Reg. No. | | | | | | | | | |

BCMCMC 382

Choice Based Credit System VI Semester B.Com.
Examination, September 2022
(2021-22 Batch Onwards)
CORPORATE ACCOUNTING – II

Time : 3 Hours Max. Marks : 120

Instruction : *Show working notes* ***wherever*** *necessary.*

SECTION – A

Answer **any four** questions. **(6×4=24)**

1. What is goodwill ? How does it arise in a firm ?

2. What is meant by 'B list contributories' ? What is the liability of contributories in the list ?

3. From the following information, calculate the value of an equity share :
   i) The subscribed share capital of a company consists of 10,000 14% preference shares of ₹ 100 each and 2,00,000 equity shares of ₹ 10 each. All the shares are fully paid up.
   ii) The average annual profits of the company after providing for depreciation but before taxation are ₹ 25,00,000. It is considered necessary to transfer ₹ 1,25,000 to General Reserve before declaring any dividend. Rate of taxation is 50%.
   iii) The normal return expected by investors on equity shares from the type of business carried on by the company is 20%.

4. Kaveri Ltd. agreed to acquire the business of Krishna Ltd. as on 31-3-2022. The Balance Sheet of Kaveri Ltd. on that date is given below :

Liabilities	**Amt. (₹)**	**Assets**	**Amt. (₹)**
Share capital :		Goodwill	1,00,000
30,000 preference shares of ₹ 10 each	3,00,000	Land and Buildings	6,40,000
30,000 equity shares of Rs. 10 each	3,00,000	Stock	1,68,000
General Reserve	1,70,000	Debtors	36,000
P/L Account	1,10,000	Bank	56,000

P.T.O.

6% Debentures	1,00,000		
Creditors	20,000		
	10,00,000		**10,00,000**

Purchase consideration is to be calculated as follows.

1) Equity shares are to be redeemed at 6% premium by issuing equity shares in Kaveri Ltd.
2) Nine preference shares in Kaveri Ltd. are to be issued for every five preference shares held in Krishna Ltd. The face value of preference shares of both the companies same. Calculate purchase consideration.

5. The Balance Sheet of Mamatha Ltd. as on March 31, 2022 was as follows :

Liabilities	₹	**Assets**	₹
Equity share capital	80,000	Plant and Machinery	48,000
Capital Reserve	16,000	Land and Buildings	80,000
8% Loan on Mortgage	64,000	Furniture	32,000
Creditors	32,000	Stock	24,000
Bank overdraft	8,000	Debtors	24,000
Taxation :		Investments (short term)	8,000
Current	8,000	Cash in hand	24,000
Future	8,000		
Profit and Loss A/c	24,000		
	2,40,000		**2,40,000**

From the above compute :

a) Current ratio b) Quick ratio c) Debt equity ratio.

6. How do you classify the investments as current and non-current investments ? Give two examples each for current and non-current investments.

SECTION – B

Answer **any four** questions. **(12×4=48)**

7. Define Ratio Analysis. Analyse the role of ratios in financial decision making.

8. The East West Co. Ltd. sells its business to Vasu Ltd. as on March 31, 2022 on which date its balance sheet was as under :

Liabilities	₹	**Assets**	₹
Paid up share capital		Goodwill	50,000
(2000 shares of ₹ 100 each)	2,00,000	Property	1,50,000
Debentures	1,00,000	Plant	83,000
Creditors	30,000	Stock	35,000

General Reserve	50,000	Bills Receivables	4,500
Profit and Loss A/c	20,000	Debtors	27,500
		Bank	50,000
	4,00,000		**4,00,000**

Vasu Ltd. agreed to take over the assets (exclusive of goodwill and bank) at 10% less than the book values to pay ₹ 75,000 for goodwill and to take over debentures.

The purchase consideration was to be discharged by the allotment to the East West Co. Ltd., 1,500 shares of ₹ 100 each at a premium of ₹ 10 per share and the balance in cash.

The cost of liquidation amounted to ₹ 3,000.

Show Realisation Account, Shareholders Account, Vasu Ltd. Account and Bank Account in the books of Vendor company.

9. Zee Ltd. went into voluntary liquidation on 1st July, 2021. The Balance Sheet of the Co. as follows.

Liabilities	₹	**Assets**	₹
Share capital		Plant	2,00,000
12,000 10% preference		Stock	1,00,000
shares of ₹ 10 each	1,20,000	Debtors	1,50,000
20,000 ordinary shares of		Cash	3,000
₹ 10 each	2,00,000	P and L 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 realised ₹ 2,75,000, Debtors worth ₹ 25,000 were bad creditors include ₹ 5,000, preferential liquidation expenses amounted to ₹ 1,600, Liquidators remuneration was agreed at 2% on amount realised except cash and 2% on the amount distributed to the ordinary shareholders. Debenture holders were paid on 31-12-2021.

Prepare Liquidators Final Account.

10. From the following information, calculate the value of goodwill according to
    i) Super profits basis
    ii) Capitalisation method
    iii) Annuity method after assuming ₹ 1 in 8 years at 12% per annuity table as ₹ 4.9618 :
        a) Average capital employed in the business ₹ 6,00,000.
        b) Net trading profits of the concern for the past three years were : ₹ 1,07,600, ₹ 90,700 and ₹ 1,12,500.

c) Rate of interest expected from capital having regard to the risk involved 12%.

d) Fair remuneration to the proprietors for their services ₹ 12,000 per annum.

e) Sundry assets of the business ₹ 7,54,762.

f) Current liabilities ₹ 31,329.

11. On March 31, 2022, the balance sheet of a Limited Company was as follows :

Liabilities	₹	**Assets**	₹
Issued capital in ₹ 10 shares	4,00,000	Fixed assets	5,00,000
Reserves	90,000	Current assets	2,00,000
Profit and Loss A/c	20,000	Goodwill	40,000
5% Debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		**7,40,000**

On March 31, 2022, the fixed assets were independently valued at ₹ 3,50,000 and the goodwill at ₹ 50,000.

The net profit for the three years were :

2019-20 ₹ 51,600, 2020-21 ₹ 52,000, 2021-22, ₹ 51,650 of which 20% was placed to reserve, this portion being considered reasonable in the industry in which the company is engaged and where the fair investment return may be taken at 10%.

Compute the value of share by

a) the net assets method and

b) the yield method.

12. Prepare a Balance Sheet in Vertical form of Roshni Ltd. as on 31-3-2022.

	Amount (₹)	**Amount (₹)**
Share capital		
1,00,000 equity shares of ₹ 10		10,00,000
8000 preference shares of ₹ 100		8,00,000
Security premium		8,00,000
General Reserve		32,00,000
Secured loans		18,00,000
Unsecured loans		3,10,000
Fixed assets	50,00,000	
Goodwill	2,60,000	

Investment	2,50,000	
Closing stock	14,00,000	
Sundry debtors	14,20,000	
Cash and Bank	3,40,000	
Loans and Advances	5,30,000	
Creditors		12,50,000
Bills payable		3,00,000
Provision for taxation		2,00,000
Miscellaneous expenditure	60,000	
Profit and Loss A/c (Loss)	4,00,000	
	96,60,000	**96,60,000**

Provide for

1) Depreciation on fixed assets ₹ 6,00,000.
2) Provision for doubtful debts ₹ 40,000.

SECTION – C

Answer **any two** questions. **(2×24=48)**

13. Alpha Ltd. agreed to acquire the business of Beta Ltd. as on 31-12-2021. The Balance Sheet of Beta Ltd. on that date was as follows :

Liabilities	₹	**Assets**	₹
Share capital		Goodwill	1,00,000
60,000 shares of ₹ 10 each		Land and Buildings	6,00,000
fully paid	6,00,000	Plant	40,000
General Reserve	1,00,000	Stock	1,68,000
Workmen's compensation fund	70,000	Debtors	36,000
6% Debentures	1,00,000	Cash	56,000
Creditors	20,000		
Profit and Loss A/c	1,10,000		
	10,00,000		**10,00,000**

The consideration payable was agreed as under :

A cash payment of ₹ 2.50 for every share in Beta Ltd.

An issue of ₹ 90,000 fully paid shares ₹ 10 each at a market value of ₹ 15 per share.

Issue of such an amount of fully paid 8%.

Debentures in Alpha Ltd. at 96% is sufficient to discharge the 6% debentures of Beta Ltd. at a premium of 20%, while computing the consideration the directors of Alpha Ltd., valued Land and Buildings at ₹ 11,80,000, Plant at ₹ 20,000, Stock at ₹ 1,42,000 and debtors of the face value subject to a Reserve of 5% for doubtful debts. The cost of liquidation of Beta amounted to ₹ 5,000 paid by Alpha Ltd.

Write the Ledger Accounts in the books of Beta Ltd. and draft Journal entries in the books of Alpha Ltd.

14. The authorised capital of Goodluck Co. Ltd. is ₹ 3,00,000 consisting of 1,500, 6% preference shares of ₹ 100 each and 15000 equity shares of ₹ 10 each.

	Amount ₹	Amount ₹
Investments in shares	25,000	–
Purchases	2,65,545	–
Packing charges	9,000	–
Delivery charges	17,700	–
Stock on 1st Jan. 2021	72,600	–
Wages	15,000	–
Salaries	9,000	–
Directors fees	2,000	–
Rates and taxes	7,750	–
Carriage	4,100	–
Dividend for 2020	6,000	–
Preference dividend for half year 30-6-2021	3,000	
Machinery	12,500	–
Discount on issue of debentures	1,000	
Preliminary expenses	500	
Bills receivable	20,750	
Interest on bank loans	2,900	
Debenture interest half year 30-6-2021	1,875	
Debtors	25,050	
Creditors	–	43,925
Building	1,75,000	–
Furniture (cost ₹ 25,000)	17,500	–
Preference share capital	–	1,00,000
Equity share capital	–	1,00,000
5% mortgage debentures	–	75,000
Dividend and interest	–	22,420
Profit and Loss Account	–	14,250
Sales	–	3,40,250
Bank loan by hypothecation of stock and B/R		75,000
Technical know how at cost	75,000	–
Cash	2,075	–
	7,70,845	**7,70,845**

You are required to prepare Trading and Profit and Loss account for the year ended 31-12-2021 and Balance Sheet on that date taking into account the following :

1) Closing stock valued at ₹ 71,250.
2) Wages include ₹ 1,000 incurred for installation of machinery.
3) Purchases include goods worth ₹ 2,500 distributed freely among customers.
4) Depreciate furniture at 10% on original cost.
5) Write off half of the discount on issue of debentures.
6) Provide for the remaining half years preference dividend.
7) Technical know how is to be written down over 15 years.
8) Provide for taxation ₹ 5,000.

15. From the following Balance Sheet of a Limited Company as at March 31, 2022, compute the break up value of each equity share :

		₹		₹
Share capital			Land and Buildings	1,00,000
10000, equity shares of ₹ 10			Plant and Machinery	1,50,000
each fully paid up		1,00,000	Furniture	50,000
10000, equity shares of ₹ 10			Investments (Trading)	50,000
each, ₹ 8 paid up		80,000	Stock	80,000
15000, 6% preference shares of			Sundry Debtors	1,00,000
₹ 10 each fully paid up		1,50,000	Preliminary expenses	50,000
General Reserve		2,00,000	Underwriting commission	30,000
Profit and Loss A/c			Bank	40,000
Balance on 1-4-21	8,000		Cash	8,000
Profit for the year	50,000	58,000		
Creditors		50,000		
Provision for taxation		20,000		
		6,58,000		**6,58,000**

The adjusted profits for the last four years were : 2018-19 ₹ 75,000, 2019-20 ₹ 80,000, 2020-21 ₹ 70,000 and 2021-22 ₹ 50,000.

Normal return on average capital employed is 10%, Goodwill is to be valued at 4 years purchase of profits. Land and Buildings and Plant and Machinery are revalued at ₹ 1,50,000 and ₹ 2,00,000 respectively.

16. Following is the Profit and Loss Account and Balance Sheet of a company. Redraft them for the purpose of analysis and calculate the following ratios :
    i) Gross profit ratio
    ii) Net profit ratio
    iii) Current ratio
    iv) Liquidity ratio
    v) Stock turnover ratio
    vi) Debtors turnover ratio
    vii) Operating profit ratio
    viii) Debt equity ratio.

Profit and Loss Account

	₹		₹
To Opening stock of finished goods	1,00,000	By Sales : Cash	2,00,000
" Opening stock of raw materials	50,000	Credit	8,00,000
" Purchases of raw materials	3,00,000	" Closing stock of raw materials	1,50,000
" Direct wages	2,00,000		
" Manufacturing expenses	1,00,000	" Closing stock of finished goods	1,00,000
" Administrative expenses	50,000		
" Selling and distribution expenses	50,000	" Profit on sale of shares	50,000
" Loss on sale of plant	25,000		
" Interest on debentures	10,000		
" Net profit	4,15,000		
	13,00,000		**13,00,000**

Balance Sheet

Liabilities	₹	**Assets**	₹
Equity share capital	1,00,000	Fixed assets	2,50,000
Preference share capital	1,00,000	Stock of raw materials	1,50,000
Reserves	1,00,000	Stock of finished goods	1,00,000
Debentures	2,00,000	Sundry debtors	1,00,000
Sundry creditors	1,00,000	Bank	50,000
Bills payable	50,000		
	6,50,000		**6,50,000**