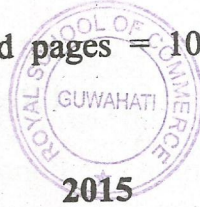


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4 (Sem 3) ADCA

## ADVANCED CORPORATE ACCOUNTING

Paper : 306

Full Marks – 80

Time – Three hours

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

1. Answer the following as directed :  $1 \times 8 = 8$

(a) Which of the following cannot be used for issuing partly paid up bonus shares ?

(i) Profit and Loss Account (Cr.) balance

(ii) General Reserve

(iii) Securities Premium Account

(iv) None of the above.

(Choose the correct option)

(b) Pre-incorporation profit is transferred to \_\_\_\_\_ reserve. (Fill in the blank)

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(c) The balance of Capital Reduction account is transferred to Capital Reserve. (State whether 'true' or 'false')

(d) Only successful companies undertake Capital Reduction. (State whether 'true' or 'false')

(e) Deficiency or surplus account prepared as per list H in case of compulsory winding up shows :

(i) Deficiency or surplus

(ii) Order of payment

(iii) Statement of assets and liabilities

(iv) None of the above.

(Choose the correct alternative)

(f) Liquidation of a company necessarily implies its insolvency.

(State whether 'true' or 'false')

(g) A \_\_\_\_\_ Balance Sheet includes all assets and liabilities of the parent and its subsidiaries.

(Fill in the blank)

(h) A company is called holding company only when it acquires the whole of the share capital of another company.

(State whether 'true' or 'false')

2. Answer the following questions as directed :

(a) Explain any three situations which warrant the valuation of shares. 3

(b) Write a short note on internal reconstruction of companies. 3

(c) Write a short note on the preferential creditors under the Companies Act. 3

(d) Briefly explain Minority Interest in the context of holding company. 3

3. Answer the following questions as directed :

(a) Explain the methods of computing profit or loss prior to incorporation. 5

Or

How is profit or loss made prior to incorporation treated in accounts ? 5

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

(i) On 30.06.2015, Tangla Canes Ltd. passed a resolution regarding alteration of capital and it decided to consolidate 60,000 fully paid equity shares of ₹ 10/- each into fully paid equity shares of ₹ 100/- each.

(ii) UK Ltd. decides on 25.07.2015 to sub-divide its 15,000 equity shares of ₹ 100/- each fully paid into equity shares of ₹ 10/- each fully paid.

Or

Briefly explain the different forms of internal reconstruction of companies. 5

(c) Barua Works Ltd. went into voluntary liquidation. The amount realised from assets is ₹ 60,000/- by the liquidator. The amount of unsecured creditors was ₹ 70,000/- (including preferential creditors ₹ 15,000/-)

Calculate liquidator's remuneration if the liquidator is entitled to a remuneration of 6.5% on the assets realised and 2% on amount distributed to unsecured creditors. 5

(d) Distinguish between holding company and subsidiary company. 5

4. (a) The Balance Sheet of Ashoka Industries Ltd. disclosed the following position as on 31.03.2015 :

Liabilities	₹	Assets	₹
SHARE CAPITAL			
40,000 shares of Rs. 10/- each	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Investments	40,000
Profit & Loss	20,000	Current Assets	2,00,000
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
	7,40,000		7,40,000

On the above date, the fixed assets were independently valued at ₹ 3,50,000/- and the investments at ₹ 50,000/-.

The net profit for the three years were :

2013 : ₹ 51,600/-, 2014 : ₹ 52,000/- and 2015 : ₹ 51,650/- of which 20% was placed to Reserve Account each year and this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%.

Compute the value of each share of the company by :

- (a) Intrinsic Value Method  
 (b) Yield Value Method  
 (c) Fair Value Method. 4+4+2=10

Or

Explain the different methods of valuation of shares. 10

- (b) The Balance Sheet of Bad Luck Ltd. was as follows on 31.03.2015 :

Liabilities	₹	Assets	₹
SHARE CAPITAL		Goodwill	60,000
4,000 shares of		Buildings	1,00,000
₹ 100/- each	4,00,000	Machinery	4,00,000
6% Debenture	2,00,000	Stock	90,000
Creditors	2,50,000	Debtors	60,000
		Preliminary Exp.	10,000
		Profit & Loss	
		Account	1,30,000
	8,50,000		8,50,000

The following scheme of reconstruction was adopted :

- (i) Fictitious assets were to be written off.  
 (ii) Machinery was to be written down to its proper value of ₹ 3,00,000/-.

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- (iii) The Shares were to be reduced to ₹ 20/- each.

The approval of the Tribunal was duly obtained.

Pass journal entries and show the Balance Sheet after the scheme is completed. 10

Or

Explain the meaning of Capital Reduction by a company. Mention the legal requirements for Capital Reduction. 4+6=10

- (c) The following is the Balance Sheet of UNSOUND Co. Ltd. as on 31.03.2015 :

Liabilities	₹	Assets	₹
SHARE CAPITAL		Land & Buildings	1,75,000
8,000 Preference shares of ₹ 10/- each	80,000	Other Fixed Assets	50,000
12,000 Equity shares of ₹ 10 each	1,20,000	Stock	4,25,000
Bank loan	4,00,000	Debtors	2,00,000
8% Debentures	1,00,000	Profit & Loss A/c	50,000
Interest outstanding on Debentures	8,000		
Creditors	1,92,000		
	9,00,000		9,00,000

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[Turn over

The company went voluntary liquidation on that date.

Prepare Liquidator's Final Statement of Account after taking into consideration the following :

- (i) Liquidation expenses and Liquidator's remuneration amounted to ₹ 3,000/- and ₹ 10,000/- respectively.
- (ii) Bank Loan was secured by pledge of stock.
- (iii) Debentures and Interest thereon were secured by a floating charge, on all assets.
- (iv) Fixed Assets were realised at book values and current assets at 70% of book values.

10

Or

What are the different modes of winding up of a company ? Describe the powers of the liquidator under compulsory winding up of companies. 3+7=10

- (d) HORSE Ltd. acquired 640 equity shares of DONKEY Ltd. on 1st January, 2014. The following are the Balance Sheets of the two companies as at 31st December, 2014 :

Liabilities	Horse Ltd.	Donkey Ltd.	Assets	Horse Ltd.	Donkey Ltd.
	₹	₹		₹	₹
SHARE CAPITAL			Land & Buildings	40,000	24,000
Share of ₹ 100/- each	1,60,000	80,000	Plant & Machinery	40,000	48,000
General Reserve (01.01.2014)	32,000	16,000	Stock	12,000	8,000
Profit & Loss A/c (01.01.2014)	8,000	4,800	Sundry Debtors	8,000	9,600
Profit for the year 2014	16,000	6,400	Investment in share of Donkey Ltd.	80,000	—
Sundry creditors	8,000	8,000	Bills Receivable	6,400	800
Bill Payable	2,400	800	Cash & Bank	40,000	25,600
	2,26,400	1,16,000		2,26,400	1,16,000

Additional Information :

- (i) Bills Receivable of HORSE Ltd. include ₹ 800/- accepted by DONKEY Ltd.
- (ii) Sundry Debtors of HORSE Ltd. include ₹ 4,000/- due from DONKEY Ltd.
- (iii) Stock of DONKEY Ltd. includes goods purchased from HORSE Ltd. for ₹ 4,800/- which was invoiced by HORSE Ltd. at a profit of 20% on sale.

Prepare a consolidated Balance Sheet of HORSE Ltd. and its subsidiary DONKEY Ltd. as at 31st December 2014. 10

Or

Explain the advantages and disadvantages of a Holding company. 5+5=10