

3/H-76 (ix) (a) (Syllabus-2019)

2022

(November)

COMMERCE

(Honours)

[BC-303 (a)]

(Corporate Accounting)

(Under Revised Syllabus)

Marks : 75

Time : 3 hours

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

1. (a) What is Right Share? Distinguish between 'Right Share issue' and 'Bonus Share issue'. 2+5=7

- (b) State the different types of Preference Shares. 4

- (c) Write any four legal provisions under Companies Act, 2013 regarding forfeiture of shares. 4

Or

The following was the Balance Sheet of A Ltd. as at 31st March, 2022 :

I. EQUITY AND LIABILITIES :			
Shareholders' Funds :			
Share Capital :			
10000 Equity shares of ₹ 10 each		1,00,000	
3000, 5% Redeemable Preference Shares of ₹ 100 each		3,00,000	
Reserve and Surplus :			
Capital Reserve	40,000		
General Reserve	1,20,000		
Statement of Profit and Loss	<u>1,50,000</u>	3,10,000	
Current Liabilities :			
Trade Payables		90,000	
	Total	<u>8,00,000</u>	
II. ASSETS :			
Non-current Assets :			
Land and Building		3,50,000	
Plant and Machinery		1,50,000	
Current Assets :			
Trade Receivables		50,000	
Inventories		1,00,000	
Cash and Cash equivalents		1,50,000	
	Total	<u>8,00,000</u>	

The company decided to issue 20000 Equity shares of ₹ 10 each at a premium of ₹ 2 per

share for cash and to redeem at par 3000, 5% Redeemable Preference Shares. You are required to—

- (a) pass Journal Entries in the books of the company to record the above transactions. 7
- (b) prepare a new Balance Sheet after redemption, showing working notes which form part of your answer. 8

2. From the following Trial Balance of XYZ Ltd., prepare Statement of Profit and Loss for the year ended 31st March, 2022 and a Balance Sheet as at that date as per Schedule III of Companies Act, 2013 after making the following adjustments : 5+10=15

Transfer to :

Reserve Fund—₹ 1,00,000

Employees' Provident Fund—₹ 50,000

Insurance Fund—₹ 50,000

*Trial Balance of XYZ Ltd.
as at 31st March, 2022*

Particulars	Amount (₹)
Debit Balances :	
Land and Building	5,00,000
Machinery	4,00,000
Interim Dividend	60,000
Inventories	3,40,000
Trade Receivables	2,50,000
Cash at Bank	1,50,000
Calls-in-Arrears	1,00,000
Total	<u>18,00,000</u>

Particulars	Amount (₹)
Credit Balances :	
Statement of Profit and Loss balance	70,000
Statement of Profit and Loss for 2021-22	3,10,000
Share Capital (100000 Equity Shares of ₹ 10 each)	10,00,000
Trade Payables	1,00,000
Reserve Fund	1,70,000
Employees' Provident Fund	80,000
Insurance Fund	40,000
Security Premium Reserve	10,000
Forfeited Shares Account	20,000
Total	<u>18,00,000</u>

Or

A Ltd., was incorporated on 1st August, 2020 to purchase the running business of X Ltd. from 1st April, 2020. The following information are available :

	₹
Rent and Taxes	12,000
Insurance	3,000
Electricity Charges	2,400
Salaries	36,000
Director's Fees	4,600
Commission	6,000
Advertisement	4,000
Discount	3,500
Office Expenses	7,500
Carriage	3,000
Bank Charges	1,500
Preliminary Expenses	6,500
Bad Debts	2,000
Interest on Loan	3,000

Total sales for the year ending 31st March, 2021 were ₹ 5,00,000 out of which sales

of ₹ 1,50,000 were for the period from 1st April to 31st August, 2020 and sales—₹ 3,50,000 were for the remaining period. Gross profit were of ₹ 1,55,000.

Find out profit prior to incorporation and subsequent to incorporation of A Ltd. $7\frac{1}{2}+7\frac{1}{2}=15$

3. (a) What are the limitations of financial statement analysis? 4
- (b) State the significance of liquidity ratios. 4
- (c) The following ratios and information relate to the business of Shillong Traders Ltd. :
- (i) Credit period allowed to debtors—2 months
 - (ii) Inventory turnover ratio—8 times
 - (iii) Lag-in-payment to suppliers—1 month
 - (iv) Gross profit ratio—25%
 - (v) Opening inventories—₹ 1,05,000
 - (vi) Gross profit for the year ended 31st March, 2022 amounted to ₹ 3,00,000.
- Find out—
1. revenue from operations;
 2. sundry debtors;
 3. closing inventories;
 4. sundry creditors. 1+2+2+2=7

Or

From the following Balance Sheets of
AB Ltd. prepare a Cash Flow Statement for
the year ended 31.3.2022 : 5+5+5=15

Particulars	Note No.	31.3.2021 (₹)	31.3.2022 (₹)
I. EQUITY AND LIABILITIES :			
(1) Shareholders' Funds :			
(a) Share Capital	(1)	2,00,000	2,50,000
(b) Reserve and Surplus	(2)	80,500	90,600
(2) Non-Current Liabilities :			
Bank Loans		70,000	—
(3) Current Liabilities :			
Trade Payables		1,50,000	1,35,200
Short-term Provisions :			
Provision for Taxation		30,000	35,000
Total		<u>5,30,500</u>	<u>5,10,800</u>
II. ASSETS :			
(1) Non-Current Assets :			
Fixed Assets			
(i) Tangible Assets	(3)	3,50,000	3,59,000
(ii) Intangible Assets— Goodwill		—	5,000
(2) Current Assets :			
(a) Inventories		1,00,000	74,000
(b) Trade Receivable		80,000	64,200
(c) Cash and Cash equivalents		500	8,600
Total		<u>5,30,500</u>	<u>5,10,800</u>

Notes to Accounts :

Particulars	Note No.	31.3.2021 (₹)	31.3.2022 (₹)
(1) Share Capital :			
Equity shares of ₹ 10 each fully subscribed		<u>2,00,000</u>	<u>2,50,000</u>
(2) Reserve and Surplus :			
General Reserve		50,000	60,000
Profit and Loss Account		30,500	30,600
		<u>80,500</u>	<u>90,600</u>
(3) Tangible Assets :			
Land and Building		2,00,000	1,90,000
Plant and Machinery		1,50,000	1,69,000
		<u>3,50,000</u>	<u>3,59,000</u>

Additional Information :

- (i) Dividend of ₹ 23,000 was paid
- (ii) Income tax paid during the year—
₹ 28,000
- (iii) Machinery was purchased during the
year—₹ 33,000
- (iv) Depreciation written-off on
Building—₹ 10,000
Machinery—₹ 14,000
4. (a) Give the meaning and objects of
amalgamation. 2+3=5
- (b) Explain the pooling of interest method
in amalgamation. 4
- (c) Give specimen journal entries for
effecting internal reconstruction. 6

Or

The Summarised Balance Sheets of
A Ltd. and B Ltd. as at 1st April, 2021
are as under :

Balance Sheets of A Ltd. and B Ltd.

Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
I. EQUITY AND LIABILITIES :			
(1) Shareholders' Funds :			
(a) Share Capital	(1)	1,20,000	1,00,000
(b) Reserve and Surplus	(2)	70,000	70,000
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(4) Current Liabilities :			
Trade Payables		30,000	10,000
Total		<u>2,20,000</u>	<u>1,80,000</u>
II. ASSETS :			
(1) Non-Current Assets :			
Fixed Assets			
Tangible Assets	(3)	1,40,000	1,20,000
(2) Current Assets :			
(a) Inventories		30,000	15,000
(b) Trade Receivable		10,000	25,000
(c) Cash and Cash equivalents		40,000	20,000
Total		<u>2,20,000</u>	<u>1,80,000</u>

Notes to Accounts :

Particulars	A Ltd. (₹)	B Ltd. (₹)
(1) Share Capital :		
Authorized Capital :		
Equity shares of ₹ 10 each	10,00,000	15,00,000
Issued and Subscribed Capital :		
8000 Equity shares of ₹ 15 each fully paid	1,20,000	—
10000 Equity shares of ₹ 10 each fully paid	—	1,00,000

Particulars	A Ltd. (₹)	B Ltd. (₹)
(2) Reserve and Surplus :		
General Reserve	60,000	50,000
Profit and Loss Account	10,000	20,000
Total	<u>70,000</u>	<u>70,000</u>
(3) Tangible Assets :		
Land and Building	1,40,000	1,20,000
Total	<u>1,40,000</u>	<u>1,20,000</u>

The above two companies agree to amalgamate and form a new company AB Ltd. on the following conditions :

- AB Ltd. will take over all the assets and liabilities of A Ltd. and B Ltd.
- The entire purchase consideration will be satisfied by the issue of 28600 Equity shares of ₹ 10 each of AB Ltd.
- For the purpose of amalgamation, the value of each equity share is agreed at ₹ 25 and ₹ 12.50 for A Ltd. and B Ltd. respectively.
- The creditors are to be paid off by AB Ltd.

Pass Journal entries to close the books of
A Ltd. and B Ltd. 8+7=15

5. H Ltd. purchased 24000 Equity shares in S Ltd. on 1.1.2022. S Ltd. had ₹ 22,500 in General Reserve and ₹ 37,500 (Dr.) in Profit and Loss Account. From their Balance Sheets on 31.12.2021 as given below, prepare a consolidated Balance Sheet

*Balance Sheets of H Ltd. and S Ltd.
as at 31st December, 2021*

Particulars	H Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES :		
(1) Shareholders' Funds :		
(a) Share Capital :		
Equity shares of ₹ 10 each	7,50,000	3,00,000
(b) Reserve and Surplus :		
General Reserve	90,000	7,500
Profit and Loss Account	60,000	(67,500)
(2) Share application money pending allotment	—	—
(3) Non-Current Liabilities	—	—
(4) Current Liabilities :		
Trade Payables	1,05,000	31,500
Total	<u>10,05,000</u>	<u>2,71,500</u>
II. ASSETS :		
(1) Non-Current Assets :		
(a) Fixed Assets :		
Tangible Assets :		
Land and Building	6,75,000	1,50,000
(b) Non-Current Investments :		
24000 Equity Shares in S Ltd.	2,10,000	—
(2) Current Assets :		
Other current assets	1,20,000	1,21,500
Total	<u>10,05,000</u>	<u>2,71,500</u>

Fixed assets standing in the books of S Ltd. ₹ 90,000 was considered worth ₹ 75,000 on the date of purchase of control. For the purpose of determining the value of shares 20% depreciation has been written off since acquisition. Stock of H Ltd. includes ₹ 30,000 on which S Ltd. made ₹ 7,500 profit.

15

Or

- (a) The following particulars are available in relation to A Ltd. :
- Equity share capital :
5000 Equity shares of ₹ 20 each
 - Preference share capital :
1000, 8% Preference shares of ₹ 100 each
 - Reserve—₹ 30,000
 - Current Liabilities—₹ 18,000
 - Loss on Revaluation of fixed assets—₹ 12,000
 - Average trading profit—₹ 30,000 (after tax)

(vii) Normal rate of return on capital employed—10%

(viii) Goodwill should be valued at 3 years' purchase of super profit

Calculate intrinsic value per equity share.

10

(b) Distinguish between purchased goodwill and inherent goodwill. How are they treated in company accounts?

5

★ ★ ★