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**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BCOM/BPS – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination Conducted in January-March 2022)**

**BC/BPS 3118: Corporate Accounting - II**

Time- 2 ½ hrs Max Marks-70

**This paper contains 6 printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**2 x 5 = 10 marks)**

1. What is Capital Reduction account?
2. State any four divisible profits account.
3. State any two features of amalgamation.
4. State the different types of liquidation.
5. What is consolidated balance sheet?
6. Give the journal entries when realisation expense is paid by transferor company.

**Section B**

**II. Answer *any three* of the following (5 x 3 = 15 marks)**

1. A Ltd. had 20000, 20% redeemable preference shares of ₹ 100 each fully paid up. The company decided to redeem these shares at par by the issue of sufficient number of Equity shares of ₹ 20 each at a premium of ₹5 each as fully paid up. Pass necessary journal entries in the books of the company.

1. Briefly explain the methods of internal reconstruction.
2. Calculate purchase consideration to be discharged by Y ltd to X ltd from the following information.

The assets of X ltd is valued at 200000.

The liabilities of X ltd are valued at 95000.

Rs 25000 cash is paid to the shareholders of X ltd.

The balance of purchase is discharged by issue of shares of Rs. 10 each at Rs.20 per share.

1. Secured Creditors Rs. 80000

Preferential creditors Rs. 2400

Unsecured Creditors Rs. 122000

Liquidation Expenses Rs. 1000

Plant and machinery realized Rs 104000

Securities realized Rs 100000

The liquidator is entitled to a remuneration of 6% on assets realized and 3% on amount distributed to unsecured creditors. Prepare Liquidator’s final statement of accounts

**Section C**

**III. Answer *any two* of the following (15 x 2 = 30 marks)**

1. Following is the Balance Sheet of X Ltd as on 31st March 2021.

|  |  |
| --- | --- |
| **Particulars**  | **Amount** |
| **Equity and Liabilities** |   |
| **Equity share capital**  |   |
| **Authorized capital**  |   |
| 100000 equity shares of Rs 10 each  | 1000000 |
| **Issued and paid-up capital**  |   |
| 50000 equity shares of Rs 10 each | 500000 |
| **Other Equity**  |   |
| 50000 preference shares of Rs 10 each (authorized 50000 shares of Rs 10 each) | 500000 |
| Surplus (Negative Value) | -246000 |
| **Current Liabilities** |   |
| Creditors | 80000 |
| Bank overdraft | 72000 |
| Total  | 906000 |
| Assets |   |
| **Non-Current Assets**  |   |
| **PPE** |   |
| Leasehold premises | 214000 |
| Plant and Machinery | 120000 |
| **Intangible assets** |   |
| Goodwill | 44000 |
| Patents | 347800 |
| **Current Assets** |   |
| Stock  | 68000 |
| Debtors | 112000 |
| Cash  | 200 |
| Total  | 906000 |

The company proved unsuccessful and resolutions were passed to carry out the following scheme of reconstruction by reduction of capital:

That the preference shares be reduced to an equal number of fully paid shares of Rs 5 each.

That the equity shares be reduced to an equal number of fully paid shares of Rs 2.5 each.

That the amount so available be utilised towards eliminating losses and reduction of assets as follows:

Goodwill and Surplus a/c (negative balance) be written off entirely.

Rs 54000 to be written off leasehold premises.

Rs 28000 be written off stock.

Rs 12000 to be provided for doubtful debts.

20% be written off plant and machinery, and

balance to be written off patents.

Make journal entries in the books of the company and prepare balance sheet giving effect to the above scheme.

1. XYZ Ltd, sells its business to ABC Ltd, on 31st, Mar 2021. On that date, its balance sheet was:

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities**  | **Amount**  | **Assets** | **Amount** |
| 4000 shares of Rs 100  | 400000 | Goodwill | 100000 |
| Debentures | 200000 | Premises | 300000 |
| Trade Creditors | 60000 | Plant  | 166000 |
| Reserve Fund | 100000 | Stock  | 79000 |
| Profit and Loss a/c | 40000 | Debtors | 55000 |
|   |   | Cash  | 100000 |
|   |   |   |   |
|   | 800000 |   | 800000 |

ABC Ltd agreed take over the assets (exclusive of cash and goodwill) at 10% less than the book values, and pay Rs 150000 for goodwill and to take over debentures.

The purchase consideration was to be discharged by the allotment of 3000 shares of Rs 100 each at premium of Rs 10 per share and the balance in cash.

Cost of liquidation amounted to Rs 6000 paid by XYZ Ltd. Show the necessary accounts in the books of XYZ Ltd and pass journal entries in the books of ABC ltd.

1. A ltd acquired 8000 shares of Rs. 50 each in B ltd on 30th September 2020. Liabilities and assets of the two companies as at 31st March 2021 were as follows.

|  |  |  |
| --- | --- | --- |
| Particulars | A ltd | B ltd |
| I. Equities and Liabilities |   |   |
| a. Share capital |   |   |
| 30000 Equity shares of Rs. 50 each, fully paid | 1500000 |   |
| 10000 Equity shares of Rs. 50 each, fully paid |  | 500000 |
| b. Reserves and surplus |   |   |
| Capital reserve |   | 275000 |
| General reserve | 150000 | 25000 |
| Surplus a/c | 191000 | 90000 |
| Current liabilities |   |   |
| Loan from B ltd | 10500 |   |
| Bills payable (including Rs. 2500 to A ltd) |   | 8500 |
| Creditors | 89500 | 35000 |
| **Total** | **1941000** | **933500** |
| II. Assets |   |   |
| Fixed Assets | 750000 | 723500 |
| Investments in B ltd at cost | 850000 |   |
| Current Assets |   |   |
| Stock | 200000 | 100000 |
| Debtors | 125000 | 90000 |
| Loan to A ltd |   | 10000 |
| Bills receivable (including Rs. 2500 from B ltd) | 6000 |   |
| Cash and bank balance | 10000 | 10000 |
| **Total** | **1941000** | **933500** |

You are given the following information:

* B ltd to make a bonus issue on 31st March, 2020 of one share for every two shares held, reducing the Capital reserve equivalently but the accounting effect to this has not been given in the above balance sheet.
* Interest receivable for the year Rs. 500 in respect of loan due by a ltd to b ltd has not been credited in the books of B ltd.
* The credit balance in surplus a/c of B ltd as on 1-4-2020 was Rs. 10500.
* The directors decided on the date of acquisition that the fixed assets of B ltd were overvalued and should be written down by Rs. 25000. Consequential adjustments on depreciation is to be ignored.

Prepare consolidated Balance sheet as at March 31st March, 2021 showing your working.

**Section D**

**IV. Answer the following (15marks)**

1. Following is the Balance sheet of M/s BCA Company as on 31st Dec 2021:

|  |  |
| --- | --- |
| Particulars | Amount |
| **Shareholders’ funds** |   |
| Share capital |   |
| 4000 equity shares of Rs. 100 each, Rs. 75 per share paid up | 300000 |
| 12000 equity shares of Rs. 100 each, Rs. 60 per share paid up | 720000 |
| 8000, 6% preference shares of Rs. 100 each | 800000 |
| **Noncurrent liabilities** |   |
| 5% debentures (having a floating charge on all assets) | 400000 |
| **Current liabilities** |   |
| Creditors | 580000 |
| Interest outstanding on Debentures | 20000 |
| **Total** | **2820000** |
| **Assets** |   |
| **Noncurrent assets** |   |
| Land & Building | 400000 |
| Plant and Machinery | 1000000 |
| Patents | 640000 |
| **Current assets** |   |
| Stock | 220000 |
| Debtors | 440000 |
| Cash at bank | 120000 |
| **Total** | **2820000** |

On the above date the company went into liquidation.

Dividends on preference shares were in arrear for 2 years. The arrears are payable on liquidation.

Creditors include a loan of Rs. 200000 on mortgage on L&B.

The assets realized as under:

Land and Buildings – Rs. 480000

Plant and Machinery – Rs. 800000

Patents – Rs. 120000

Stock – Rs. 240000

Debtors – Rs. 320000

The expenses on liquidation amounted to Rs. 43600

The liquidator is entitled to a commission of 3% on all assets realized (except cash at bank) and a commission of 2% on amount distributed among unsecured creditors.Preferential creditors amounted to Rs. 60000. All payments were made. Prepare liquidator’s final statement of accounts.