

Answer any FIVE questions.

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions.

1. Define Goodwill.
2. What is average profit?
3. What do you mean by absorption?
4. How purchase consideration is determined?
5. What is meant by 'Alteration of Share Capital'?
6. Who are preferential creditors?
7. Give the meaning of 'Subsidiary Company'.
8. What is a Consolidated Balance Sheet?
9. Define the term Dividend.
10. What is meant by surrender value?
11. What is Statutory Reserve?
12. Write any two procedures of issuing accounting standards.

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13. The following is the Balance Sheet of NSC Ltd. as on 31<sup>st</sup> Dec. 2008.

Liabilities	Rs.	Assets	Rs.
4,000 10% pref shares		Sundry assets	
of Rs. 100 each	4,00,000	at book value	12,00,000
60,000 shares			
of Rs. 10 each	6,00,000		
Bills payable	50,000		
Creditors	1,50,000		
	<u>12,00,000</u>		<u>12,00,000</u>

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs. 10,000.

Find the value of each equity share (it is to be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital.

14. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

- (a) Average capital employed in the business is Rs. 20,00,000
- (b) Rate of interest expected from capital having regard to the risk involved is 10%.
- (c) Net trading profits of the firm for the past three years were Rs. 3,50,400; Rs. 2,80,300 and Rs. 3,10,100.
- (d) Fair remuneration to the partners for their services is Rs. 48,000 per annum.
- (e) Sundry assets of the firm are Rs. 23,50,400 and current liabilities are Rs. 95,110.

15. Kannan Ltd. agrees to purchase the business of Krishnan Ltd., on the following terms :

- (a) For each of the 10,000 shares of Rs. 10 each in Krishnan Ltd. 2 shares in Kannan Ltd. of Rs. 10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs. 4 per share cash also will be paid.
- (b) 8% debentures worth Rs. 80,000 will be issued to settle the Rs. 60,000 9% debentures in Krishnan Ltd.
- (c) Rs. 10,000 will be paid towards expenses of winding up.

Calculate the purchase consideration.

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16. The following particulars relate to a limited company which went into voluntary liquidation :

Preferential creditors	25,000
Unsecured creditors	58,000
6% debentures	30,000

The assets realized Rs. 80,000. The expenses of liquidation amounted to Rs. 1,500 and the liquidator's remuneration was agreed at 2½% on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors.

Show the liquidator's final statement of account.

17. From the following, you are required to calculate the loss on account of claims to be shown in the Revenue Account for the year ending 31.3.2006.

Intimated in	Admitted in	Paid in	Rs.
2004-05	2004-05	2005-06	45,000
2005-06	2005-06	2006-07	30,000
2003-04	2004-05	2004-05	15,000
2003-04	2004-05	2005-06	36,000
2005-06	2006-07	2006-07	24,000
2005-06	2005-06	2005-06	3,06,000

Claim on account of reinsurance was Rs. 75,000.

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[P.T.O.]

18. Describe the various cost based methods of Human resource Valuation.

19. State any 10 Mandatory Accounting Standards issued by the ICAI.

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions.

20. Raja Co. Ltd. issued 4,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as under :

- On application Rs. 3 per share
- On allotment Rs. 4 per share
- On first call Rs. 3 per share
- On second call Rs. 2 per share

The company received applications for 5,000 shares and the allotment was made as under :

- (a) Applicants for 200 shares – Nil
- (b) Applicants for 800 shares – Full.
- (c) Applicants for 4,000 shares – 3,200 shares

All moneys were duly received except the first call on 200 shares and final call on 300 shares.

Pass journal entries and prepare balance sheet of Raja Co. Ltd.

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21. Kala Ltd's Balance Sheet showed the following position on 31<sup>st</sup> March 2005.

Liabilities	Rs.	Assets	Rs.
10,000 equity shares of 10,00,000	Fixed assets	8,00,000	
Rs. 100 each			
Capital Reserve	2,00,000	Current assets	4,00,000
Bank loan	2,00,000	Cash at bank	2,00,000
Trade creditors	3,00,000	Profit and loss a/c	3,00,000
	<u>17,00,000</u>		<u>17,00,000</u>

Mala Ltd. was incorporated to take the fixed assets and 60% of the current assets at an agreed value of Rs. 9,00,000 to be paid as to Rs. 7,40,000 in equity shares of Rs. 10 each and the balance in 9% debentures. The debentures were accepted by bank in settlement of loan. Remaining current assets realized Rs. 90,000. After meeting Rs. 20,000 expenses of liquidation, all the remaining cash was paid to the creditors in full settlement.

Give journal entries in the books of both the companies and prepare the initial Balance Sheet of Mala Ltd. if the amalgamation is in the nature of purchase.

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22. On 31<sup>st</sup> March, 2006 the balance sheets of H Ltd. and its subsidiary S Ltd. stood as follows :

Liabilities	H Ltd.		S Ltd.	
	Rs.	Rs.	Rs.	Rs.
Equity share capital	8,00,000	2,00,000	Fixed Assets	5,50,000
General Reserve	1,50,000	70,000	S Ltd. (at cost)	2,80,000
Profit and Loss A/c	90,000	55,000	Stock	1,05,000
			Other current assets	1,28,000
Creditors	1,20,000	80,000		
	<u>11,60,000</u>	<u>4,05,000</u>		<u>11,60,000</u>

Draw a consolidated Balance Sheet as at 31<sup>st</sup> March, 2006 after taking into consideration the following information :

- (a) H Ltd. acquired the shares on 31<sup>st</sup> July, 2005.
  - (b) S Ltd. earned profit of Rs. 45,000 for the year ending 31<sup>st</sup> March, 2006
  - (c) In January 2006 S Ltd. sold to H Ltd. goods costing Rs. 15,000 for Rs. 20,000. On 31<sup>st</sup> March, 2006 half of these goods were lying as unsold in the godown of H Ltd.
- Give your working notes.

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23. Following is the Balance Sheet of K Ltd. as on 31.12.2008.

Liabilities	Rs.	Assets	Rs.
2,000 shares of Rs. 10 each fully paid	20,000	Goodwill	4,000
Profit and loss a/c	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
Creditors	3,000		
	<u>40,000</u>		<u>40,000</u>

R Limited agreed to take over the assets of K Ltd. (exclusive of one fixed asset of Rs. 4,000 and cash Rs. 1,000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2,000 shares of Rs. 10 each at the market value of Rs. 15 each and the balance in cash. Liquidation expenses came to Rs. 400.

K Ltd. sold the fixed asset of Rs. 4,000 and realized the book value. It paid off its debentures and liquidation expenses.

You are required to give journal entries in the books of K Ltd. and R Ltd. (Net assets Method)

24. Explain in detail the legal provisions relating to the final accounts of Banking Company.

25. Elaborate the generally accepted accounting principles and guidelines.

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