

2071
Master of Commerce
Fourth Semester
Group – D: Accounting and Finance
MC-413: Advanced Corporate Accounting
(Same for USOL candidates)

Time allowed: 3 Hours

Max. Marks: 80

NOTE: Attempt five questions in all, selecting atleast one question from each Unit. All questions carry equal marks.

x-x-x

Unit 1

Q.1. What do you mean by acquisition of business by company? Pass the Journal entries in the books of purchasing company when new set of books of accounts are opened.

Q.2. Define 'Profit/ Loss Prior to Incorporation'. Explain the procedure to calculate Profit prior to corporation with suitable example.

Q.3. On 1st April, 2020, XY Ltd. has 15,000 equity shares of ABC Ltd. at a book value of Rs. 15 per share (face value Rs. 10 per share). On 1st June 2020, XY Ltd. acquired 5,000 equity shares of ABC Ltd. for Rs. 1,00,000 on cum right basis. ABC Ltd. announced a bonus and right issue.

1. Bonus was declared, at the rate of one equity share for every five shares held, on 1st July 2020.

2. Right shares are to be issued to the existing shareholders on 1st September 2020. The company will issue one right share for every 6 shares at 20% premium. No dividend was payable on these shares.

3. Dividend for the year ended 31.3.2020 was declared by ABC Ltd. @20%, which was received by XY Ltd. on 31st October, 2020.

XY Ltd.

- Took up half the right issue
- Sold the remaining rights for Rs. 8 per share.
- Sold half of its share holding on 1st January, 2021 at 16.50 per share, brokerage being 1%

You are required to prepare Investment Account of XY Ltd. for the year ended 31st March, 2021 assuming the shares are being valued at average cost.

Unit – 2

Q.4. Describe various methods of accounting for amalgamation.

Q.5. Distinguish between:

- Alteration of Share Capital and Reduction of Share Capital.
- Internal Reconstruction and External Reconstruction.

Unit – 3

Q.6. Explain various for affecting goodwill. Also describe the various method of calculate the goodwill of company.

Q.7. Capital structure of ABC Ltd. as on 31st March 2020 was as under:

	Rs. In lakhs
Equity share capital –fully paid share of Rs. 10 each	10
10% Preference share capital	5
15% Debenture	8
Reserves and surpluses	4

ABC Ltd earn profit of Rs. 5 lakhs annually on an average before deduction of interest on debentures and income tax which work out to 40%.

Normal return on equity shares of companies of similarly placed is 12% provided:

- Profit after tax covers fixed interest and fixed dividends at least 3 times.
- Capital gearing ratio is 0.75 times.
- Yield on share is calculated at 50% of profits distributed and at 5% on undistributed profits.

ABC Ltd. has been regularly paying equity dividends of 10%.

Compute the value per equity share of the company.

(2)

Unit – 4

Q.8. Given below are the extracts from the Balance Sheets of H Ltd and S Ltd as on 31.3.2020:

Particulars	H Ltd (Rs.)	S Ltd (Rs.)
Equity Shares of Rs. 10 each	10,00,000	7,00,000
General Reserve	2,00,000	4,48,000
Profit and Loss A/c	3,10,000	1,52,000
12% Debentures	2,00,000	2,00,000
Trade Creditors	3,00,000	5,35,000
Bills Payable	1,40,000	1,40,000
Land & Building	6,00,000	2,70,000
Plant & Machinery	2,00,000	3,70,000
Share in S Ltd.	5,00,000	-----
900, 12% Debentures in S Ltd.	80,000	-----
Inventories	1,00,000	3,00,000
Trade Debtor	4,00,000	9,10,000
Bills Receivables	1,00,000	1,00,000
Cash at Bank	1,70,000	2,25,000

Note: Contingent liability in respect of Bills discounted by H Ltd. Rs. 50,000.

Contingent liability in respect of Bills Discounted by S Ltd. Rs. 25,000 of which Bills of Rs. 5,000 were accepted by H Ltd.

Additional Information:

- H Ltd. acquired 30,000 Equity Shares in S Ltd on 1.7.2019. The Credit Balance of Profit & Loss A/c of S Ltd. as on 1.4.2019 was Rs. 2,00,000 and that of General Reserve on that date was Rs. 6,00,000.
- On 30.9.2019 S Ltd. declared dividend @ 20% on equity shares for the year 2018-2019. H Ltd. credited the receipt of dividend to its Profit & Loss A/c.
- On 1.1.2020, S Ltd issued 2 shares for every 5 shares held, as bonus share. No entry has been made in the books of H Ltd. for the receipt of these bonus shares.
- H Ltd. purchased goods for Rs. 3,00,000 from S Ltd. which made at a profit of 20% on cost. 80% of these goods were sold by H Ltd. at a profit of 20% on cost till 31.3.2020. Profits during 2019-2020 were earned evenly throughout the year.
- On 1.1.2020 H Ltd. sold to S Ltd. a machine costing Rs. 2,40,000 at a profit of 25% on selling price. Depreciation at 10% p.a. was provided by S Ltd. on this machine. On 1.1.2020 H Ltd sold to S Ltd a machine costing Rs. 2,40,000 at a profit of 25% on selling price. Depreciation at 10% p.a. was provided by S Ltd on this machine.
- H Ltd. owed S Ltd. 2,90,000 but S Ltd is owed Rs. 3,00,000 by H Ltd.
- The Land and Building of S Ltd. which stood at Rs. 3,00,000 on 1.4.2019, was considered as worth of Rs. 6,92,500 on 1.7,2019 for which necessary adjustments are yet to be made.
- All the Bills Payables of S Ltd. were upon by H Ltd.
- The management of H Ltd. and S Ltd. wish to recommend a dividend of 15% p.a., and 10% p.a., respectively on equity shares for the year 2019-2020.

Prepare the Consolidated Balance Sheet of H Ltd and its subsidiary, as on 31.3.2020.

Q.9. What do you mean by Holding companies? What are their advantages and Disadvantages?

Q.10. Explain the following terms:

- Minority Interest
- Cost of Control
- Mutual Owings

x-x-x