

**ST. JOSEPH'S EVENING COLLEGE (AUTONOMOUS)**  
**IV SEMESTER B.COM EXAMINATIONS - APRIL - 2018**

**ADVANCED CORPORATE ACCOUNTING**

**Duration: 2.5 Hours**

**Max. Marks: 70**

**SECTION - A**

**I) Answer any EIGHT of the following questions. (8x2=16)**

1. State two differences between amalgamation and absorption.
2. Write the meaning of purchase consideration.
3. What are the forms of Internal Reconstruction?
4. What is Reserve Fund?
5. Give the meaning of Minority Interest.
6. What is Environmental Accounting?
7. What is Liquidation?
8. How do you treat forfeited shares account appearing the balance sheet of the vendor Company?
9. Give two examples for Trade Liabilities.
10. What is Realisation Account?
11. What are Contingent Liabilities?
12. What is Goodwill?

**SECTION - B**

**II) Answer any THREE of the following questions. (3x8=24)**

13. Snake Ltd agreed to acquire the business of frog Ltd as on 31-03-2017 on which date the Balance Sheet of Frog Ltd was as follows.

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Capital[fully Paid Shares of Rs.10each]	6,00,000	Goodwill	1,00,000
General Reserve	1,70,000	Land and Buildings	3,00,000
P&L Account	1,10,000	Plant	3,40,000
6% Debentures	1,00,000	Stock	1,68,000
Creditors	20,000	Debtors	36,000
		Cash	5,60,000
	10,00,000		10,00,000

The Consideration payable by Snake Ltd was agreed as follows:

1. A cash payment equivalent to Rs.2.50 for every Rs.10 share in frog limited
2. The issue of 90,000 Rs.10 Shares fully paid in snake Ltd having an agreed value of Rs.15 per share
3. The issue of such an amount of fully paid 5% debentures of snake ltd at 96% as is sufficient to discharge the 6% debentures of frog ltd at a premium of 20%

While computing the agreed purchase consideration the directors of snake ltd

valued the land and building and plant at Rs.12,00,000 and stock at Rs.1,42,000 and debtors at their face value. Subject to an allowance of 5% to cover doubtful debts. The cost of liquidation of frog ltd came to Rs.5,000. Close the books of frog Ltd and draft journal entries required in the books of snake ltd.

14. The Balance Sheet of Remtry Ltd as on 31-03-2017 was as follows:

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
<u>Authorised capital</u> 6000 Shares of Rs.100 each	6,00,000	Goodwill	70,000
<u>Issued capital</u> 2000 Shares of Rs.100 each fully paid	2,00,000	Buildings	80,000
200 5% debentures of Rs.1000 each	2,00,000	Plant	1,50,000
Creditors	50,000	Stock	50,000
Bills payable	5,000	Debtors	43,000
Bank Over Draft	45,000	Cash	2,500
		Preliminary Expenses	4,500
		Accumulated Losses	1,00,000
	5,00,000		5,00,000

The following Scheme of reconstruction was adopted:

1. The paid up value of each share to be reduced to Rs.50.
2. 5% debentures to be converted into 100 7 ½ debentures of Rs.1000 each.
3. Assets were revalued as under. Buildings Rs.72000 plant Rs.140000 Stock Rs.45000 debtors subject to reserve for bad debts Rs.2500
4. Creditors agree to forgo ¼ of the amount due to them in return for shares for the balance.
5. Goodwill and other fictitious assets to be written off entirely.

Give the necessary Journal Entries.

15. The following is the Balance sheet of Eastern Sugar Co. Ltd

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Share Capital (Share of Rs.10 each)	300000	Goodwill	70000
Profit and loss A/c	50000	Stock	180000
5% Debentures	70000	Debtors	200000
Creditors	30000		
	450000		450000

The following is the balance sheet of Western Sugar Co. Ltd

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Share Capital (Share of Rs.10 each)	200000	Stock	80000
Profit and loss A/c	42000	Debtors	220000
Creditors	58000		
	300000		300000

The above two companies amalgamate and form a new company called East West Sugar Co. Ltd. The average profits of eastern and western sugar companies have been Rs.30000 and 20000 respectively. East-west sugar co, ltd

agrees to take over both the companies for a sum of Rs.600000 and in addition to discharge all liabilities. The purchase consideration will be paid Rs.100000 cash and balance in shares at face value.

Debtors of the two companies to be written off by 10%. The profit on conversion to be divided between the shareholders of two companies in the same proportion the profits previously earned by them. Prepare ledger accounts to close the books of eastern sugar company and pass opening entries in the books of east-west sugar co, ltd

16. Explain the need for Environmental Accounting.  
 17. Luckless Ltd went into voluntary liquidation on 31-03-2017 when the state of affairs was as below:

Unsecured creditors was Rs.4,00,000 including Rs.50,000 preferential claim. Secured creditors secured on plant and machinery stood at Rs.2,00,000. Cash in hand was Rs. 10,000. The liquidator realized plant and machinery for Rs.1,50,000 and the other assets realized Rs.1,00,000. The liquidation expenses came to Rs.10,000 and the liquidators remuneration was fixed at 4% of the amount realized including cash balance and 2% of the amount distributed to unsecured creditors including preferential creditors.

Prepare liquidators final statement of account showing the distribution of cash

### SECTION - C

**III) Answer any TWO of the following questions. (2x15=30)**

18. The assets of Going Co. Ltd were purchased by the surviving co, ltd. The purchase consideration was as follows:
1. A payment in cash at Rs.40 for every share in the going co, ltd
  2. A further payment in cash of Rs.110 for every debenture in the going co, ltd.
  3. An exchange of 4 shares in the surviving co, ltd of Rs.50 each of the market value of Rs.80 for every share in the going co, ltd.

The balance sheet of the Going Co. Ltd stood as follows:

Liabilities	Amount	Assets	Amount
Capital 1000 shares of Rs.200 each	2,00,000	Buildings	75000
1000 debentures of Rs.100 each	1,00,000	Machinery	1,50,000
Creditors	30,000	Stock	90,000
Reserve	65,000	Debtors	80,000
Workmens savings bank	10,000	Bank	35,000
Profit and loss A/c	25,000		
	4,30,000		4,30,000

Give the journal entries in the books of both the companies

19. The balance sheet of Improving Ltd as at 31-03-2017 was as follows.

Liabilities	Amount	Assets	Amount
2000 5% Common preference share of Rs.100/- each	2,00,000	Goodwill at cost	15,000
4000 Equity shares of Rs.100 each	4,00,000	Free hold premises	2,00,000

5 ½ % mortgage debentures	1,00,000	Plant and machinery	3,50,000
Bank over draft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and loss A/c	2,40,000
		Cash	5000
	8,50,000		8,50,000

The company got the following scheme of capital reduction approved by the court.

1. The preference shares are to be reduced to Rs.75 per share fully paid up and equity shares to Rs.40 fully paid up.
2. The debenture holders took over book debts in full satisfaction of the amount due to them.
3. The goodwill amount is to be eliminated.
4. The value of free hold premises is to be depreciated by 33 1/3 %.
5. Expenses of reconstruction amounted to Rs.3000.

Give the journal entries for the above and prepare the revised balance sheet.

20. Prakash Processors Ltd went into voluntary liquidation on 31-03-2016 when their balance sheet was as follows

<b><u>Liabilities</u></b>	
Issued and subscribed capital	
5000 10% preference shares of Rs.100 fully paid	5,00,000
2500 equity shares of Rs.100 each 75 paid	1,87,500
7500 equity share of Rs.100 each Rs.60 paid	4,50,000
15% debentures secured by a floating charge	2,50,000
Interest outstanding on debentures	37,500
Creditors	<u>3,18,750</u>
	<u>17,43,750</u>
<b><u>Assets</u></b>	
Land and building	2,50,000
Machinery and Plant	6,25,000
Patents	1,00,000
Stock	1,37,500
Debtors	2,75,000
Cash at Bank	75,000
Profit and Loss A/c	<u>2,81,250</u>
	<u>17,43,750</u>

Preference dividends were in arrears for 2 years and the Creditors included preference creditors Rs.38,000.

The assets realized as follows

Land and building Rs.3,00,000, Machinery and Plant Rs.5,00,000, Patents Rs.75,000, Stock Rs.1,50,000 and debtors Rs.2,00,000

The expenses of liquidation amounted to Rs.27,250. The Liquidator is allowed to a commission of 3% on assets realized except cash.

Assuming the final payment including those on debentures is made on 30<sup>th</sup> June 2017, show the liquidators final statement of account.

21. H ltd acquired 8000 shares of Rs.10 each in S ltd. On 31-03-2016 the summarized balance sheet of H ltd an S ltd were as follows

Liabilities	H ltd	S ltd	Assets	H ltd	S ltd
Share capital Shares of Rs.10 each	2,00,000	1,00,000	Machinery	60,000	45,000
Reserves	10,000	15,000	Furniture	2000	4000
P&L A/c	5,000	4,500	<u>Investments</u>		
Bank Loan	-	12,000	Shares of S Ltd	98,000	-
Creditors	40,000	20,000	Stock	42,000	65,000
Bills Payable	2,000	1,000	Debtors	18,000	27,000
			Bills Receivable	1,000	1,500
			Cash	36,000	10,000
	2,57,000	1,52,500		2,57,000	1,52,500

On the date of acquisition of share by H ltd the 'S' ltd had undistributed profits of Rs.1,500 and reserves of Rs.5,000. Prepare a consolidated balance sheet as on 31<sup>st</sup> March 2016.