MS – 399

IV Semester B.Com. Examination, May/June 2013
(Semester Scheme)
(Prior to 2012-13) (Repeaters)
Paper – 4.3 : CORPORATE ACCOUNTING – II

Time : 3 Hours Max. Marks : 90

Instruction : *Answer should be written **completely** either in **English** or in **Kannada**.*

SECTION – A

1. Answer **any ten** of the following. **Each** question carries **two** marks. **(10×2=20)**
   a) What is Amalgamation of companies ?
   b) Who is a liquidator ?
   c) Give the meaning of preferential creditor.
   d) What is the difference between Absorption and External Reconstruction ?
   e) What are the different modes of discharge of purchase consideration ?
   f) How do you close the capital reduction account in Internal Reconstruction ?
   g) State any two objects of External Reconstruction.
   h) What is intangible assets ? Give two examples.
   i) Find out the commission due to liquidator, if the commission is 2½% on the amount available to equity shareholder after charging such commission. The amount available to equity shareholder before charging such commission is ₹ 4,48,000.
   j) Give the Journal entries in the books of vendor company for liabilities not taken over by purchasing company.
   k) How do you treat the General Reserve and Accumulated Profit of vendor company in Absorption ?
   l) What is Realisation Account ?

P.T.O.

SECTION – B

Answer **any five** questions. **Each** question carries **five** marks. **(5×5=25)**

2. State any 5 features of Amalgamation of companies in the nature of purchase.

3. Briefly explain the Accounting steps involved in Absorption.

4. State the order of preference in the settlement of liabilities in liquidation of companies.

5. On the Reconstruction of a Company, the following terms were agreed upon :

   The shareholder to receive in place of their present holding (namely 50000 Equity Shares of ₹ 50 each). The shareholders to receive the following :

   a) Fully paid equity shares of $^{2}/_{5}{}^{th}$ of their present holding.

   b) 5% preference shares fully paid to the extent of $^{1}/_{5}{}^{th}$ of the above New Equity Shares.

   c) ₹ 60,000 in Debentures.

   Prepare the Capital Reduction Account.

6. Unlucky Ltd. went into voluntary liquidation. Its assets realised by ₹ 2,10,000 excluding the amount realised by the sale of securities held by secured creditors. From the following, prepare liquidators final statement of A/c.

   Secured creditors ₹ 17,500 (security realised ₹ 20,000), preferential creditors ₹ 3,000. Unsecured creditors ₹ 1,00,000.

   Debentures (having floating charge on assets) ₹ 1,25,000

   Liquidation exp. ₹ 2,500

   Liquidation remuneration is 3% on amount paid to unsecured creditors.

7. The Balance Sheet of A Ltd. and B Ltd. as on 31st March 2010, are given below :

Liabilities	A Ltd. ₹	B Ltd. ₹	Assets	A Ltd. ₹	B Ltd. ₹
Equity Shares			Premises	60,000	–
of ₹ 100 each	2,00,000	1,80,000	Goodwill	–	60,000
G. Reserve	37,500	–	S. Debtors	40,000	80,000
Profit and Loss A/c	19,000	–	Stock	1,50,000	45,000
Sundry Creditors	36,000	60,000	Bank	42,500	37,500
			Profit and Loss A/c	–	17,500
	2,92,500	**2,40,000**		**2,92,500**	**2,40,000**

A New Co. AB Ltd. was formed to take over the two business in entirety (all assets and liabilities) on the following conditions :

a) A Ltd. premises to be revalued at ₹ 75,000, Sundry Debtor to be taken over at 90% and Stock at ₹ 1,57,500.

b) B Ltd. Goodwill to be taken over at ₹ 80,000, debtor to be taken over at ₹ 75,000 and stock at ₹ 37,500. Calculate purchase consideration of both the companies.

8. Calculate purchase consideration of Soni Company Ltd. from the following details :

Discharge of purchase consideration

i) In 25000 equity shares of ₹ 10 each at an agreed value of ₹ 12.50 per share.

ii) In 12,500 preference shares of ₹ 10 each.

iii) In cash ₹ 2.50 per equity shares.

9. A Public Ltd. Company passed the necessary resolution and received the sanction of the court for reduction of capital by ₹ 5,00,000. They decided to

Write off losses ₹ 2,10,000, Plant and Machinery ₹ 90,000

Goodwill ₹ 40,000 and Investments ₹ 8,000

Prepare Capital Reduction A/c.

SECTION – C

Answer **any three** questions. **Each** question carries **15** marks. **(15×3=45)**

10. On Jan. 1, 2013, M Ltd. and N Ltd. agreed to Amalgamate by transferring their undertakings to a new company MN Ltd. and the Balance Sheet of both the companies stood as follows.

Liabilities	**M Ltd.** ₹	**N Ltd.** ₹	**Assets**	**M Ltd.** ₹	**N Ltd.** ₹
Share Capital Shares of ₹ 5 each	2,50,000	1,50,000	Machinery	2,60,000	1,65,000
12% Debentures	–	50,000	Stock	40,000	30,000
Mortgage loan	30,000		Debtors	32,500	25,000
General Reserve	25,000	–	Cash at Bank	7,500	–
Profit and Loss a/c	22,500	15,000	Preliminary expenses	10,000	5,000
Sundry creditors	22,500	10,000			
	3,50,000	**2,25,000**		**3,50,000**	**2,25,000**

MN Ltd. to take over trade Liabilities and Assets (Except cash at Bank of M Ltd.) of both the companies, the consideration being :

a) The discharge of debenture of N Ltd. by the issue of equivalent amount of 14% debenture of MN Ltd.

b) A cash payment of 50 paise per share of M Ltd. and N Ltd.

c) Exchange of one share of ₹ 10 each at the agreed value of ₹ 14 per share of MN Ltd. for every two shares held in M Ltd. and N Ltd.

For the purpose of Amalgamation, Assets of both the companies were revalued as given :

	M Ltd. ₹	**N Ltd.** ₹
Goodwill	50,000	87,500
Machinery	2,80,000	1,50,000
Stock	36,000	28,000
Debtors	31,500	24,500

Prepare the Ledger Accounts of M Ltd. and also prepare the opening Balance Sheet of MN Ltd.

11. AB Ltd. has agreed to acquire Goodwill and Assets (Except Investment and Bank Balance) of XY Ltd. as on December 31, 2012. The Balance Sheet of XY Ltd. as on that date is as follows :

Liabilities	Amount ₹	Assets	Amount ₹
Share Capital		Goodwill	20,000
16000 shares of ₹ 10 each	1,60,000	Land and Building	80,000
General Reserve	25,000	Plant	80,000
Profit and Loss A/c	18,000	Investment	30,000
7% Debentures	60,000	Stock	40,000
S. Creditors	57,000	Debtor	50,000
		Bank	20,000
	3,20,000		**3,20,000**

AB Ltd. will

1) Discharge of 7% Debentures at a premium at 8% by the issue of 6% debentures.
2) Pay ₹ 2 cash for each share of XY Ltd.
3) Issue of 3 shares of AB Ltd. at the market price of ₹ 11 per share for every two shares of XY Ltd.
4) Pay Absorption expenses ₹ 3,000

XY Ltd. sells the Investment for ₹ 32,000 and settled the creditors at book value.

AB Ltd. valued Land and Building at ₹ 1,00,000 Plant at 10% below the book value, Stock at ₹ 35,000 and debtors subject to 5% provision.

Prepare Realisation a/c., Equity shareholders a/c and Bank a/c in the books of XY Ltd. Pass J.E's in the books of AB Ltd.

12. Unfortunate Ltd. went into voluntary liquidation on 1-4-2011 on which date its position was as follows :

Liabilities	₹
Share capital : 2,500 shares of ₹ 100 each	2,00,000
₹ 80 paid up	
Secured loan (secured against Land,	
Building and Machinery)	50,000
Unsecured creditors	95,000
Preferential creditors	5,000
	3,50,000

Assets	₹
Land Building, Machinery	40,000
Other fixed Assets	1,30,000
Stock	52,500
Debtors	50,000
Loans	20,000
Cash	2,500
P&L A/c	55,000
	3,50,000

Land, Building and Machinery were realised by secured creditors for ₹ 60,000. Other Fixed Assets realised ₹ 20,000. Debtors ₹ 10,000. Stock ₹ 5,000. Loans were completely bad. Liquidator is to be paid a fixed commission of ₹ 500 and 1% on amount paid to unsecured creditors including preferential creditors. Liquidation expenses ₹ 500. Prepare liquidators final statement of Account.

13. The Balance Sheet of XYZ Ltd. on 31st March 2012 was as follows :

Liabilities	**Amount** ₹	**Assets**	**Amount** ₹
Share Capital		Goodwill	15,000
2000 5% cumulative preference shares of ₹ 100 each	2,00,000	Freehold premises	2,00,000
4000 equity shares of ₹ 100 each	4,00,000	Plant and Machinery	3,00,000
6% Mortgage debenture	1,00,000	Stock in Trade	50,000
Bank overdraft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and Loss A/c	2,40,000
		Cash	5,000
	8,50,000		**8,50,000**

The company got the following scheme of capital reduction by the court :

1) Preference shares to be reduced to ₹ 75 per share fully paidup and equity shares to ₹ 40 per share fully paid up.

2) The debenture holders took over stock and book debts in full satisfaction of the amount due to them.

3) The Goodwill a/c to be eliminated.

4) The value of freehold premises appreciated by 30%.

5) The value of Plant and Machinery depreciated by 33 ⅓ %.

6) Expenses of reconstruction amounted to ₹ 3,000

Give Journal entries for the above and prepare the revised Balance Sheet.

14. The Balance Sheet of X Ltd. as on May 31, 2012 is as follows :

Liabilities	**Amount** ₹	**Assets**	**Amount** ₹
Share capital		Goodwill	7,750
7500 equity shares of		Building	42,500
₹ 10 each	75,000	Machinery	20,000
Creditors	27,000	Stock	13,500
		Debtors	11,250
		Profit and loss a/c	7,000
	1,02,000		**1,02,000**

The committee of shareholders and creditors resolved that :

1) The company be taken into voluntary liquidation and a new company Y Ltd. be formed with a nominal capital of ₹ 1,00,000 in shares of ₹ 10 each to take over the Asset and Liabilities of existing company.

2) The Item of G/W is eliminated and Machinery be valued at 20% less than the books of new company.

3) 7500 equity shares of ₹ 10 each be issued to the Shareholders in the old company at ₹ 7.50 per share paid up in full satisfaction of purchase consideration.

4) The shareholders to pay up the balance of ₹ 2.50 per share in cash.

5) The creditors of the company to be satisfied by Y Co. Ltd. by paying to them half of the amount in cash and by issuing of 5% debenture to the other half.

Prepare necessary ledger accounts in the books of X Ltd. and pass opening entriers in the books of Y Ltd.