

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

2 0 2 4

(November-December)

COMMERCE

(Honours)

(**Corporate Accounting**)

[BC-303(a)]

(Under Revised Syllabus)

Marks : 75

Time : 3 hours

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

Answer **all** questions

1. (a) What is stock invest? 4
- (b) Distinguish between bonus issue and right issue. 7
- (c) What do you mean by issue of debenture as a collateral security? 4

Or

- (a) A company has 800, 7% redeemable preference shares of ₹ 100 each fully paid. The company decides to redeem

the shares on 31st December, 2023 at a premium of 5%. The company makes the following issues :

(i) 2000 equity shares of ₹ 100 each at a premium of 10%

(ii) 1500, 8% debentures of ₹ 100 each
The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has a credit balance in Profit & Loss A/c—₹ 11,00,000 and Securities Premium A/c—₹ 1,00,000.

You are asked to pass the necessary Journal Entries.

(b) What is the purpose behind the creation of Capital Redemption Reserve?

2. Big & Co. Ltd. is a company with an authorized capital of ₹ 50,00,000 divided into 50000 equity shares of ₹ 100 each. On 31.12.2023, 25000 shares were fully called-up. The following are the balances extracted from the Ledger of the company as on 31.12.2023 :

Particulars	₹
Stock	5,00,000
Sales	42,50,000
Purchases	30,00,000
Wages	7,00,000
Discount allowed	42,000

Particulars	₹
Discount received	31,500
Insurance up to 31.03.2024	67,200
Salaries	1,85,000
Rent	60,000
General expenses	89,500
Profit & Loss A/c	62,200
Printing and stationary	24,000
Advertisement	38,000
Bonus	1,05,000
Debtors	3,87,000
Creditors	3,52,000
Plant and machinery	8,05,000
Furniture	1,71,000
Cast at bank	13,47,000
Reserve	2,50,000
Loans	1,57,000
Bad debts	32,000
Calls-in-arrears	50,000

You are required to prepare statement of profit and loss for the year ending 31.12.2023 and the Balance Sheet as on that date of the company. The following further information is given : 9+6=15

- (i) Closing stock—₹ 9,15,000
(ii) Depreciation to be charged on plant and furniture at 15% and 10% respectively
(iii) Outstanding liabilities : wages ₹ 52,000, salary ₹ 12,000 and rent ₹ 6,000
(iv) Dividend @ 5% on paid-up share capital is to be provided

Or

X. Ltd. was incorporated on May 1, 2023, acquired a business on January 1, 2023. The first accounts were closed on 30th September, 2023.

The gross profit for the period was ₹ 76,000.

Details of other expenses :

General expenses—₹ 43,200

Director's remuneration—₹ 72,000

Preliminary expenses—₹ 12,000

Rent up to 30th June was ₹ 36,000 per annum; after which it increased by 40%. Salary of the manager who on formation of the company had become a wholetime director and whose remuneration has been given above; was agreed at ₹ 30,600 per annum.

The company earned a uniform gross profit. The sales up to September 2023 were ₹ 5,88,000. The monthly average of sales for the first four months of the year was one-half of the remaining period.

Prepare a statement showing pre-incorporation and post-incorporation profits for the period ending 30th September, 2023. 15

3. (a) What are the limitations of financial statements? 5
- (b) From the following information, prepare a Balance Sheet as at 31st March, 2024 : 10
- (i) Working capital—₹ 12,00,000
 - (ii) Reserve and surplus—₹ 8,00,000
 - (iii) Bank overdraft—₹ 2,00,000
 - (iv) Assets (fixed)—
Proprietary ratio—0.75
 - (v) Current ratio—2.5
 - (vi) Liquid ratio—1.5

Or

Balance Sheets of X. Ltd. as on 31st March, 2023 and 2024 are given below :

	31.03.2023	31.03.2024
	₹	₹
I. <i>Equity and liabilities :</i>		
1. Share holders' funds :		
(a) Share capital	3,00,000	4,00,000
(b) Reserves and surplus :		
Capital reserve	—	10,000
General reserve	50,000	65,000
Surplus Account	1,50,000	1,90,000

	31.03.2023	31.03.2024
	₹	₹
2. Current liabilities :		
Current liabilities	1,40,000	1,50,000
Provision for income tax	90,000	80,000
Proposed dividend	36,000	48,000
Total equity and liabilities	<u>7,66,000</u>	<u>9,43,000</u>
II. Assets :		
1. Non-current assets :		
Machineries at cost	5,00,000	6,00,000
Less : Depreciation	1,50,000	1,70,000
	<u>3,50,000</u>	<u>4,30,000</u>
2. Current assets :		
Trade investments	80,000	60,000
Stock	2,00,000	2,63,000
Debtors	1,06,000	1,50,000
Bank	30,000	40,000
Total assets	<u>7,66,000</u>	<u>9,43,000</u>

During the year ended 31st March, 2024, the company—

- (i) sold one machine for ₹ 30,000, the cost of which was ₹ 60,000 and depreciation provided on it was ₹ 20,000;
- (ii) sold off trade investment at a profit that was credited to capital reserve;

- (iii) decided to write off fixed assets costing ₹ 10,000 on written-down value;
- (iv) treat provision for tax and proposed dividend as non-current liabilities.

Prepare a Cash Flow Statement for the year ended 31st March, 2024. Show all workings. 15

4. (a) What do you mean by amalgamation? What are the different types of amalgamation? 6
- (b) What entries should be passed in the books of a transferor company? 9

Or

The paid-up capital of Science Traders Ltd. amounted to ₹ 25,00,000 consisting of 10000, 5% cumulative preference shares of ₹ 100 each and 150000 equity shares of ₹ 10 each. The preference dividends were in arrear for ₹ 1,50,000.

A succession of losses having been incurred by the company, the Directors recommended to the shareholders the proposal to reduce the capital to provide a sum sufficient for the following purposes :

- (i) To write-down the book value of patents by ₹ 3,50,000, plant and machinery by ₹ 85,000; tools and implements by ₹ 10,000

(ii) To write-off debit balance on Profit & Loss A/c of ₹ 9,90,000

(iii) Any balance made available by the reduction of capital to be written-off 'Experiment and Research Expenses'.

The scheme is duly approved and authorized, provided—

- (i) for every five, 5% preference shares, three 4% cumulative preference shares of ₹ 100 each and 20 equity shares of ₹ 2 each;
- (ii) for every ₹ 10 of accumulated arrear of preference dividend, one equity shares of ₹ 2 each;
- (iii) for every five old equity shares, one new equity share of ₹ 2 each.

You are required to show the necessary Journal Entries, prepare the Share Capital Account and the Capital Reduction Account to record the above in the books of the company.

8+7=15

5. (a) What are the important features of purchased goodwill?

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(b) On December 31, 2023, the Balance Sheet of P Ltd. reveals the following position :

*Balance Sheet of P Ltd.
as at 31.12.2023*

Particulars	Note No.	Amount ₹
I. Equity and Liabilities :		
1. Shareholders' Funds :		
(a) Share capital :		
40000 equity shares		
of ₹ 10 each fully paid		4,00,000
(b) Reserve and surplus :		
General reserve		90,000
Profit & Loss A/c		20,000
2. Share application money		
pending allotment		—
3. Non-current liabilities :		
5% debentures		1,00,000
4. Current liabilities :		
Other current liabilities		1,30,000
Total		<u>7,40,000</u>

Particulars	Note No.	Amount ₹
II. Assets		
1. Non-current assets :		
Fixed assets :		
Tangible assets		5,00,000
Intangible assets – Goodwill		40,000
2. Current assets :		
Other current assets		2,00,000
Total		<u>7,40,000</u>

On December 31, 2023, the fixed assets were independently valued at ₹ 3,50,000 and the goodwill at ₹ 50,000. The net profits for the three years were 2021—₹ 51,600; 2022—₹ 52,000; 2023—₹ 51,650 of which 20% was placed under reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%.

You are required to calculate the value of shares by (i) the net assets method and (ii) the yield value method. 6+6=12

Or

Explain the following items in the context of preparing consolidated Balance Sheet : 3×5=15

- (i) Cost of control
- (ii) Inter-company owings

- (iii) Unrealized profits
- (iv) Payment of dividend out of pre- and post-acquisition profits
- (v) Minority interest
