**SAINTGITS COLLEGE OF APPLIED SCIENCES**

**PATHAMUTTOM, KOTTAYAM**

**SECOND INTERNAL EXAMINATION, MARCH 2020**

**PG Department of Commerce, Semester 4**

**CORPORATE ACCOUNTS II**

Total : 80 **marks** Time: **3 hours**

**Section A**

*Answer any 10 questions. Each question carries 2 marks.*

1. What is deficiency account?
2. What is fraudulent preference?
3. What is AS 14?
4. What is purchase consideration?
5. What is statutory reserve?
6. What are non-banking assets?
7. What is alteration of share capital?
8. Distinguish between consolidation and subdivision of shares.
9. How the re-insurance is different from double insurance?
10. What is Fire insurance?
11. What is list A contributory?
12. How do you treat intercompany Owings in transferred company books?

(10 x 2 = 20 Marks)

**Section B**

*Answer any 6 questions. Each question carries 5 marks.*

1. What are the types of winding up?
2. Distinguish between Insolvency & Liquidation.
3. Discuss the methods of calculating purchase consideration.
4. Explain the methods of alteration of share capital.
5. Following are the details of various outstanding Liabilities of Sad Ltd which went into liquidation on 1st April 2018:
6. Income Tax Payable:

2016-17 : Rs.32000

2017-18 : Rs.20000

1. Electricity charges payable to the state government on 31.3.2018, Rs.30000.
2. Salary of Staff 'A' for 5 months @ Rs.4000 per month.
3. Salary of staff 'B' for 4 months@ Rs.6000 per month.
4. Accrued Holiday remuneration of staff 'C', Rs.21000.
5. Compensation payable to staff 'D', under Employee's Compensation Act, 1923, Rs.25000.
6. Provident fund and Gratuity payable to Staff 'E', Rs.30000.
7. Director’s fees payable for 5 months Rs.10000.

Calculate the amount of preferential creditors.

1. The following is the extract of balance sheet of A. Ltd. as on the date of its acquisition by B ltd.

|  |  |
| --- | --- |
| **Particulars** | **Rs.** |
| Shareholders’ Funds | 2600000 |
| Long term provision (Employees PF) | 200000 |
| Trade payables | 800000 |
| Intangible Assets (Goodwill) | 600000 |
| Total Tangible assets | 1800000 |
| Inventories | 400000 |
| Cash and cash equivalents | 100000 |
| Trade receivables | 700000 |

Additional Information:

1. Goodwill is valued at Rs.900000
2. Tangible Assets are Valued at Rs.2000000.
3. Inventory is valued at Rs.360000
4. All assets and Liabilities are taken over.

Calculate the amount of Purchase consideration.

1. From the following details, compute the amount of provision required to be made in the profit and loss account of National Bank for the year 2017-18

ASSETS                                (Rs. in lakhs)

Standard assets                          16000

Substandard Assets                    12000

Doubtful Assets:

     For 1 year secured                    4800

     For 2 or 3 years secured           3600

     For more than 3 yrs                   1800

(Secured by mortgage of Machinery worth Rs.1000 lakhs)

           Non-Recoverable (loss Assets)      3000

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| **EQUITY AND LIABILITIES**    (1) Shareholders Fund:   1. Share capital   Equity shares of Rs.10 each   1. Reserves and Surplus   surplus a/c, negative balance     (2)Share application money pending    Allotment     (3)Non-Current Liabilities     (4)Current Liabilities          Trade Payables (creditors)                                                             Total  **ASSETS**   1. Non-Current Assets   Tangible Assets (plant & machinery)  Intangible Assets(Goodwill)   1. Current Assets   Inventories (stock)  Trade Receivables  Cash & Cash Equivalents(cash in hand)                                                 Total | 4000000  (380000)  Nil  Nil  3000000    6620000    3400000  1000000  1600000    600000     20000  6620000 |

The following scheme of reconstruction was approved by the court:

1. To reduce the paid up capital by Rs.5 per share
2. To write off goodwill and negative balance in surplus a/c
3. To write down Plant & Machinery by 620000

Give journal entries to implement the scheme and prepare capital reduction account.

1. Calculate Rebate on Bills discounted as on 31.3.2018

|  |  |  |  |
| --- | --- | --- | --- |
| **Date of the Bill** | **Amount** | **Period of the bill** | **Rate of discount** |
| 20.1.2018 | 800000 | 5 months | 16% p. a |
| 10.2.2018 | 400000 | 4 months | 18% p. a |
| 15.3.2018 | 600000 | 2 months | 15% p. a |

Also pass journal entry.

(6 x 5 = 30 Marks)

**Section C**

*Answer any 2 questions. It carries 15 marks.*

1. What do you mean by Reduction of share capital? Explain with the journal entries.
2. From the following information, prepare the Profit and loss account of Lakshmi Bank Ltd for the year ended 31.3.2018:

Interest on Fixed Deposits               430000

Interest on Loans                             650000

Discount on bills discounted            415000

Interest on Overdraft                        210000

Interest on Cash Credit                    410000

Interest on savings bank deposit     125000

Salaries and Allowances                 140000

Rent, Taxes Insurance & lightning     40000

Locker Rent                                         5000

Repairs to bank property                     2000

Commission, Exchange & Brokerage 24000

Directors fees and allowances           25000

Transfer fees                                        2000

Provident fund contributions               12000

Local committee Fees and Allowances 10000

Audit fees                                              12000

Printing & Stationery                               4000

Loss on sale of Government securities 15000

Loss on sale of furniture                          2000

Postage and Telephone                           2000

Depreciation                                           7000

Preliminary Expenses                             3000

Advertisements                                       4000

Legal charges                                         3000

Profit on sale of investment                   10000

Additional information:

1. Rebate on bills discounted on 1.4.2017 Rs. 19000
2. Rebate on bills discounted on 31.3.2018 Rs. 26000
3. Bad debts written off Rs. 40000
4. Provide for Taxation Rs. 50000
5. Provide Rs. 10000 for dividend
6. Sabari Ltd went into voluntary liquidation. Prepare Liquidators final statement of account from the following.

Sundry assets realized                         480000

Preferential creditors                              10000

Unsecured creditors                             150000

12% Debentures                                   200000

7% preference share capital                 300000

(Shares of Rs.10 each)

Liquidation expenses                                2000

Secured creditors                                  160000

(Securities realized Rs.120000)

Equity share capital                             1000000

(100000 shares of Rs.10 each)

Liquidator is entitled to a remuneration of 2% on all assets realized including assets held as security with secured creditor and 3% on the amount paid to unsecured creditors including preferential creditors.

1. Ajanta Ltd agreed to acquire the business of Elora Ltd as on 31-3-2015. Liabilities and assets of Elora Ltd as on that date were as under :

|  |  |  |
| --- | --- | --- |
| Particulars | Rs | Rs. |
| 1. Equity and Liabilities |  |  |
| 1. Shareholders’ Funds : 2. Share capital   10000 10% Preference shares of Rs. 10 each  20000 Equity Shares of Rs.10 each   1. Reserves and Surplus   Reserves  Surplus Account  Less: Discount on issue of shares | 100000  200000  20000  30000  (15000) | 300000  35000 |
| 1. Non-Current Liabilities   (7% Debentures)   1. Current Liabilities   ( Sundry Creditors) |  | 100000  150000 |
| Total |  | 585000 |
| 1. Assets |  |  |
| 1. Non-Current Assets    1. Fixed Assets       1. Tangible Assets   Land & Building  Machineries | 200000  100000 | 300000 |
| 1. Current Assets    * 1. Inventories ( Stock)      2. Trade Receivables ( Debtors)      3. Cash and Cash Equivalents ( Cash) |  | 200000  50000  35000 |
| Total |  | 5858000 |

The consideration payable to Ajanta Ltd was agreed as under:

1. The preference shareholders of Elora were to be allotted 12% preference shares of Rs. 110000.
2. Equity shareholders to be allotted 6 equity shares of Rs. 10 each issued at a premium of 10% and Rs.3 cash against every 5 shares held.
3. 7% debenture holders of Elora Ltd to be taken over by the transferred company.

While arriving at the agreed consideration, the Directors of Ajanta Ltd valued land and building at Rs.250000, stock at Rs. 220000 and debtors at their book value subject to an allowance of 4% to cover doubtful debts. The machineries were values at book value. Debtors of Elora Ltd included Rs. 10000 due from Ajanta Ltd.

It was agreed that before acquisition Elora Ltd will pay dividend at 10% on equity shares and will also retain Rs.5000 for liquidation expenses.

Draft journal entries necessary to close the books of Elora Ltd and record acquisition in the books of Ajanta Ltd. (2 x 15 = 30 Marks)



*[Scan QR code for Answer Key]*