

(i) Printed Pages: 7

Roll No. ....

(ii) Questions : 10

Sub. Code : 

3	8	5	8
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Exam. Code : 

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Master of Commerce 4<sup>th</sup> Semester  
(2042)

Group D : (Accounting and Finance)

**ADVANCED CORPORATE ACCOUNTING**

(Same for USOL Candidates)

Paper : 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. Describe the procedure of conversion of Partnership into Limited Company. What are the various documents required for such conversion ?
2. Mr. Ram carried out the following transactions in the shares of ABC Ltd. :
  - (a) On 1st April, 2021 he purchased 20,000 equity shares of Rs. 1 each fully paid for Rs. 30,000 on cum-right basis.



- (b) On 15<sup>th</sup> May, 2021 Mr. Ram sold 4,000 shares for Rs. 7,600.
- (c) At a meeting on 15<sup>th</sup> June 2021, the company decided :
- (i) to make a bonus issue of one fully paid share for every four shares held on 1<sup>st</sup> June 2021, and
  - (ii) to give its members the right to apply for one share for every five shares held on 1<sup>st</sup> June, 2021 at a price of Rs. 1.50 per share of which 75 paise is payable on or before 15<sup>th</sup> July, 2021, and the balance, 75 paise per share, on or before 15<sup>th</sup> September, 2021.

The shares issued under (i) and (ii) were not to rank for dividend for the year ending 31<sup>st</sup> March, 2021.

- (d) Mr. Ram received his bonus shares and took up 2,000 shares under the rights issue, paying the sums thereon when due and selling the rights to the remaining shares at 40 paise per share; the proceeds were received on 30<sup>th</sup> September, 2021.
- (e) On 15<sup>th</sup> March, 2022, he received a dividend from ABC Ltd. of 15 percent in respect of the year ended 31<sup>st</sup> March, 2021.
- (f) On 30<sup>th</sup> March, he received Rs. 14,000 for the sale of 10,000 shares.



You are required to record these transactions in Investment Account in Mr. Ram's books for the year ended 31<sup>st</sup> March, 2022, transferring any profits or losses on these transactions. Apply Average basis. Expenses and tax to be ignored.

## UNIT—II

3. What entries should be passed in the books of company that goes into liquidation for the purpose of amalgamation.?
4. ABC Ltd. was just recovering out of great financial stress and consequently went into voluntary liquidation. Its summarized Balance Sheet as on 31<sup>st</sup> March, 2022 was as follows :

I. Equity and Liabilities :	Rs.
(1) Shareholders' Fund	
(a) Share Capital :	
Equity Shares	7,80,000
Preference Shares	5,20,000
(b) Reserves and Surpluses :	
Capital Reserves	15,730
Surplus account	
(Negative Balance)	(5,36,510)
(2) & (3) Non-Current and	
Current Liabilities	1,36,110
<b>Total</b>	<u><u>9,15,330</u></u>



(4) Contingent Liabilities (In respect of pending legal case) Rs. 18,840

## II. Assets

### (5) Non-Current Assets

Sky-scrappers	4,13,400
Other Fixed Assets	2,22,560

### (6) Current Assets

Floating Assets	2,79,370
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<b>Total</b>	<b><u>9,15,330</u></b>
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ABC New Ltd. agreed to take over some of the assets of the ABC Ltd. at an agreed valuation as under :

	Rs.
Sky-scrappers	2,60,000
Plant & Machinery	1,56,000
Motor & Lorries	5,200
Stock-in-trade	98,800
	<b><u>5,20,000</u></b>

Total purchase consideration was satisfied by allotment of Preference and Equity shares in new company in the ratio of 3 : 2. The Preference Shares carried 12% dividend whereas Equity Shares of Rs. 30 each were issued as partly – paid to the extent of Rs. 20 per share. The new company also



agreed to take over the Contingent Liability which ultimately materialized. The claimant was allotted Equity shares as fully paid.

Book-debts of the old company realized Rs. 1,65,425 and the Trade Creditors were settled for Rs. 1,14,842. The Liabilities were discharged. The cost of voluntary winding up came to Rs. 13,923. The Preference Shareholders in the old company agreed to accept in full satisfaction of their claims, the preference shares in the new company and available cash.

You are required to give Journal Entries to close the books of ABC Ltd. and open the books of ABC New Ltd.

5. Explain the various provisions of Capital Reduction as given in the Companies Act, 2013.

### UNIT—III

6. Following information is furnished in respect of SF Ltd.
- (1) Share Capital - 2,00,000 Equity shares of Rs. 10 each fully paid.
- (2) Profit after tax, dividend declared and retained earnings :

Year	Profit after tax (Rs.)	Dividend declared (Rs.)	Retained earnings (Rs.)
2021	7,10,000	3,40,000	3,70,000
2020	6,00,000	3,00,000	3,00,000
2019	4,00,000	2,60,000	1,40,000



- (3) Normal rate of return expected by shareholders in the market is 12%.
- (4) The normal earnings of similar companies in the industry is 15%.

You are required to calculate the value of share if (a) only few shares are to be sold, (b) majority shares are to be sold.

7. Define Goodwill. Why there is need for valuation of goodwill ? Discuss the various methods of calculating goodwill.

#### UNIT— IV

8. What is Holding company? How does a holding company come into existence ?
9. Write short notes on :
- (i) Minority Interest
  - (ii) Post-Acquisition (Revenue) Profit
  - (iii) Pre-Acquisition (Capital) Profit; and
  - (iv) Intergroup Transactions.
10. H Ltd. acquired 20,000 (i.e.  $\frac{4}{5}$ ) equity shares of S Ltd. of Rs. 100 each on 31<sup>st</sup> March 2021. Balance Sheets of H Ltd.



and S Ltd. as on 31<sup>st</sup> March, 2022 were as follows :

	H Ltd. (Rs.)	S Ltd. (Rs.)
I. Equity and Liabilities		
(1) Shareholders's Fund		
(a) Share Capital :		
Equity Shares of Rs. 100 each	80,00,000	25,00,000
(b) Reserves and Surpluses :		
Reserves	30,00,000	5,00,000
Surplus Account	10,00,000	10,00,000
(2) Current Liabilities		
Creditors	20,00,000	5,00,000
<b>Total</b>	<b>1,40,00,000</b>	<b>45,00,000</b>
II. Assets		
(3) Non-Current Assets		
(c) Fixed Assets	70,00,000	25,00,000
(d) Investment :		
20,000 Shares in S Ltd.	30,00,000	—
(4) Current Assets	40,00,000	20,00,000
<b>Total</b>	<b>1,40,00,000</b>	<b>45,00,000</b>

S Ltd. had the credit balance of Rs. 5,00,000 in reserves and Rs. 2,00,000 in the surplus account when H Ltd. acquired the shares in S Ltd. issued bonus shares @ 1 for every 5 shares held out of post-acquisition profits. This is not shown in the above balance sheet. Prepare Consolidated Balance Sheet.