

The Assam Royal Global University, Guwahati

Royal School of Commerce

B.Com 3rd Semester

Semester End Examination, December 2018

Course Title : Corporate Accounting

Course Code : COM042C301

Time: 3 Hours

Maximum Marks: 70

Note: Attempt all questions as per instructions given.

The figures in the right-hand margin indicate marks.

Section – A

- Q.1.** Attempt all questions. (Maximum word limit 50 words) 2 x 8=16
- a. How would you deal with preliminary expenses while preparing final accounts of a company? 2
 - b. Write the name of four accounts of which balances are transferred to Investors Education and Protection Fund. 2
 - c. State the meaning of issue of bonus shares. 2
 - d. Mention the sources of fund for buy back of shares. 2
 - e. Write two objectives of amalgamation. 2
 - f. Name the different types of amalgamation for the purpose of accounting. 2
 - g. Give the meaning of winding up of a company and how winding up takes place. 2
 - h. PQR Ltd went into voluntary liquidation. Cash available for distribution among unsecured creditors Rs. 16,000. Unsecured creditors Rs.18,000. Liquidator's remuneration: 5 % of the amount distributed among the unsecured creditors. Calculate the amount of liquidator's remuneration on unsecured creditors. 2

Section – B

- Q.2.** Attempt any two of the following: (Maximum word limit 300 words) 7 x 2=14
- a. Write a note on Interim dividend and Corporate Dividend tax. 7
 - b. From the following particulars prepare a statement of Profit and Loss of MNP Ltd as on 31st March 2018. 7

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Particulars	Amount (Rs)	Particulars	Amount (Rs)
Preliminary Expenses	7,000	12% Debentures	3,00,000
Opening Stock	1,10,000	Sales	4,15,000
Wages	92,100	Provision for bad debts 1.4.2017	8,500
General Expenses	9,700	Discount	1,000

Salaries	50,500	8% Bank Loan (1.10.2017)	50,000
Bank Interest	2,100	Royalty	2,000
Depreciation Interest Paid	18,000		
Salary Expenses	87,000		
Plant	3,30,000		
Direct Expenses	22,200		
Purchases	1,20,000		

Adjustments:

- i. Depreciate Plant by 15%
- ii. Create a provision @5% on debtors for doubtful debts
- iii. Stock on 31.3.2018 was Rs. 1,25,000
- iv. Amortize the whole amount of Preliminary expenses.

c. Draw the format of Balance Sheet as per Schedule III of the Companies Act 2013. 7

Q.3. Attempt **any two** of the following: (Maximum word limit 300 words) 7 x 2 = 14

a. A company is planning to raise funds by making right issue of equity shares to finance its expansion. The existing equity share capital of the company is Rs.50,00,000. The market value of its share is Rs.42. The company offers to its shareholders the right to buy 2 shares at Rs.11 each for every 5 shares held. You are required to calculate:

- (i) Theoretical market price after right issue;
- (ii) The value of right; and
- (iii) Percentage increase in share capital.

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b. AXE India Ltd resolved to utilize Rs.3,00,000 out of the general reserve balance to declare a bonus to the shareholders by paying the final call of Rs.3 per share on 1,00,000 equity shares of Rs.10 each. Along with this the company further decided to utilize the balance of the securities premium reserve account of Rs.2,00,000 by issuing fully paid up bonus shares.

Show journal entries in the books of the company relating to issue of bonus shares and show necessary calculations. 7

c. State the conditions which are to be fulfilled for the purpose of buy back. 7

- Q.4. Attempt any two of the following: (Maximum word limit 300 words) 7 x 2=14
- a. "For an amalgamation to be in the nature of merger, certain conditions are to be satisfied". Discuss. 7
- b. State the accounting entries which are to be passed in the books of Transferee Company, in the nature of purchase. 7

c.

P&G Ltd.

Balance sheet as at 31st March 2018

Particulars	Amount (Rs)
I. Equity & Liabilities:	
1. Shareholders' Funds:	
(a) Share Capital:	
Issued & Paid up capital: 20,000 Equity shares of Rs.10 each fully paid	2,00,000
(b) Reserve and Surplus:	
Reserve Fund 25,000	
Dividend Equalization Fund 20,000	
Surplus (Profit & Loss Balance <u>5,100</u>)	50,100
2. Non- Current Liabilities:	
Long- term borrowings: Debentures	1,00,000
3. Current Liabilities:	
Trade Payables (Creditors)	30,000
	<u>3,80,100</u>
II. ASSETS:	
1. Non-Current Assets:	
Fixed Assets:	
<i>Tangible Assets</i>	
Land & Building 1,00,000	
Plant & Machinery 1,50,000	

Furniture	<u>2,500</u>	2,52,500
2. Current Assets:		
Inventory	60,000	
Work – in – Progress	30,000	
Trade Receivables (Debtors)	25,000	
Cash & Cash Equivalent	<u>12,600</u>	1,27,600
		<u>3,80,100</u>

The company is taken over by Terrace Ltd on the above date. The consideration for amalgamation is the discharge of debentures at a premium of 5%, taking over the liability in respect of creditors and a payment of Rs.7 in cash per share and one share of Rs. 5 in Terrace Ltd at market value of Rs. 8 per share in exchange for one share in P&G Ltd. The cost of liquidation of Rs. 5,000 is met by the purchasing company. Pass journal entries in the books of P&G Ltd assuming the amalgamation is in the nature of purchase. 7

- Q.5.** Attempt **any two** of the following: (Maximum word limit 200 words) 6 x 2= 12
- a. Discuss in brief the circumstances in which a company may be wound up by the tribunal. 6
 - b. State the sequence in which payment is to be made at the time of liquidation. What is the rule of fixation of liquidator's remuneration 6
 - c. Sujit Co. Ltd went into liquidation with the following liabilities:
 - (i) Secured Creditors Rs.20,000; (Securities realized Rs.25,000)
 - (ii) Preferential Creditors Rs.6,000;
 - (iii) Unsecured creditors Rs.30,500

Liquidator's out of pocket expenses amounted to Rs.252. Liquidator is entitled to remuneration of 3% on the amount realized and 1 ½ % on the amount distributed to unsecured creditors (excluding preferential creditors). The various assets (excluding securities in the hands of fully secured creditors) realized Rs.26,000.

You are required to prepare the Liquidator's Final Statement of Account and calculation showing the amount paid to the unsecured creditors.