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4 (Sem 3) ADCA

2014

ADVANCED CORPORATE ACCOUNTING

Paper : 306

(Accountancy Major)

Full Marks : 80

Time : Three hours

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

Answer the questions as directed.

- I. Answer the following as per directed : $1 \times 8 = 8$
- (a) Any profit earned by a company before its incorporation is transferred to _____ Account. (Fill in the blank).
- (b) The Cut off date for pre and post incorporation profit is :
- (i) Date of incorporation
- (ii) Date of commencement of business

Contd.

(iii) Any of the above two dates

(iv) 1st April of the concerned year.

(Choose the correct alternative)

(c) To reduce Share Capital, Tribunal's order is not always necessary.

(State whether 'True' or 'False')

(d) After writing off all losses, the balance of Reconstruction Account is transferred to _____ Account. (Fill in the blank)

(e) Only insolvent companies can be liquidated. (State whether 'True' or 'False')

(f) The job of realizing various assets and paying various liabilities in the case of liquidation, in a systematic way, is performed by a person called _____. (Fill in the blank)

(g) What is Minority Interest?

(h) The cost of control for acquiring the shares of subsidiary companies may show :

(i) Goodwill

(ii) Capital Reserve

(iii) Reserve Capital

(iv) Contingent liability.

(Choose the correct alternative)

Answer as directed :

(a) The assets of Luit Ltd. are ₹ 5,00,000/- ; liabilities are ₹ 1,00,000/- ; Preference Shares are 10,000 shares of ₹ 10/- each having prior right and equity shares are 10,000 shares of ₹ 10/- each. Find the value of equity shares under asset back method.

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(b) Write a short note on Reduction of Share Capital.

3

(c) What is voluntary winding up of companies ?

3

(d) Mention three ways how a company can become a holding company.

3

Answer as directed :

(a) From the following information, calculate the value per equity share :

5

2,000, 9% Preference

Shares of ₹ 100/- each : ₹ 2,00,000/-

50,000 equity shares of

₹ 10/- each, ₹ 8/- per

share paid up : ₹ 4,00,000/-

Expected Profit per year before tax	:	₹ 2,18,000/-
Rate of Tax	:	50%
Transferred to General Reserve every year	:	20% of Profit
Normal rate of earning	:	15%

Or

Explain the merits and demerits of Assets Backing Method of valuation of shares. 5

(b) Pass journal entries of the following with suitable narrations : $2\frac{1}{2} + 2\frac{1}{2} = 5$

- Conversion of fully paid equity shares of ₹ 10,00,000/- into equity stock.
- Consolidation of 1,00,000, 12% Preference Shares of ₹ 10/- each fully paid up into 10,000, 12% Preference Shares of ₹ 100/- each.

Or

Briefly explain various modes of Alteration of Share Capital. 5

(c) From the following particulars, ascertain Liquidator's remuneration and also show how the balance amount is to be distributed to the shareholders : 5

Preference Share Capital :
(10,000 Shares of ₹10/- each, ₹ 9/- paid up) = ₹ 90,000/-

Equity Share Capital :
(10,000 shares of ₹10/- each, ₹ 8/- paid up) = ₹ 80,000/-

Preference Dividend in arrear = ₹ 18,000/-

Surplus of Cash after paying all creditors = ₹ 2,04,000/-

Liquidator's remuneration is fixed at 2% on the amount distributed to the shareholders.

Or

Critically examine the different aspects of determining Liquidator's Remuneration in the context of a company's liquidation. 5

(d) Write a brief note on Accounting Standard -21. 5

Or

Explain how the mutual owings between the holding company and the subsidiary company are treated while preparing the consolidated Balance Sheet.

4. (a) X and Y working in a partnership, registered a Joint Stock Company under the name of "NABAMA Ltd." on 1st September, 2013 to take over their existing business with effect from 1st April, 2013.

From the following Profit and Loss Account for the year ended 31st March, 2014 and the other details, prepare a statement of Profit and Loss apportioning the profits between pre and post incorporation period indicating your basis for apportionment.

	₹		₹
To Salaries	10,000	By Gross	84,000/-
To Debenture Interest	5,000	Profit b/d	
To Depreciation	2,000		
To Interest on Purchase Consideration (upto 30.9.2013)	10,800		
To Selling Commission	12,000		
To Director's Fees	800		

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	₹	₹
To Preliminary Expenses written off	1,000	
To Provision for taxes	5,000	
To Dividend on Equity Shares @ 5%	6,000	
To Balance Carried down	31,400	
	84,000	84,000

Sales for the year totalled ₹ 2,25,000/-, out of which 1,50,000/- was related to the period from 1st September, 2013 to 31st March, 2014.

Or

Explain the various situations which necessitate the valuation of shares.

- (b) The following is the Balance Sheet of UNFORTUNATE Ltd. as on 31st March, 2014 :

Liabilities	(₹)	Assets	(₹)
20,000 Equity Shares of ₹ 10/- each	2,00,000/-	Goodwill	10,000/-
10,000 Preference Shares of ₹ 10/- each	1,00,000/-	Machinery	1,00,000/-
Convertible Debentures	30,000/-	Inventory	50,000/-
		Debtors	80,000/-
		Profit & Loss Account	70,000/-
		Deferred Expenses	20,000/-
	3,30,000/-		3,30,000/-

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Contd.

The company adopted the following scheme :

- (i) The equity shares were to be reduced to ₹ 6/- each and the preference shares by ₹ 4/- each.
- (ii) Deferred expenses and Profit and Loss A/c were to be written off and machinery to be depreciated by 2% and inventory by 10%.

Pass journal entries to give effect to the scheme and prepare the new Balance Sheet.

10

Or

Elaborate the Accounting entries to be made in the books of a limited company that has adopted a scheme of Capital Reduction.

10

- (c) Eastern Industries Ltd went into voluntary liquidation on 31st March, 2014. The liquidator's remuneration was 3% on realisation of assets and 2% on distribution among the shareholders. The following was the position of the company as on 31st March, 2014 :

		(₹)
Cash realised on assets	=	10,00,000/-
Expenses of Liquidation	=	10,000/-
Unsecured Creditors (Including Preferential Creditors ₹ 8,000/-)	=	70,000/-
5,000, 6% Preference Shares of ₹ 30/- each (Dividend for two years is in arrear)	=	1,50,000/-
10,000 Equity Shares of ₹ 10/- each, ₹ 9/- paid	=	90,000/-
Reserves	=	2,00,000/-
Profit and Loss Account (Cr.)	=	50,000/-

Prepare Liquidator's Final Statement of Account.

10

Or

Explain the procedure of compulsory winding up of a company.

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- (d) From the following Balance Sheets and other information of H. Ltd. and S. Ltd., prepare a consolidated Balance Sheet as on 31st March, 2014 :

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Liabilities	H.Ltd.	S.Ltd.	Assets	H. Ltd.	S.Ltd.
	(₹)	(₹)		(₹)	(₹)
Share Capital (₹10/- per share fully paid)	1,00,000	20,000	Sundry Assets	80,000	12,000
			Inventory	61,000	24,000
			Debtors	13,000	17,000
			Bills Receivable	1,000	—
Profit and Loss A/c	40,000	12,000	Shares in S.Ltd (1,500 Shares of ₹ 10 each at cost)	15,000	—
Reserves	10,000	6,000			
Creditors	20,000	12,000			
Bills Payable	—	3,000			
Total	1,70,000	53,000	Total	1,70,000	53,000

Additional information :

- (i) All the profits of S. Ltd. have been earned since the shares were acquired by H. Ltd. but the Reserve of ₹ 6,000/- was already there at the time of acquisition.
- (ii) Bills accepted by S. Ltd. are all in favour of H. Ltd. which has discounted ₹ 2,000/- of them.
- (iii) Sundry assets of S. Ltd. are under-valued by ₹ 2,000/-.

Or

- (I) Explain *any five* advantages of a Holding company.
- (II) Write a short note on the need for consolidation of financial statements.

5+5=10