance Sheets of the two companies on 31st March, 2022 were as follows :

Balance Sheet as at 31st March, 2022

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share Capital	2,50,000	1,50,000	Sundry		
Reserve on			Assets	3,25,000	3,50,000
01-04-2021	1,00,000	75,000	Investment		
Profit and Loss			in S Ltd.		
Account	1,25,000	50,000	at cost	2,50,000	—
Creditors	1,00,000	75,000			
	5,75,000	3,50,000		5,75,000	3,50,000

The Profit and Loss Account of S Ltd., had a credit balance of ₹ 15,000 on 1st April 2021. Calculate the capital profits as on 31-03-2022 and minority interest.



SECTION – B
(Eight marks each)

Answer **any four** questions.

(4×8=32)

- 8. Explain the two methods of amalgamation.
- 9. Explain different modes of winding up of a company.
- 10. How would you ascertain the amount of minority interest ?
- 11. Following are the Balance Sheet of X and Y Ltd. as on 31-03-2022.

Liabilities	X Ltd. (₹)	Y Ltd. (₹)	Assets	X Ltd. (₹)	Y Ltd. (₹)
Share Capital :			Premises	60,000	–
Shares of			Goodwill	–	60,000
₹ 100 each	2,00,000	1,80,000	Stock	1,50,000	45,000
Reserve	37,500	–	Debtors	40,000	80,000
P & L A/c	19,000	–	Bank	42,500	37,500
Creditors	36,000	60,000	P & L A/c	–	17,500
	2,92,500	2,40,000		2,92,500	2,40,000

A new company XY Ltd. was formed to take over the two businesses on the following terms :

- a) X Ltd. : Premises to be valued at ₹ 75,000, Debtors to be taken over at 90% and Stock at ₹ 1,57,500.
- b) Y Ltd. : Goodwill to be taken over at ₹ 80,000, Debtors to be taken over at ₹ 75,000 and Stock at ₹ 37,500.

Purchase consideration to both the companies settled by issuing fully paid up shares of ₹ 10 each. Calculate purchase consideration payable to both the companies and also show the mode of payment.



12. Having proved unsuccessful, 4G Ltd., decided to wind up and sell to a new company called 5G Ltd. The Balance Sheet of 4G Ltd., on the date of winding up was as follows :

Liabilities	₹	Assets	₹
Equity Share Capital		Buildings	4,00,000
(Shares of ₹ 10 each)	10,00,000	Plant	2,00,000
Sundry Creditors	1,50,000	Sundry Debtors	2,00,000
		Stock	50,000
		P & L A/c	3,00,000
	11,50,000		11,50,000

5G Ltd. was formed to take over only the following assets : Buildings at ₹ 3,00,000, Plant at ₹ 1,40,000 and Stock at ₹ 60,000. Purchase Price was settled by the issue of fully paid equity shares in new company. 4G Ltd. realized Debtors ₹ 1,50,000 and settled Creditors at ₹ 1,10,000. Expenses of reconstruction amounted to ₹ 10,000. Prepare Realisation Account and Equity Shareholders A/c in the books of 4G Ltd.

13. River Ltd., went into liquidation with the following liabilities :

Secured creditors (Securities realised ₹ 2,50,000) ₹ 2,00,000

Other assets realized ₹ 3,10,000

Preferential creditors ₹ 6,000

Unsecured creditors ₹ 3,05,000

Legal fees ₹ 1,000

Liquidation Expenses ₹ 1,500

Equity Share Capital ₹ 50,000

The liquidator is entitled to a commission of 3% on all assets realized including securities in the hands of secured creditors and 5% on the amounts distributed among unsecured creditors excluding preferential creditors.

Prepare Liquidator's Final Statement of Account.



14. The following are the Balance Sheets of Highway Ltd. and Road Ltd. as at 31st March, 2022.

Liabilities	Highway Ltd. (₹)	Road Ltd. (₹)	Assets	Highway Ltd. (₹)	Road Ltd. (₹)
Share Capital :			Fixed Assets	3,00,000	1,00,000
(Shares of			60% shares in		
₹ 10 each)	5,00,000	2,00,000	Road Ltd.		
Reserve	1,00,000	50,000	at cost	1,62,400	–
Profit and Loss			Current Assets	2,17,600	2,04,000
Account	40,000	40,000	Preliminary		
Creditors	40,000	20,000	Expenses	–	6,000
	6,80,000	3,10,000		6,80,000	3,10,000

Highway Ltd., acquired shares of Road Ltd., on 31st March 2022. Road Ltd., revalued its Fixed Assets at ₹ 1,20,000. Calculate Minority Interest and cost of control.

SECTION – C
(Sixteen marks each)

Answer **any two** questions.

(2×16=32)

15. Smart Ltd., absorbs the business of Weak Ltd.

The Balance Sheet of Weak Ltd. as on 31-03-2022

Liabilities	₹	Assets	₹
Share Capital :		Goodwill	1,25,000
30000 Equity Shares of		Land and Buildings	3,82,500
₹ 50 each	15,00,000	Plant and Machinery	11,00,000
5% Debentures	7,50,000	Patents	25,000
Trade Creditors	1,00,000	Patterns	12,500
Workmen's Savings		Stock	5,30,000
Bank A/c	50,000	Debtors	2,25,000



Reserve Fund	1,60,000	Investment	25,000
Profit and Loss Account	40,000	Cash at Bank	1,75,000
	26,00,000		26,00,000

The consideration being the :

- Assumption of Liabilities.
- Discharge of debentures at a premium of 5% by the issue of 5% debentures in Smart Ltd.
- Payment in cash of ₹ 30 per share.
- Exchange of 3 shares of ₹ 10 each in Smart Ltd. at an agreed value of ₹ 15 per share for every share in Weak Ltd.

Prepare the necessary Ledger Accounts in the books of Weak Ltd. and pass opening entries in the books of Smart Ltd., assuming that absorption is in the nature of purchase.

16. The Balance Sheet of Delta Ltd. as on 31st March, 2021 is as follows.

Liabilities		₹	Assets		₹
Share Capital :			Goodwill		2,00,000
30000 Preference			Land		4,00,000
Shares of ₹ 10 each	3,00,000		Machinery		2,50,000
100000 Equity Shares of			Tools		1,00,000
₹ 5 each	5,00,000		Stock		1,00,000
14% Debentures	2,00,000		Debtors		65,000
Creditors	3,00,000		Cash		10,000
			Profit and Loss Account		1,75,000
	13,00,000				13,00,000

On this date, it was decided to reconstruct the company and the following scheme of reconstruction was agreed upon :

- Creditors to accept 14% Debentures to the extent of half of their dues and the balance to be paid after six months.
- Preference Shares to be reduced to Shares of ₹ 5 each.



- iii) Equity Shares to be reduced to shares of ₹ 1 each.
- iv) Land to be reduced by ₹ 79,000, Machinery by ₹ 40,000, Tools by ₹ 48,000 and RBD ₹ 8,000 to be created.
- v) The debit balance of Profit and Loss Account and Goodwill to be written off.
- Pass Journal Entries and prepare Balance Sheet after reconstruction.

17. Unfortunate Ltd., went into voluntary liquidation on 1st April 2021. The Balance Sheet of the company on this date was as follows :

Liabilities	₹	Assets	₹
Share Capital :		Plant	2,00,000
12000, 10% Preference		Stock	1,00,000
shares of ₹ 10 each	1,20,000	Debtors	1,50,000
20000 Equity shares of		Cash	3,000
₹ 10 each	2,00,000	Profit and Loss Account	30,000
5% Debentures	60,000		
Creditors	1,03,000		
	4,83,000		4,83,000

Preference dividend was in arrears for one year and payable on liquidation. Plant and Stock realized ₹ 2,75,000. Debtors worth ₹ 25,000 were bad. Creditors include ₹ 5,000 preferential. Liquidation Expenses amounted to ₹ 4,600. Legal charges ₹ 2,000. Liquidator's remuneration was agreed at 2% on assets realized except cash and 2% on amount distributed to Equity Shareholders. Debenture holders were paid on 1-10-2021.

Prepare Liquidator's Final Statement of Account.

18. Urban Ltd. purchased 12000 shares of Rural Ltd. on 1st October, 2021. Following are the Balance Sheet of the two companies as at 31st March, 2022.

Balance Sheet as at 31st March, 2022

Liabilities	Urban Ltd. (₹)	Rural Ltd. (₹)	Assets	Urban Ltd. (₹)	Rural Ltd. (₹)
Share Capital :			Goodwill	30,000	10,000
Shares of			Machinery	3,50,000	1,35,000
₹ 10 each	5,00,000	2,00,000	Stock	90,000	45,000
General Reserve	75,000	–	Sundry Debtors	1,30,000	60,000



Profit and Loss Account	71,000	30,000	Investment in Shares of Akbar Ltd.	96,000	–
Sundry Creditors	60,000	40,000	Cash and Bank Balance	20,000	12,500
Bills Payable	10,000	–	Bills Receivables	–	7,500
	7,16,000	2,70,000		7,16,000	2,70,000

- i) Profit and Loss Account in the books of Rural Ltd. showed a debit balance of ₹ 10,000 on 01-04-2021.
- ii) The bills payable in Urban Ltd. represented bills issued in favour of Rural Ltd. which company got bills of ₹ 2,500 discounted.
- iii) Include in the stock of Rural Ltd. are goods of the value of ₹ 10,000 which were supplied by Urban Ltd. at cost plus 25%.

Prepare the Consolidated Balance Sheet as at 31st March, 2022.
