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4(Sem-3) ADA

2017

ADVANCED CORPORATE ACCOUNTING

Paper : 3:6

(Accountancy Major)

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) Pre-incorporation profit is transferred to Reserve Account. (Fill in the blank).

(b) What is the Book-value of a share ?

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

(d) What is Consolidation of shares in the context of internal reconstruction of a company ?

[Turn over

(e) In case of compulsory winding up, the remuneration of the liquidator is fixed by the (Fill in blanks).

(f) Who are the preferential creditors in respect of liquidation of a company ?

(g) What is Consolidated Financial Statement ?

(h) Minority interest is equal to nominal value of shares held by minority shareholders. (State whether 'true' or 'false').

2. Answer as directed : $3 \times 4 = 12$

(a) Write a short note on Yield method of valuation of shares.

(b) Briefly explain internal reconstruction of companies.

(c) What is voluntary winding up of companies ?

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

3. Answer as directed :

(a) From the following information, calculate the value per equity share : 5

3,000, 6% Preference shares
of Rs. 100 each Rs. 3,00,000

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50,000 Equity shares of
Rs. 10 each, Rs. 8 per
share paid up Rs. 4,00,000

Expected profit per share
before tax Rs. 2,20,000

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) Briefly explain the methods of reduction in
share capital. 5

(c) Tiskon Ltd. went into voluntary liquidation.
Cash available before payment to unsecured
creditors is Rs. 80,000.

Unsecured creditors Rs. 50,000

Share capital
(Shares of Rs. 10 each) Rs. 50,000

Calculate remuneration of liquidator if he is
entitled to a commission of 4% on the
amount distributed among unsecured creditors
and 2% on the amount distributed among
shareholders. 5

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Or

State the different modes of winding up of a company. 5

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

4. (a) The following particulars are available in relation to Good Luck Ltd. :

(i) Capital :

450, 6% Preference Shares of Rs.100 each fully paid.

4,500 Equity Shares of Rs. 10 each fully paid.

(ii) External liabilities Rs. 7,500.

(iii) Reserve and surplus Rs. 3,500

(iv) The average expected profit (after taxation) earned by the company Rs. 8,500.

(v) The normal profit earned on the market value of Equity Shares (fully paid) of the same type of companies is 9%.

(vi) 10% of the profit after tax each year is transferred to Reserve.

Calculate the intrinsic value per equity share, yield value per equity share and fair value of equity share assuming that out of total assets, assets worth Rs. 350 are fictitious.

$$4+4+2=10$$

Or

Explain the various situations which necessitate the valuation of shares. 10

(b) The following is the Balance Sheet of Rose Ltd. as on 31st December, 2016 :

Particulars	Amount (Rs.)
I. EQUITY AND LIABILITIES :	
1. Shareholders' fund :	
(a) Share capital :	
20,000 Equity Shares of Rs. 10 each fully paid	2,00,000
10,000 Preference Shares of Rs. 10 each fully paid	1,00,000
(b) Reserves and Surplus :	
Surplus (Debit balance of Profit and Loss Account)	(70,000)
2. Non-current liability :	
Convertible Debentures	30,000
Total	2,60,000

Particulars	Amount (Rs.)
II. Assets :	
1. Non-current Assets :	
(a) Tangible Assets :	
Machinery	1,00,000
(b) Intangible Assets :	
Goodwill	10,000
2. Current Assets :	
(a) Inventory	50,000
(b) Trade Receivables	
Debtors	80,000
(c) Other Current Assets :	
Deferred Expenses	20,000
Total	2,60,000

The company adopted the following scheme :

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

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

10

Or

What is meant by Capital Reduction Account ? Discuss the provisions of the Companies Act with regard to reduction of capital.

3+7=10

- (c) Sunflower Ltd. went into voluntary liquidation on 31st January 2016. Prepare Liquidator's Final Statement of Account from the following information assuming that preference shareholders have preferential right as regards the payment of dividend but does not have preferential rights as to refund of capital.

	Rs.
Long term loan	40,000
Trade creditors	24,000
20,000, 8% Preference Shares of Rs.10 each fully paid up	2,00,000
20,000 Equity Shares of Rs. 10 each fully paid up (Preference dividend is in arrear for one year)	2,00,000
Assets realised	3,92,000

Liquidation expenses amounted to Rs. 5,000. Liquidator is entitled to a remuneration of 10% on the amount distributed to shareholders.

10

Or

State the meaning of Contributory and their responsibility over liquidation of companies.

Describe the powers of the liquidator under compulsory winding up of companies.

6+4=10

(d) The following is the Balance Sheets of H. Ltd. and its subsidiary S. Ltd. as on 31st March, 2017 :

Particulars	H. Ltd. (Rs.)	S. Ltd. (Rs.)
I. Equity and Liabilities :		
1. Shareholders' fund :		
(a) Share capital :		
Equity shares of Rs. 10 each	60,000	20,000
(b) Reserves and Surplus :		
Surplus (Balance of Statement of Profit and Loss)	5,000	4,000
2. Current liabilities :		
Trade payables :		
Sundry Creditors	23,000	2,000
Total	88,000	26,000

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Particulars	H. Ltd. (Rs.)	S. Ltd. (Rs.)
II. Assets :		
I. Non-Current Assets :		
(a) Tangible assets	68,000	26,000
(b) Non-Current Investment 1,600 shares in S. Ltd.	20,000	—
Total	88,000	26,000

The shares were acquired by H. Ltd. on 31st March, 2017. Prepare the Consolidated Balance Sheet of the holding company and its subsidiary as on 31st March, 2017. 10

Or

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

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