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IV Semester B.Com. Examination, May/June 2014
(Semester Scheme) (Prior to 2012-13) (Repeater)

4.3 : CORPORATE ACCOUNTING – II

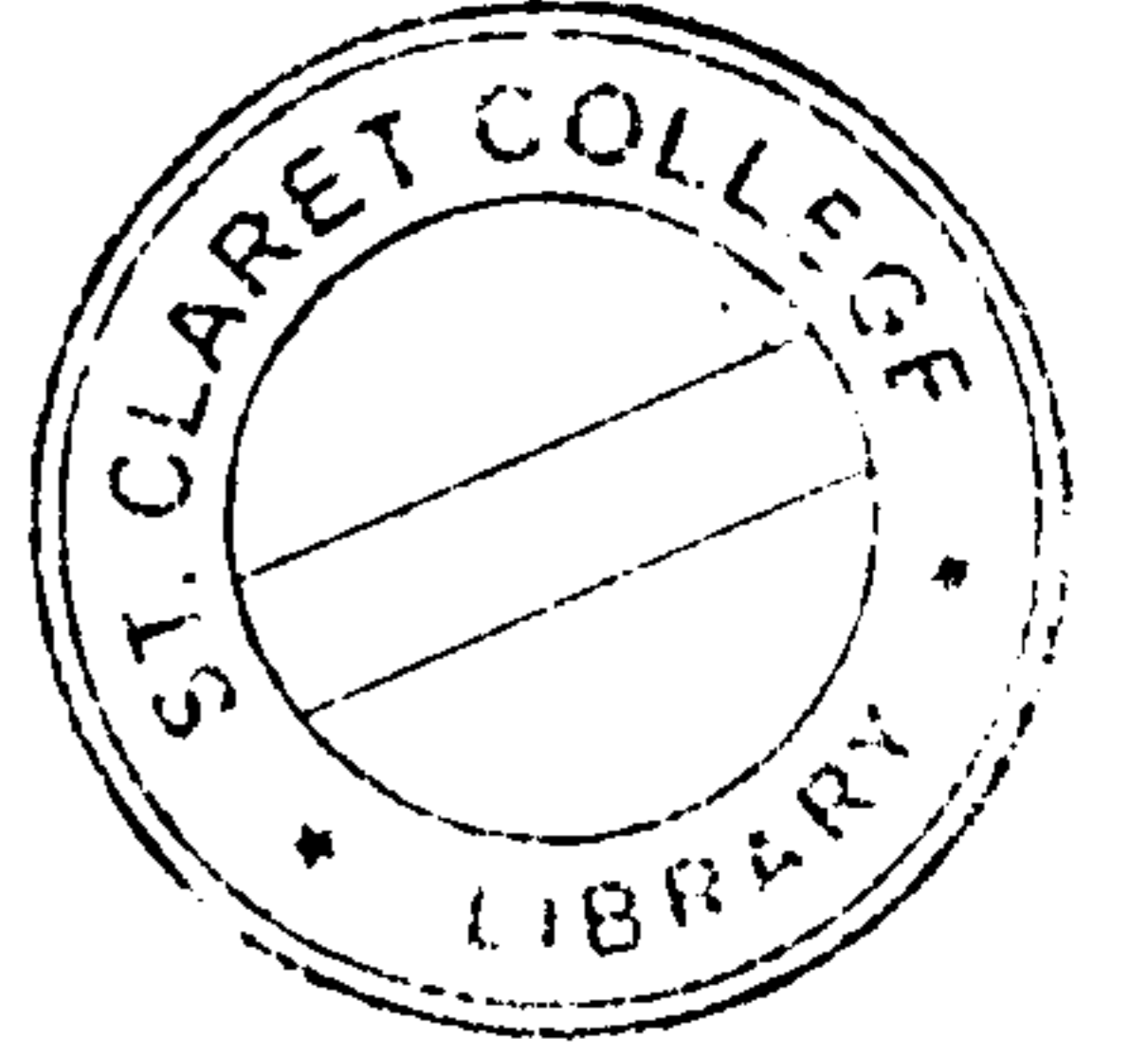
Time : 3 Hours

Max. Marks : 90

Instruction: Answers 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)**
- What is meant by net assets method ?
 - Distinguish between amalgamation and absorption.
 - Mention the types of amalgamation.
 - Mention the objectives of absorption.
 - What are the functions of a liquidator ?
 - Who are secured creditors ?
 - State the meaning of liquidation.
 - Distinguish between internal reconstruction and external reconstruction.
 - Who is liquidator ?
 - Define purchase consideration.
 - Mention two forms of internal reconstruction.
 - What do you mean by intangible assets ? Give an example.



SECTION – B

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

- What are the grounds for compulsory winding up of company ?
- Calculate purchase consideration.
Total assets at book value – ₹ 1,25,000
Assets taken over at 10% less than book value
Total liabilities – ₹ 50,000
Liabilities not taken over – ₹ 12,500
Liquidation expenses – ₹ 2,500 is to be borne by the purchasing company.
- Calculate liquidator's remuneration.
Balance of cash after paying preferential creditors is ₹ 2,10,000
Other unsecured creditors are ₹ 2,50,000
Liquidator's remuneration is 5% on the amount paid to other unsecured creditors.

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5. Write the Journal Entries for settlement of purchase consideration in the books of purchasing company from the following details

Purchase consideration ₹ 5,00,000, settled by issue of Equity shares of ₹ 100 each at a premium of 25%.

6. Following is the Balance Sheet of Zenith Ltd., as on 31-03-2014.

Liabilities	₹	Assets	₹
10000 shares of ₹ 10 each	1,00,000	Goodwill	10,000
Bank overdraft	15,425	Buildings	20,500
Sundry creditors	15,000	Machinery	50,850
		Stock	10,275
		Debtors	15,000
		Cash	1,500
		Profit and Loss A/c	20,800
		Preliminary expenses	1,500
	1,30,425		1,30,425

The company adopted the following scheme of internal reconstruction.

- Reduce the present value of shares to ₹ 5 each fully paid.
- Sundry creditors agreed to forego 20% of their claims as the company decided to pay them cash immediately.
- The company made a fresh issue of 6515 Equity shares of ₹ 5 each fully paid and pay off the bank overdraft completely.
- The Directors of the company found that the machinery is overvalued by ₹ 10,000. They also proposed to write off intangible assets and Profit and Loss Account completely.

Pass necessary Journal Entries in the books of the company.

7. From the following details, prepare liquidator's Final Statement of Account.

Assets	₹	Liabilities	₹
Land and building	6,00,000	8% debentures	8,00,000
Plant and machinery	3,60,000	Creditors	4,60,000
Furniture	1,20,000		
Stock and debtors	80,000		
Cash	10,000		

The assets other than land and building realized 10% less. Land and building realised 25% more. Liquidation expenses is ₹ 5,000. Liquidator's remuneration is 2% on assets realised (except cash) and 3% on amount distributed to unsecured creditors.

- State as per AS-14, the conditions of amalgamation in the nature of merger.
- Give the opening entries in the books of the new company in case of amalgamation.



SECTION – C

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

10. Sandhya Ltd. and Raagha Ltd. carrying on similar business decided to amalgamate and a new company "Sandhya-Raagha" Ltd. is to be formed to take over the assets and liabilities of both the companies and it is agreed that fully paid Equity shares of ₹ 100 each shall be issued by the new company to the value of net assets of each of old companies.

Balance Sheet as on 31-03-2014					
Liabilities	Sandhya Ltd.	Raagha Ltd.	Assets	Sandhya Ltd.	Raagha Ltd.
Equity shares of ₹ 50 each	50,000	40,000	Goodwill	5,000	2,000
General reserve	20,000	–	Land and building	17,000	10,000
Profit and Loss A/c	3,000	–	Plant and machinery	24,000	16,000
Creditors	4,000	8,000	Furniture	5,000	7,500
Bills payable	4,000	–	Stock	10,000	7,500
Bank overdraft	–	8,000	Cash	8,000	300
			Debtors	12,000	7,000
			Profit and Loss A/c	–	5,700
	81,000	56,000		81,000	56,000

All tangible assets are taken over at book value and goodwill of Sandhya Ltd. is to be valued at ₹ 12,000, while that of Raagha Ltd. is nil.

Prepare necessary Ledger A/cs. in the books of both the companies.

11. Balance Sheet of Paywell Ltd. as on 31-03-2014 was

Liabilities	₹	Assets	₹
4000 Preference shares of ₹ 100 each	4,00,000	Goodwill	30,000
8000 Equity shares of ₹ 100 each	8,00,000	Land and buildings	4,00,000
8% Mortgage debentures	2,00,000	Plant	6,00,000
Bank loan	1,00,000	Stock	1,00,000
Sundry creditors	2,00,000	Debtors	80,000
		Profit and Loss A/c	4,90,000
	17,00,000		17,00,000

The following scheme of internal reconstruction was approved by the court.

- Preference shares are to be reduced to ₹ 50 per share fully paid.
- Equity shares are to be reduced to ₹ 25 each fully paid.
- Debentures holders to take over stock and debtors in full settlement of their amount.
- Eliminate Goodwill and Profit and Loss A/c completely.
- Plant value is reduced to 50% of its present value.

Journalise the entries for the above scheme of internal reconstruction and prepare reconstructed Balance Sheet.



12. On 31-03-2014, the Balance Sheet of “C” Co. Ltd. was as follows :

Liabilities	₹	Assets	₹
25000 Equity shares of ₹ 10 each	2,50,000	Goodwill	12,500
General reserve	1,25,000	Other fixed assets	87,500
Current liabilities	75,000	Bank	25,000
	4,50,000	Other current assets	3,25,000
			4,50,000

‘C’ Ltd. is to be absorbed by ‘D’ Ltd. on the following terms :

- “D” Co Ltd. to take over the assets (excluding bank) and liabilities at 10% less than book values.
- The consideration is to be discharged by “D” Co. Ltd. in the form of Equity shares of ₹ 10 per share at a premium of ₹ 5 per share.

Show Ledger Accounts in the books of “C” Co. Ltd. and pass Journal Entries in the books of “D” Co. Ltd.

13. Unfortunate Ltd. went into voluntary liquidation with the following liabilities :

Secured creditors – ₹ 1,00,000

Preferential creditors – ₹ 3,000

Other unsecured creditors – ₹ 1,50,000

The expenses of liquidation amounted to ₹ 1,250.

The liquidator is entitled to remuneration @ 3% on all assets realised including the securities held by secured creditors and 2% on the amounts distributed to unsecured creditors other than preferential creditors. The various assets realised is ₹ 2,10,000 (including ₹ 1,10,000 realised from securities).

Prepare liquidator’s Final Statement of Account.

14. Following is the Balance Sheet of Rama Ltd. on 31-3-14.

Liabilities	₹	Assets	₹
Share capital : 30000 shares of ₹ 10 each fully paid	3,00,000	Buildings	1,50,000
General reserve	10,000	Machinery	1,00,000
Profit and Loss A/c	20,000	Stock	35,000
S. Creditors	50,000	Debtors	70,000
	3,80,000	Bank	5,000
		Preliminary expenses	20,000
			3,80,000

Leela Ltd. acquired the business of Rama Ltd. and agreed to take over the assets except the debtors and cash, but took over no liabilities except Sundry Creditors agreeing to pay them out of the collections of Sundry Debtors which amounted to ₹ 65,000.

Leela Ltd. discharged the purchase consideration by allotment of 10 Equity shares for every 20 shares held in Rama Ltd. of ₹ 10 each at a market price of ₹ 20 each and ₹ 5 in cash for every share in Rama Ltd. The expenses of liquidation were ₹ 5,000. Show necessary Ledger Accounts to close the books of Rama Ltd.