Total No. of printed pages = 12

4 (Sem-3) ADCA (Accy M)

2012

ADVANCED CORPORATE ACCOUNTING

(Accountancy Major)

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

Answer the following as per direction : 1×10=10

(a) What is 'Yield Value' of a share ?

(b) Which shares do require valuation ?

(c) What is Quoted value of a share ?

(d) Write the meaning of 'consolidation of shares'.

(e) Write the meaning of a 'Parent company' for the purpose of AS 21.

(f) In India preparation of consolidated Financial Statements is ———.

Fill in the blank selecting appropriate option from below :

(i) mandatory

(ii) not mandatory

(iii) mandatory under Companies Act

(iv) mandatory for listed companies.

(g) Consolidated Financial Statements are prepared to ———.

Select appropriate option :

(i) provide financial information about the group as a single entity

(ii) show the economic resources controlled by the subsidiaries

(iii) show the results of all the subsidiaries as a whole.

(h) A joint stock company can be wound up under section —— of the Companies Act, 1956.

Fill in the gap selecting correct option :

(i) 415

(ii) 420

(iii) 425

(iv) 445

(i) The format of 'Liquidator's Final Statement of Account" is provided '————.'

Fill in the gap with correct option :

(i) by the Auditor of the company

(ii) by the National Company Law Tribunal

(iii) by the Liquidator himself

(iv) in the Companies Act, 1956.

(j) Which of the following statements is not correct ?

(i) The rights of directors come to an end as soon as the Liquidator of the company is appointed.

(ii) Cost and Works Accountant can be appointed as Liquidator of the company.

(iii) Preferential creditors, for the purpose of Liquidation, are those unsecured creditors who have been given preference for payment under section 520 (1) of the Companies Act.

(iv) Liquidation expenses are nothing but cost of liquidation.

2. Answer as directed : 2×5=10

(a) Rex Ltd. was incorporated on 1st August 2011 in order to take over a going concern Tech Ltd. from 1st April 2011. Rex Ltd. closes its accounts on 31st March 2012 and the sales during the year amounted to Rs. 12,00,000.

You are asked to calculate the ratio of sales of pre and post acquisition periods assuming the sales were effected evenly during the year.

(b) Lutumai Ltd. decided to convert its Equity share capital (Rs. 80,00,000 divided into 8,00,000 shares of Rs. 10 each) into Rs. 8 per share paid up and return Rs. 2 per share to the shareholders.

Pass Journal entry giving proper narration.

(c) Cheng Ltd. had creditors of Rs. 80,000 in the books. The company arranged to settle 80% of the claims of these creditors by payment of 30% in cash in the scheme of capital reduction.

Pass Journal entries in the books of the company to give effect to the above arrangement.

(d) Who is an 'Official Receiver' of a company-in-liquidation ? What are his duties ?

(e) What will be the effect on the consolidated Balance Sheet if a subsidiary company issues bonus shares out of post-acquisition profits ?

3. Answer as directed :

(a) The capital structure of Junga Ltd. is as under :

	Rs.
4,00,000 Equity shares of Rs. 10 each	40,00,000
10% 40,000 Pref. shares of Rs.100 each	40,00,000
12% 20,000 Debentures of Rs. 100 each	20,00,000
	1,00,00,000

Other details :	Rs.
EBIT (2011–12)	30,00,000
Tax Rate	40 percent
Industry ROI	15 percent
Transfer to General Reserve	10 percent
2010-11 Dividend Rate	20 percent

Calculate value of an equity share under

(i) Earning Yield method

(ii) Dividend Yield method. 4+1=5

Or

Explain the procedure of valuation of right in the context of issue of right shares. Give example. 5

(b) Briefly describe the procedure of reduction in capital with sacrifice from shareholders and other stakeholders. 5

Or

Describe the situations which call for internal reconstruction of a company. 5

(c) The following details are available from Dutta Co. Ltd. (in Liquidation) :

		Rs.
(i)	Surplus from securities after satisfying secured creditors of Rs. 25,000	35,000
(ii)	Preferential creditors	7,000
(iii)	Liquidation expenses paid by the liquidator	300
(iv)	Other unsecured creditors	40,000
(v)	Liquidator's remuneration is 2 percent on amount paid to unsecured creditors (excluding preferential creditors)	

You are required to show the distribution of available cash among creditors and to calculate the Liquidator's remuneration. 3+2=5

(d) What will be the treatment of fictitious assets of (i) wholly owned subsidiary and (ii) partly owned subsidiary, in consolidated Balance Sheet. 5

Or

H. Ltd. acquired 60% interest in S. Ltd. on 31st March 2012. From the following information calculate cost of control or capital reserve, as the case may be. 5

		Rs.
Balance of Reserve :	H. Ltd.	10,000
	S. Ltd.	4,000
Profit and Loss A/c (Cr.)	H. Ltd.	90,000
	S. Ltd.	10,000
Capital (paid up)	H. Ltd.	5,00,000
	S. Ltd.	20,000
Preliminary Expenses :	H. Ltd.	8,000
	S. Ltd.	2,000
Cost of acquisition of shares of S. Ltd by H. Ltd		15,000

Above information is available from the Balance Sheets as at 31st March 2012.

4. (A) The business of Samriddhi Ltd. was taken over as going concern, by Pragati Ltd. as on 1st January 2011 and the purchase consideration was paid on 31.12.2011. Pragati Ltd. was incorporated on 01.04.2011. It was agreed that Samriddhi Ltd. is entitled to 40% of the profits earned prior to incorporation in lieu of interest on unpaid purchase consideration.

The following details are available from the books of Pragati Ltd. for the year ended 31st December 2011.

	Rs.
Sales : (01.01.2011 to 31.03.2011)	6,00,000
Sales : (01.04.2011 to 31.12.2011)	24,00,000
Cost of goods sold	20,00,000
Directors' Fees	50,000
Incorporation cost	10,000
General Expenses	3,40,000

Prepare a statement showing the profit earned

(i) prior to and

(ii) since incorporation of Pragati Ltd. 10

Or

Describe the treatment of pre-incorporation profit/loss. Also mention the procedure for ascertainment of pre-incorporation profit/loss. 5+5=10

(B) The capital structure of Smith Ltd. stood as under on 31st March 2012.

	Rs.
5,000 Equity shares of Rs. 100 each	5,00,000
2,000, 12% Pref. shares of Rs. 100 each	2,00,000
15% Debentures of Rs. 100 each	1,50,000

(Interest unpaid thereon Rs. 45,000)

In addition, there were sundry creditors of Rs. 1,30,000.

The company obtained approval of the Tribunal for the scheme of reconstruction as under :

(a) Equity shares were to be sub-divided into shares of Rs. 10 each and 70% of the shares were surrendered.

(b) Preference shareholders were satisfied in full by issuing 10,000 surrendered equity shares.

(c) 50% of sundry creditors were satisfied by issuing 5,000 surrendered equity shares.

(d) Total claims of Debentureholders were settled by issuing 12,500 surrendered equity shares.

(e) Balance of surrendered shares were cancelled.

(f) Goodwill Rs. 85,000 and debit balance of P/L account Rs. 1,00,000 were to be written off completely and Rs. 25,000 of current assets (which is 50% of the total) was also to be written off. The balance of capital reduction was to be used to write off fixed assets.

You are required to show the Balance Sheet after reconstruction scheme was implemented. 10

Or

Describe the methods of reduction in share capital as outlined in the Companies Act, 1956. 10

(C) Explain the meaning of 'Contributory' and 'Loss per share' in the context of winding up of a company.

Z. Ltd. went into voluntary liquidation. From the information given below calculate the loss per share and call per share. 2+2+6=10

Capital :		Rs.
10% Preference (Rs. 100 each)	:	10,000
Equity (Rs. 10 each, Rs. 8 called up)	:	8,000
Equity (Rs. 10 each, Rs. 6 called up)	:	6,000
Amount available after payment of outside liabilities	:	4,000

3800

Or

(i) Give a proforma of Liquidator's Final Statement of Account with imaginary figures.

(ii) Prepare the list of Preferential creditors in respect of liquidation of a company. 5+5=10

(D) Sky Ltd. acquired 6,000 shares of Star Ltd. at a cost of Rs. 6,40,000 on 1.1.2011. Other details of these companies as on 31.12.2011 are as under :

	Sky Ltd. Rs.	Star Ltd. Rs.
Share Capital :		
Equity shares of Rs. 50 each	10,00,000	5,00,000
Reserve and Surplus	8,00,000	4,00,000
Current liabilities	2,00,000	1,00,000
Fixed Assets	10,00,000	6,00,000
Investments	7,00,000	—
Current Assets	3,00,000	3,80,000
Preliminary Expenses	—	20,000

Current assets of Sky Ltd. includes stock of Rs. 40,000 at cost purchased from Star Ltd. and also included in current liabilities of Sky Ltd. Interim dividend @ 20 percent received from Star Ltd. is included in the Reserve and Surplus of Sky Ltd. On 1.1.2011 Star Ltd. had a credit balance of Reserve and Surplus Account of Rs. 2,80,000.

You are required to calculate :

(i) Share of preacquisition and post-acquisition profits for both companies.

(ii) Amount of goodwill/capital reserve (on acquisition of shares of Star Ltd.)

(iii) Minority Interest in consolidated Balance Sheet. 4+3+3=10

Or

(a) State the requirement of Indian Accounting standards as regards preparation of consolidated financial statements.

(b) Explain the treatment of

(i) unrealised profits and

(ii) contingent liability while preparing consolidated Balance Sheet.

5+5=10