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**Master of Commerce 4th Semester
(2053)**

Group-D : (Accounting and Finance)

ADVANCED CORPORATE ACCOUNTING

Paper—(Same for USOL Candidates) MC-413

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt *five* questions in all, selecting at least **one** question from each Unit. All questions carry equal marks.

UNIT-I

1. How Investment Account is prepared, explain with suitable example in the case of investment made in debts as well as in equity.
2. Parbhu & Co. is a partnership firm consisting of Mr. Parbhu, Mr. Bhola and Mr. Shiv who share profits and losses in the ratio of 2:2:1 and Bhagwan Ltd. is a company doing similar business.

Following is the Balance sheet of the firm and that of the company as at 31.3.2021 :

Liabilities	Parbhu & Co. (Rs.)	Bhagwan Ltd. (Rs.)	Assets	Parbhu & Co. (Rs.)	Bhagwan Ltd. (Rs.)
Equity Capital: Equity Shares of Rs.10 each		10,00,000	Plant & Machinery Furniture	2,50,000 25,000	8,00,000 1,12,500

Partners' Capital					
Prabhu	1,00,000				
Bhola	1,50,000		Stock in Trade	25,000	4,25,000
Shiv	50,000		Sundry Debtor	1,00,000	4,12,500
General Reserves	50,000	3,50,000	Cash at Bank	5,000	2,00,000
Sundry Creditors	1,50,000	6,50,000	Cash in Hand	20,000	50,000
Total	5,00,000	20,00,000	Total	5,00,000	20,00,000

It was decided that Parbhu & Co. was dissolved and all the assets (except cash in hand and cash at bank) and all the liabilities of the firm be taken over by Bhagwan Ltd. by issuing 25,000 shares of Rs. 10 each at a premium of Rs.2 per share. Partners of Prabhu & Co. agreed to divide the shares issued by Bhagwan Ltd. in the profit sharing ratio and bring necessary cash for settlement of their capital.

The creditors of Parbhu & Co. includes Rs. 50,000 payable to Bhagwan Ltd. An unrecorded liability of Rs.12,500 of Parbhu & Co. must also be taken over by Bhagwan Ltd.

Prepare :

- (i) Realisation account. Partners' capital accounts and Cash in hand/Bank account in the books of Prabhu & Co.
- (ii) Pass journal entries in the books of Bhagwan Ltd. for acquisition of Parbhu & Co.

UNIT-II

3. Explain the various provision of capital reduction as given in the Companies Act, 2013.
4. Balance Sheet of Rama Ltd, and Krishna Ltd, as on 31st March, 2022 were follows :

	Rama Ltd. (Rs.)	Krishna Ltd. (Rs.)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital :		
Fully Paid up Equity Shares of Rs. 10 each	6,00,000	4,00,000
(b) Reserves and Surplus :		
Reserve	1,50,000	1,00,000
Surplus Account	75,000	55,000
(2) Non- Current Liabilities	—	—
(3) Current Liabilities		
Sundry Creditor	37,500	30,000
Total	8,62,500	5,85,000
II. Assets		
(1) Non-current Assets		
Fixed Assets (other than Goodwill)	5,00,000	3,00,000
(2) Current Assets		
Stock	95,000	75,000
Debtors	1,40,000	1,00,000
Bank	1,27,500	60,000
Total	8,62,500	5,85,000

Rama Ltd. took over and amalgamated Krishna Ltd. as on 1st October 2022. No Balance Sheet of Krishna Ltd. was prepared on the date of take over. But the following information is made available to you :

- (i) In the six months ended 30th September, 2022, Krishna Ltd. made net profit of Rs.60,000 after providing for depreciation at 10% per annum on fixed assets.
- (ii) Rama Ltd. during that period had made net profit of Rs. 1,45,000 after providing for depreciation at 10% per annum on fixed assets.
- (iii) Both the companies had distributed dividend of 10% on 1st July, 2022.
- (iv) On the day of takeover, Goodwill of Krishna Ltd. was estimated at Rs.25,000 and it was agreed that the stock of Krishna Ltd. would be appreciated by Rs.15,000.
- (v) Rama Ltd. to issue Shares to shareholders of Krishna Ltd. on the basis of intrinsic value of the shares on the date of takeover.

Draft the Balance Sheet of Rama Ltd. after amalgamation in the nature of purchase.

5. The following information relates to Sick Ltd. as on 31st March, 2022 :

	Rs.
4,000 Equity Shares of Rs.100 each	4,00,000
2,000 6% Debentures of Rs.100 each	2,00,000
Interest on Debentures outstanding	24,000
Trade Creditors	1,00,000
Property, Plant and Equipment	4,00,000
Current Assets	1,30,000

The following scheme was duly agreed and approved by the court:

- (i) The shares were sub-divided into share of Rs. 5 each and 90% of the shares were surrendered.
- (ii) The total claim of debenture holders were reduced to Rs.98,000 and in consideration of this they were allotted shares (out of surrendered shares) of Rs. 50,000.
- (iii) Creditors agreed to reduced their claim to Rs.30,000, 1/3 of which was satisfied by issue of equity shares out of those surrendered.
- (iv) Property, Plant and Equipment were revalued at Rs.1,92,000 and current assets were revalued at Rs.96,000.
- (v) The shares surrendered were not reissued and cancelled.

UNIT-III

6. What is Goodwill ? Under what circumstances goodwill is valued and recorded ? Explain the various methods for valuation of Goodwill.
7. Liabilities and assets of Good Enterprise Ltd, as at 31st March, 2022 is as under :

	(Rs.)
I. Equity and Liabilities	
(1) Shareholder's Funds	
(a) Share Capital:	
Fully Paid up Equity Shares of Rs. 10 each	2,00,000
Equity Share Capital in shares of Rs. 4 each	1,00,000
(b) Reserves and Surplus:	
General Reserve	30,000
Surplus Account	10,000
Other Reserves	
(i) Gratuity Fund	15,000
(ii) Workmen s Compensation Fund	5,000
(iii) Depreciation Fund	10,000
(2) Non- Current Liabilities	
(3) Current Liabilities	
Sundry Trade Creditor	25,000
Outstanding Expenses	5,000
Bank Overdraft	30,000
Total	4,30,000

II. Assets	
<i>(1) Non-current Assets</i>	
Property, Plant and Equipment	1,13,000
Goodwill (purchased)	50,000
<i>(2) Current Assets</i>	
Stock	1,20,000
Debtors	1,35,000
Cash	10,000
Prepaid Expenses	2,000
Total	4,30,000

A shareholder holding 100 shares of Rs.10 each and 200 shares of Rs. 4 each wants to dispose of all the shares. Dividends paid for last three years were 12%, 11% and 13% , Normal expectation is 10%.

Property, Plant and Equipment are worth Rs. 60,000, goodwill is to be increased by an amount equal to average of book valuation made at 4 years' purchase of average super profit for the last three years. Debtors are estimated to be worth Rs. 1,42,000, Rs.3,000 of trade creditors are outstanding for many years and it is estimated that this amount will not be payable. On other hand, Rs.6,000 being disputed bonus claim has not been provided in the accounts but it is likely that the amount shall have to be paid.

Profits for three years after taxation are Rs.35,000, Rs.48,000 and Rs.43,000.

- (a) Calculate the value of goodwill.
- (b) Find out breakup value, market value and fair value of the above two type of shares.
- (c) What should be the fair value of the shares if the controlling interest of the Managing Director is being sold ?

UNIT-IV

8. Following are the Balance Sheet of H Ltd, and S Ltd, as on 31st March 2022:

	H Ltd. (Rs.)	S Ltd. (Rs.)
(1) Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital:		
Fully Paid up Equity Shares of Rs.10 each	6,00,000	2,00,000
6% Preference Shares of Rs.100 each	----	1,60,000
(b) Reserves and Surplus:		
General Reserve	1,00,000	80,000
Surplus Account	2,00,000	90,000
(2) Non- Current Liabilities		
6% Debentures of Rs.10 each	----	40,000

<i>(3) Current Liabilities</i>		
Sundry Creditor	2,94,000	1,25,000
Debentures Interest Accrued	----	2,400
Provision for Proposed Dividend (Pref. Share)	----	9,600
Provision for Proposed Dividend (Equity Share)	60,000	20,000
Total	12,54,000	7,27,000
<i>(2) Assets</i>		
<i>(1) Non-current Assets</i>		
Fixed Assets	5,00,000	4,40,000
Investments:		
(i) 15,000 Equity Shares in S Ltd	3,30,000	----
(ii) 1,200 Preference Shares in S Ltd.	1,20,000	----
(iii) 1,000 6% Debentures in S Ltd.	10,000	
<i>(2) Current Assets</i>	2,94,000	2,87,000
Total	12,54,000	7,27,000

Other information is as under :

- (i) The general reserve of S Ltd. as on 31-3-2021 was Rs.80,000.
- (ii) H Ltd. acquired the shares in S Ltd. on 31 -3-2021.
- (iii) The Balance of Surplus Account of S Ltd. is made up as follows :

	Rs.
Balance as on 31 -3-2021	56,000
Net Profit for the year ended 31-3-2022	<u>63,600</u>
	1,19,600
Less Provision for proposed dividend	<u>29,600</u>
	<u>90,000</u>

- (iv) The balance of Surplus Account of S Ltd. as on 31-3-2021 is after providing for preference dividend of Rs.9,600 and equity dividend of Rs.10,000 both of which were subsequently paid and credited to surplus account of H Ltd.
- (v) No entry has been made in the books of H Ltd. for debentures interest due from or proposed dividend of S Ltd. for the year ended 31-3-2022.
- (vi) S Ltd. has issued fully paid bonus shares of Rs.40,000 on 31-3-2022 among the existing shareholders by drawing upon the general reserve. The transaction has not been given effect to in the books of S Ltd.

You are required to prepare the Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as on 31-3-2022.

9. What do you mean by holding company ? Explain the circumstances how a company can become holding company.
10. Write a short note on :
- (A) Controlling Interest
 - (B) Post Acquisition Profit
 - (C) Minority Interest
 - (D) Cross Holding.