



UNIVERSITY OF NORTH BENGAL
B.Com. Honours Part-II Examination, 2021

B.COM.

PAPER- 2H1

CORPORATE ACCOUNTING

Full Marks: 100

ASSIGNMENT

*The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.*

GROUP-A

Answer any **four** questions from the following

25×4 = 100

1. (a) State the purposes for which securities premium can be utilized. 7+18

(b) Sunshine Limited is a company with an authorised share capital of 5,00,000 in equity shares of Rs. 10 each, of which 3,00,000 shares had been issued and fully paid on 30th June, 2019. The company proposed to make a further issue of 50,000 of these Rs. 10 shares at a price of Rs. 14 each, the arrangements for payment being:

- (i) Rs. 2 per share payable on application, to be received by 1st July, 2019;
- (ii) Allotment to be made on 10th July, 2019 and a further Rs. 5 per share (including the premium) to be payable;
- (iii) The final call for the balance to be made, and the money received by 30th April, 2020.

Applications were received for 1,77,500 shares and were dealt with as follows:

- (i) Applicants for 2,500 shares received allotment in full;
- (ii) Applicants for 15,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application was adjusted against the allotment money due.
- (iii) Applicants for 160,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (iv) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the Journal of XYZ Ltd.

2. (a) What do you understand by the expression “consolidation of financial statement”? State the advantages and disadvantages of consolidation of financial statements. 7+18

- (b) Following are the Balance Sheets of H Ltd. and S Ltd. as at 31st December, 2020:

Liability	H Ltd. Rs.	Assets	Rs.
Equity Share Capital (Rs. 10 each)	20,00,000	Fixed Assets	8,00,000
General Reserve (1.1.2020)	4,00,000	Goodwill	2,00,000
Profit & Loss Account	6,00,000	Investments (6000 Equity shares in S Ltd.)	10,00,000
Creditors	4,00,000	Current Assets	14,00,000
	34,00,000		34,00,000

Liability	S Ltd. Rs.	Assets	Rs.
Equity Share Capital (Rs. 10 each)	8,00,000	Fixed Assets	8,00,000
General Reserve (1.1.2020)	2,00,000	Goodwill	1,00,000
Profit & Loss Account	4,00,000	Current Assets	7,00,000
Creditors	2,00,000		
	16,00,000		16,00,000

H Ltd. acquired the share in S Ltd. on 1st July, 2020. On 1st January, 2020, the Profit and Loss Account of S Ltd. showed a credit balance of Rs. 2,00,000 and a dividend of 10% was paid on 1st September, 2020 for the year 2019. This dividend was credited by H Ltd. to its Profit and Loss Account.

In arriving at the value of shares of S Ltd. Plant and machinery of S Ltd. which then stood at Rs. 4,00,000 was re-valued at Rs. 6,00,000. This value was not given effect to in the books. There was no change in these assets since that date. Fixed assets of S Ltd. include Plant and Machinery worth Rs. 3,60,000. Proposed dividend of both the companies for 2020 is 10%. H Ltd. purchased from S Ltd. goods for Rs. 40,000 on which S Ltd. made a profit of 20% on sales, 25% of such goods are lying unsold on 31st December, 2020.

You are required to prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary as on 31st December, 2020.

3. (a) Discuss the factors to be considered in valuing the goodwill of a company.

8+17

- (b) The Balance sheet of EO Ltd. as on 31st December, 2020 was as under:

Liabilities	Rs.	Assets	Rs.
3000, 18% Preference Shares of Rs. 100 each fully paid	3,00,000	Land & Building	6,00,000
5,000 Equity Shares of Rs. 100 each fully paid up	5,00,000	Plant & Machinery	3,50,000
Profit & Loss A/c	2,95,000	Investment @ 10%	1,00,000
18% Debentures	1,00,000	Stock	1,40,000
Bank Overdraft	25,000	Debtors	1,20,000
Creditors	55,000	Bank	80,000
Provision for Taxation	50,000	Preliminary Expenses	10,000
Proposed Dividend	75,000		
	14,00,000		14,00,000

The net profits of the company, after deducting usual working expenses and tax, were as under:

Year	2016	2017	2018	2019	2020
Rs.	1,50,000	2,00,000	2,20,000	1,90,000	2,10,000

On 31st December, 2020 Land & Building was valued at Rs. 5,00,000 and Plant & Machinery Rs. 4,00,000. Sundry Debtors on the same date included Rs. 10,000 as irrecoverable.

In view of the nature of the business, it is considered that 15% is reasonable return on net tangible capital. The basis of valuation of Goodwill is 5 years purchase of Super Profits. Similar companies are paying 12% Dividend on Equity Shares. Considering the above facts you are asked to find out the fair value of Equity Shares.

4. (a) What legal considerations are to be followed with regard to redemption of Redeemable Preference Shares? 8+17

(b) MTN Co. Ltd. had an authorized Equity Capital of Rs. 20 lakhs divided into shares of Rs. 100 each. The paid up capital was Rs. 12,50,000. Besides this, the company had 9% Redeemable Cumulative Preference Shares of Rs. 10 each for Rs. 2,50,000. Balances on other accounts were Share Premium Rs. 28,000; Profit and Loss Account Rs. 72,000 and General Reserve 3,40,000. Included in Sundry Assets were Investments of the face value of Rs. 30,000 carried in the books at a cost of Rs. 34,000.

The company decided to redeem the cumulative Preference Shares at 10% premium, partly by the issue of equity shares of the face value of Rs. 1,20,000 at a premium of 10%. Investments were sold at 105% of their face value. After redemption of the cumulative Preference Shares, fully paid bonus shares were issued in the ratio of 4:1.

Show the Journal Entries bearing in mind that the directors wanted a minimum reduction in the free reserves.

5. (a) Explain Amalgamation and its different types. What are the different conditions which must be satisfied for treating an amalgamation in the nature of merger? Distinguish between pooling of interests method and purchase methods. Discuss the limitations of pooling of interests method. 18+7

(b) What do you mean by 'Calls-in-Arrear' and 'Calls-in-Advance'? How can the profit on re-issue of forfeited shares be treated in accounts?

6. Write short notes on: 5×5

- (i) Pro-rata allotment of shares
- (ii) Divisible Profits of a company
- (iii) IFRS
- (iv) Liquidator's Final Statement of Accounts
- (v) Sinking Fund Method of redeeming Debentures.

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