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IV Semester B.Com./L.S.C.M./T&T/A&F/ IAS Degree Examination

July/August - 2024

COMMERCE

Advanced Corporate Accounting

(NEP CBCS Scheme Freshers, Regular)

Paper : 4.1



Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answer should be written completely in English only.

SECTION - A

Answer any Five sub questions. Each sub question carries 2 marks.

(5×2=10)

1. a) What is redemption of preference shares?
- b) State any two conditions for Redemption of Preference shares.
- c) Give the meaning of purchase consideration.
- d) What do you mean by Alteration of capital?
- e) Who is a liquidator?
- f) What is Debenture Redemption Reserve (DRR)?

(OR)

What is consolidated Balance Sheet?

- g) What do you mean by ex-interest price?

(OR)

Define Pre Acquisition profit.

[P.T.O.]



SECTION- B

Answer any Four questions. Each question carries 5 marks.

(4×5=20)

2. The summarized Balance Sheet of ABC Co.Ltd. as on 31.3.2024 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:			
• 50,000 Equity shares of 10 each.	5,00,000	Sundry Assets	8,00,000
• 1,000 Redeemable Preference shares of Rs. 100 each, Rs. 75 called up	75,000	Cash at Bank	2,50,000
• General Reserve	2,00,000		
• Profit & Loss A/c	1,50,000		
• Current liabilities	1,25,000		
	<u>10,50,000</u>		<u>10,50,000</u>

On 1.4.2024, The preference shares were redeemed out of divisible profits. You are required to prepare Journal Entries in the Books of ABC Co. Ltd. to give effect to the above transactions.

3. Calculate purchase consideration of Surya Ltd. from the following details:
Discharge of purchase consideration:

- In 24,000 Equity shares of Rs. 10 each at an agreed value of Rs. 12.50 per share.
- In 15,000 shares of Rs. 15 per share.
- In cash Rs. 7.00 for every 3 equity shares.



4. A Public Company passed the necessary resolution and received the sanction of the court for reduction of capital by Rs. 5,00,000.
- Write off losses Rs. 2,10,000; plant & machinery Rs. 90,000; Goodwill Rs. 40,000 and investment Rs. 8,000.
 - Convert 50,000 preference shares of Rs. 20 each fully to the same number of shares of Rs. 5 each fully paid and 50,000 ordinary shares of Rs. 5 each fully paid.

Prepare Capital Reduction Account.

5. Prepare liquidators final statement of Account from the following informations:

Secured creditors Rs. 50,000 (Securities Realised Rs. 55,000)

Preferential creditors Rs. 1,200

Unsecured creditors Rs. 78,000

Liquidation expenses Rs. 1,000

The liquidator's remuneration is 4% on the amount paid to unsecured creditors. Various Assets including securities realised Rs. 1,10,000.

6. A Company issued 5,000 Debentures of Rs. 100 each at par on 1.1.2019 redeemable at par on 31.12.2023. A Sinking Fund was established for the purpose. It was expected that investment would earn 5% interest. Sinking Fund Table shows that Rs. 0.180975 amounts to Rs. 1 at the end of 5 years at 5%. On 31.12.2023, the investments realised Rs. 3,90,000. The debentures were duly redeemed. Prepare Sinking Fund A/c for 5 years.

(OR)

Chandra Ltd. acquired 80% shares of Manu Ltd. on 1.9.2023. The following informations of Manu Ltd. is made available to you as on 31.3.2024.

- Share capital 1,00,000 equity shares of Rs. 10 each.
- General Reserve as on 1.4.2023 Rs. 90,000
- P/L A/c balance (cr) as on 1.4.2023 Rs. 42,000
- Net profit for the year ended 31.3.2024 Rs. 80,000

Calculate Non-controlling interest.

[P.T.O.]



SECTION - C

Answer any Two questions. Each question carries 12 marks.

(2×12=24)

7. Following is the Balance Sheet of Madan as on 31.3.2024

Liabilities	Rs.	Assets	Rs.
Share capital:		Buildings	1,50,000
30,000 share of Rs. 10 each fully paid	3,00,000	Machinery	1,00,000
General Reserve	10,000	Stock	35,000
P/L A/c	20,000	Debtors	70,000
Sundry creditors	50,000	Bank	5,000
		Preliminary expresses	20,000
	<u>3,80,000</u>		<u>3,80,000</u>

Prakash Ltd. acquired the business of Madan Ltd. and agreed to take over the Assets except the debtors and cash but took over no liabilities. However, agreed to pay Sundry creditors out of the collections of sundry debtors which amounted to Rs. 65,000.

Prakash Ltd. discharged the purchase consideration by allotment of 10 equity shares for every 20 shares held in Madan Ltd. of Rs. 10 each at a market price of Rs. 20 each and Rs. 5 in cash for every share in Madan Ltd. and the expenses of liquidation amounted Rs. 5,000.

Prepare:

- Realisation A/c
- Equity share-holders A/c and
- Prakash Ltd. A/c in the books of Madan Ltd. and Balance sheet in the Books of Prakash Ltd. after acquisition.



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8. The Balance sheet of a private company stood as follows on 31.3.2024

Liabilities	Rs.	Assets	Rs.
1,00,000 equity shares		Land & Buildings	1,00,000
of Rs. 10 each	10,00,000	Machinery	2,60,000
9000, 8% preference			
Shares of Rs. 100 each	9,00,000	Furniture	20,000
		Good will	2,00,000
Debentures	1,00,000	Stock	3,70,000
		Debtors	1,80,000
Creditors	1,00,000	P/L A/c	9,70,000
	<u>21,00,000</u>		<u>21,00,000</u>

The Company is to be reconstructed as follows:

- Equity shares of Rs.10 are to be reduced to an equal number of fully paid shares of Rs. 4 each.
- 8% preference shares of Rs. 100 each are to be reduced to an equal number of fully paid shares of Rs. 40 each.
- To issue 10,000 New share of Rs. 4 each as fully paid to debenture holders in full settlement.
- Creditors agreed to forego Rs. 10,000
- The amount available is to be utilised in writing off the Goodwill and P/L A/c and balance in writing off the value of Machinery.

Pass Journal Entries and Prepare the Reconstructed Balance Sheet.

[P.T.O.]



9. Bad Luck Co. went into voluntary liquidation on 31.3.2024. The position of the company on that date was as follows:

Liabilities	Rs.	Assets	Rs.
• 5000, 6% cumulative Preference shares of Rs. 100 each	5,00,000	Land & Building	2,50,000
• 2500 equity shares of 100 each Rs. 75 paid up	1,87,500	Plant & Machinery	6,25,000
• 7500 equity shares of 100 each Rs. 60 Paid up	4,50,000	Patents	1,00,000
• 5% Debentures	2,50,000	Stock	1,37,500
• Outstanding Debentur interest	12,500	Debtors	2,75,000
• Creditors	3,62,500	Bank	75,000
	<u>17,62,500</u>	Profit & loss A/c	3,00,000
			<u>17,62,500</u>

The Liquidator is entitled to a commission of 4% on all Assets realised except Bank and 3% on amount distributed to unsecured creditors. Creditors include Rs. 37,500 for Preferential creditors and a loan of Rs. 1,25,000 secured by land and Building. Preference Dividend was in arrears for two years.

The Assets were realised as follows:

Land and Building Rs. 2,00,000, Machinery Rs. 5,00,000, Patents Rs. 75,000. Stock Rs. 1,50,000. Debtors Rs. 2,00,000 Expenses of Liquidation amounted to Rs. 27,250. Prepare liquidators final statement of Accounts.



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SECTION - D

Answer any One question. This question carries 6 marks.

(1×6=6)

10. List out legal provisions in respect of Redemption of Preference Shares.
 11. Prepare liquidor's final statement of Account with imaginary figures.
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