



UNIVERSITY OF NORTH BENGAL
B.Com. Honours 3rd Semester Examination, 2020

CC7-COMMERCE
CORPORATE ACCOUNTING

Full Marks: 60

ASSIGNMENT

*The figures in the margin indicate full marks.
Candidates should answer in their own words and adhere to the word limit as practicable.*

All assignments are compulsory

15×4 = 60

1. A Ltd. offered 12,000 equity shares of ₹ 10 each for subscription at a premium of ₹ 2 per share payable as follows: 15
On application ₹ 2; On allotment ₹ 5 (including premium); On first call ₹ 2; and On final call ₹ 3.
- The company received application of 16,000 shares and allotment was made pro-rata to applicants of 14,000 shares, the remaining application being refused. The excess application was adjusted on account of sums due on allotment. Sunil to whom 800 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the first call money, his shares were forfeited. Sumit who originally applied for 400 shares failed to pay the two calls and his shares were also forfeited after the final call.
- Subsequently out of these forfeited shares 700 shares (including all shares of Sunil) were re-issued to Srijana as fully paid up at ₹ 9 per share.
- Show the Cash Book, the Journal Entries and the Balance Sheet of the company as per Schedule III to the Companies Act, 2013 to give effect to the above.

2. The following Trial Balance relates to Auto Parts Ltd. as on 31st March, 2019:

8+7

Particulars	Debit in Lakhs	Credit in Lakhs
Equity Shares of ₹ 10 each		80.00
Retained Earnings (1.4.2018)		27.00
Revaluation Reserve		15.00
Deferred Tax		5.00
Land & Building—at Valuation on 1.4.2018 (Note 3)	130.00	
Plant at Cost	125.00	
Accumulated depreciation on Plant		35.00
Long-term Investment	40.00	
Income from Investment		6.00
Cost of sales	125.00	
Inventories on 31.3.2019 (Note 1)	36.00	
Trade receivables	33.50	
Trade payables		41.00

Income tax (Note 2)		6.50
Finance cost	8.50	
Revenue from Operations		274.50
Advertisement Expenses	5.50	
Salaries to staff	15.50	
Electricity	5.00	
Repairs & Maintenance	3.50	
Sundry expenses	2.50	
Bank (Current Account)		40.00
Total	530.00	530.00

The following notes are relevant to Auto Parts Ltd.:

- (i) The company is engaged in supply of maintenance and repair materials related to automobiles. At the end of the year management decided to discontinue some of the spare machines. The value of those are ₹ 3 lakhs and included in the closing inventory of ₹ 36 lakhs. The management is trying to sell them at the earliest, the best price that has been offered by a business house is ₹ 1.2 lakhs.
 - (ii) The balance income tax in the Trial Balance is due to difference in tax provision by the company and assessment by the tax authorities for the year ended on 31st March, 2018. The estimated income tax liability for the year ended on 31st March, 2019 is ₹ 27.5 lakhs.
 - (iii) The company has the policy to revalue its land and building each year end. The value in the Trial Balance includes land components of ₹ 40 lakhs. On 31st March, 2019 the value of the building was ₹ 90 lakhs while value of the land was increased by 20%. The estimated remaining life of building was 30 years on 1.4.2018 which remains same.
 - (iv) The plant is depreciated @ 15% p.a. using reducing method.
- You are required to prepare:
- (a) Statement of Profit and Loss for the year ended 31st March, 2019.
 - (b) Balance Sheet as at 31st March, 2019.

3. H Ltd. acquired 2,000 Equity Share of ₹ 100 each in S. Ltd. On 31.12.2019. The summarized Balance Sheets of the two companies as on 31.12.2020 were as follows:

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Balance Sheets of H Ltd. and S Ltd. as at 31st December, 2020

Particulars	Note No.	H Ltd. ₹	S Ltd. ₹
1	2	3	4
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
(a) Share Capital:			
Equity Shares of ₹ 100 each		8,00,000	2,50,000
(b) Reserves and Surplus:			
Reserves		3,00,000	50,000
Profit & Loss Account		1,00,000	1,00,000
2. Share Application Money		Nil	Nil
Pending Allotment:		Nil	Nil

3. Non-current Liabilities:		Nil	Nil
4. Current Liabilities:			
(a) Short-term Borrowings		3,00,000	50,000
(b) Trade Payables—Sundry Creditors		Nil	50,000
(c) Other Current Liabilities			
Total		15,00,000	5,00,000
II. ASSETS			
1. Non-current Assets:			
(a) Fixed Assets			
Tangible Assets			
Plant and Machinery		7,00,000	2,50,000
(b) Non-current Investments			
2,000 Equity Shares in S Ltd. at cost		3,00,000	Nil
2. Current Assets:			
Other Current Assets		5,00,000	2,50,000
Total		15,00,000	5,00,000

S Ltd. had a credit balance of ₹ 50,000 in Reserves and ₹ 20,000 in Profit and Loss Account when H Ltd. acquired shares in S Ltd. S Ltd. issued bonus share in the ratio of one for every five shares held out of the profits earned during 2020. This is not shown in the above Balance Sheet of S Ltd. Prepare a Consolidated Balance Sheet of S Ltd. and its subsidiary, as on 31.12.2020, giving all necessary workings.

4. The Balance Sheet of Exit Ltd. as at 31.12.2020 was as follows:

8+7

Balance Sheet of Exit Ltd. as at 31st December, 2020

Particulars	Note No.	Amount ₹
1	2	3
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds:		
(a) Share Capital	(1)	5,00,000
(b) Reserves and Surplus	(2)	2,18,250
2. Share Application Money Pending Allotment:		Nil
3. Non-current Liabilities:		
Long-term borrowings- 10% Debentures of ₹ 100 each		1,80,000
4. Current Liabilities:		
(a) Short-term borrowings		Nil
(b) Trade Payables — Sundry Creditors		97,500
(c) Other current liabilities- Accrued Interest on Debentures		19,000
Total		5,78,250
II. ASSETS		
1. Non-current Assets:		
Fixed Assets		
(i) Tangible Assets:		
Building		1,50,000
Plant and Machinery		1,80,000
Furniture and Fixtures		50,000
(ii) Intangible Assets — Patents and Trade Marks		65,000

2. Current Assets:		
(a) Current Investments		Nil
(b) Inventories — Stock-in-Trade		60,000
(c) Trade Receivables — Sundry Debtors		35,000
(d) Cash and Cash Equivalents	(3)	38,250
Total		5,78,250

Notes on Accounts:

(₹)

1. Share Capital issued, Subscribed and Paid-up capital:

25,000 Equity Shares of ₹10 each fully paid	2,50,000
25,000 10% Preference Shares of 10 each fully paid	2,50,000
Total:	<u>5,00,000</u>

2. Reserves and Surplus

Capital Reserve	10,500
Profit and Loss Account Balance	<u>(2,28,750)</u>
Total:	<u>(2,18,250)</u>

3. Cash and Cash Equivalents

Cash in Hand	13,250
Cash at Bank	25,000
Total:	<u>38,250</u>

It is found that the Preference Dividend is in arrear for 3 years. The company prepared the following scheme of reconstruction and it was approved by the Tribunal:

- (i) The 10% Preference Shares will be converted into 12% Preference Shares of ₹ 5 each.
- (ii) Equity Shares will be reduced to ₹ 5 per share, ₹ 3 paid-up. The call was to be made immediately for acquiring cash.
- (iii) 10% Debentures will be converted into 12% Debentures of ₹ 75 each, the debenture holders agreed to forego 50% of the accrued interest on the stipulation of payment of the balance amount in cash.
- (iv) Arrear preference dividend was agreed to be cancelled.
- (v) Sundry creditors agree to waive 40% of their claims in consideration of immediate payment of their dues.
- (vi) The assets were revalued as: Building ₹ 1,90,000; Plant and Machinery ₹ 1,65,000; Furniture ₹ 63,000; Stock-in-trade ₹ 60,000 and Sundry Debtors ₹ 28,000.
- (vii) Patents and Trade Marks and other fictitious assets are to be written-off as far as possible.

Draft Journal Entries necessary to give effect to the aforesaid scheme and prepare the Balance Sheet. Detailed workings are to be shown.

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