

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BBA - II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2020**

**BBA- 2119 – CORPORATE ACCOUNTING**

**Time – 2 ½ hrs Max Marks – 70**

**This paper contains 6 printed pages and four parts**

**SECTION A**

**Answer any FIVE of the following questions. Each question carries two marks.**

**(5x2=10)**

1. What is meant by Proposed Dividend?
2. Define Goodwill.
3. List out any two objectives of Internal Reconstruction.
4. What are the different types of Liquidation?
5. What is meant by purchase consideration?
6. What is meant by interest on debentures? Show its treatment in the Financial Statements of the company as per Schedule III of Companies Act 2013.

**SECTION B**

**Answer any THREE of the following questions. Each question carries five marks.**

**(3x5=15)**

1. The balance sheet of a private company stood as follows on 31.12.2018

|  |  |
| --- | --- |
| **Equity and Liabilities** | **Rs.** |
| Share of Rs. 100 each | 19,00,000 |
| **Non-Current Liabilities** |  |
| Debentures | 1,00,000 |
| **Current Liabilities** |  |
| Creditors | 1,00,000 |
| **Total** | **21,00,000** |
| **Assets** |  |
| **Non-Current Assets** |  |
| Land and Building | 1,00,000 |
| Plant and machinery | 2,60,000 |
| Furniture | 20,000 |
| **Intangible Assets** |  |
| Goodwill | 2,00,000 |
| **Current Assets** |  |
| Stock | 3,70,000 |
| Debtors | 1,80,000 |
| **Misc** |  |
| P&L A/C | 9,70,000 |
| **Total** | **21,00,000** |

The company is reconstructed as follows:

* 1. Shares of Rs. 100 are to be reduced to an equal number of fully paid shares of Rs.40 each.
  2. To issue 1,000 new shares of Rs.40 each as fully paid to debentures in full settlement.
  3. The amount available is to be utilized in writing off the Goodwill and P&L A/c and Balance in writing off value of machinery.

Give the necessary Journal Entries.

1. X Ltd., and Y Ltd., agree to amalgamate and form a new company called XY Ltd., The amalgamation agreement provide for purchase consideration of Rs. 1,50,000 to X Ltd., and Rs. 2,00,000 to Y Ltd., to be discharged by the issue of 10,000 shares of Rs.10 each to X Ltd., and 15,000 shares of Rs.10 each to Y Ltd., and the balance in cash to X Ltd., and Y Ltd., respectively. Show the discharge of purchase consideration.
2. Balance sheet of Godwin Ltd., as on 31/12/2004

|  |  |
| --- | --- |
| **Liabilities** | **Amount** |
| Share Capital  20,000 equity shares of Rs.10 each | 2,00,000 |
|
| P/L A/c | 40,000 |
| Depreciation fund:  Buildings  Plant | 5,000  3,000 |
| Sundry Creditors | 22,000 |
| Bills payable | 4,000 |
| Provision for tax | 6,000 |
| **Total** | **2,80,000** |
|  |  |
| **Assets** | **Amount** |
| Goodwill | 20,000 |
| Building | 80,000 |
| Plant | 50,000 |
| Sundry Debtors 30,000  *Less:* R.B.D 3,000 | 27,000 |
| Stock | 43,000 |
| Cash | 50,000 |
| Discount on shares | 10,000 |
| **Total** | **2,80,000** |

Profits for the past 4 years before tax were as follows:

2001 – 40,000

2002 – 60,000

2003 – 72,000

2004 – 80,000

Compute the value of goodwill as per capitalization method assuming the normal rate of return is 10%. Income tax payable is 50% on the above profits.

1. Arya Ltd. went into Liquidation on 31.3.2015. Following information is available with regards to Liquidation, Creditors Rs.75,660 of which Rs 8000 are preferential.

6% debentures having a floating charge on the assets of the company amounted to Rs 80,000. Debenture Holders were to be paid interest up to 30.9.2015.

The assets realised are as follows:

Stock Rs 84,000.

Plant and Machinery Rs 60,600.

Cash in Hand stood at Rs 500.

Debentures were paid off on 30.9.2015 with interest.

Liquidator’s expenses amounting Rs.1,902 and he was to be given remuneration at 3% on the amount realised and 2% on the amount distributed to Unsecured creditors excluding Preferential Creditors.

Prepare Liquidators Final Statement of Accounts.

**SECTION C**

**Answer any TWO of the following questions. Each question carries fifteen marks.**

**(2x15=30)**

1. Following are the balance sheets of C Ltd., and D Ltd., as at 31-03-2015.

|  |  |  |
| --- | --- | --- |
|  | **C Ltd.,** | **D Ltd.,** |
| **Liabilities**  Equity Share Capital (15,000 shares)  Reserves & Surplus  12% Debentures  Creditors | 1,50,000  50,000  1,00,000  60,000 | 1,50,000  1,00,000  1,00,000  60,000 |
|  | 3,60,000 | 4,10,000 |
| **Assets**  Land & Buildings  Plant & Machinery  Stock  Debtors  Cash | 1,00,000  1,50,000  75,000  25,000  10,000 | 1,50,000  1,25,000  75,000  50,000  10,000 |
|  | 3,60,000 | 4,10,000 |

C Ltd., and D Ltd., merge their business and form a new company called DC Ltd. The assets of both the companies are valued as follows: Fixed assets at 25% more; Stock at 15% less and Debtors at 10% less. The purchase consideration is discharged by the issue to both companies sufficient number of equity shares of Rs.10 each in DC Ltd., at an agreed value of Rs.12.50 per share. Assuming that the amalgamation process is duly completed, Close the books of accounts & prepare opening balance sheet of DC Ltd

1. From the information given below and the Balance sheet of A ltd., on 31st March 2015, find the value of its Equity shares by **intrinsic value method and yield method**.
2. Company’s prospects for 2015 – 2016 are good;
3. Buildings are now worth Rs. 3,50,000;
4. Profits for the last three years have shown an annual increase of Rs. 50,000. The annual transfer to reserve is 25% of net profit;
5. Preferential shares have preference as to Capital and Dividend;
6. Normal rate of return expected is 15%.

Balance Sheet as at 31.3.2015

|  |  |
| --- | --- |
| **Liabilities** | **Rs.** |
| 1,000, 8% Preferential shares of Rs.100 each fully paid  4,000 Equity shares of Rs. 100 each fully paid  Reserves  Profit & Loss A/C:  Balance on 1.04.2014  Add: Profit for 2014 – 15  (before transfer to reserve)  Creditors | 1,00,000  4,00,000  1,50,000  80,000  4,30,000  48,000 |
| Total | 12,08,000 |
|  |  |
| **Assets** | **Rs.** |
| Buildings  Furniture  Stock (market value)  Investment (at cost)  (face value Rs. 4,00,000)  Debtors  Bank  Preliminary expenses | 70,000  3,000  4,50,000  3,35,000  2,80,000  60,000  10,000 |
| Total | 12,08,000 |

1. Balance Sheet of Paywell Ltd. as on 31.3.2018 was as follows:

|  |  |
| --- | --- |
| **Liabilities** | **Amount** |
| Share capital |  |
| 8,000 Preference Shares of Rs 100 each | 8,00,000 |
| 16,000 Equity Shares of Rs 100 each | 16,00,000 |
| 8% Mortgage Debentures | 4,00,000 |
| Bank Loan | 2,00,000 |
| Sundry Creditors | 4,00,000 |
| **Total** | **34,00,000** |
|  |  |
| **Assets** | **Amount** |
| Goodwill | 60,000 |
| Land and Building | 8,00,000 |
| Plant | 12,00,000 |
| Stock | 2,00,000 |
| Debtors | 1,60,000 |
| Profit and Loss A/c | 9,80,000 |
| **Total** | **34,00,000** |

The following scheme of internal reconstruction was approved by the Court:

1. Preference Shares are to be reduced to Rs 50 per share fully paid.
2. Equity shares are to be reduced to Rs 25 each as fully paid.
3. Eliminate Goodwill and Profit and Loss A/c completely and
4. Debenture Holders to take over stock and debtors in full settlement of their amount,
5. Plant Value is reduced to 50 % of its present value.

Journalise the Entries of the above scheme of internal reconstruction and prepare the revised Balance sheet.

**SECTION D**

**Answer the following questions. The question carries fifteen marks. (1x15=15)**

14. MariGold Ltd., was registered with a Authorised capital of Rs. 6,00,000 in Equity shares of Rs. 10 each. Following are the extract from its books on 31.3.2019

|  |  |  |
| --- | --- | --- |
| Particulars | Dr. (Rs.) | Cr. (Rs.) |
| Revenue  Furniture  Calls in Arrears  Purchases  Plant and Machinery  Interim Dividend (Including DDT)  Stock  Debtors  Salaries  Bad Debts  Paid up capital  P&L a/c  Loans | -  1,07,200  7,500  1,00,000  6,00,000  50,000  84,000  90,000  40,000  2,000  -  -  2,62,800 | 5,00,000  -  -  -  -  -  -  -  -  -  3,40,000  5,03,500  - |
|  | 13,43,500 | 13,43,500 |

**Adjustments:**

1. Depreciate all fixed assets by 5%
2. Closing Stock Rs. 1,00,000
3. The directors declared Final dividend at 10%
4. Transfer to General Reserve Rs. 50,000
5. Provide Tax at 30%

Prepare the Statement of Profit & Loss and Balance Sheet of MariGold Ltd., for the year ended 31.3.2019 as per schedule III of Companies Act 2013.