

Bc/CrptA-404

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(4th Semester)

COMMERCE

Paper : BC-404

(Corporate Accounting)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

- 1.** State whether the following statements are True or False : 1×5=5
- (a) Redemption of Preference Shares cannot be made out of the fresh issue of debentures.
 - (b) Dividend paid or declared are subject to corporate dividend tax @ 15%.
 - (c) A contributory can only be a present member of the liquidated company.
 - (d) If future earnings are less than normal earnings, there is no goodwill.
 - (e) External reconstruction means reduction of capital of a company which is to be reconstructed.

(2)

2. Choose and write the correct answer from the options provided : 1×10=10

(a) Preference shareholders are

- (i) creditors of the company
- (ii) debtors of the company
- (iii) owners of the company
- (iv) customers of the company

(b) Which of the following is an example of fictitious assets?

- (i) Machinery
- (ii) Goodwill
- (iii) Patent
- (iv) Preliminary expenses

(c) The most important consideration in the valuation of goodwill is

- (i) earning capacity of the business
- (ii) financial position of the business
- (iii) actual position of the business
- (iv) None of the above

- (d) Under Section 64 of the Companies Act, 2013, the company shall give notice of the alteration of capital to the Registrar within ____ days.
- (i) twenty
 - (ii) thirty
 - (iii) forty
 - (iv) fifty
- (e) Public Ltd. Companies cannot issue
- (i) Equity Shares
 - (ii) Preference Shares
 - (iii) Deferred Shares
 - (iv) None of the above
- (f) Goodwill is a/an
- (i) current asset
 - (ii) tangible asset
 - (iii) intangible asset
 - (iv) liability
- (g) Under net assets method, the purchase consideration is calculated by calculating
- (i) the net worth of the assets
 - (ii) the book value of the assets
 - (iii) original cost of the assets
 - (iv) None of the above

(4)

- (h) As per Section 123 of the Companies Act, 2013, dividend may be declared out of the
- (i) current profits
 - (ii) past reserves
 - (iii) money provided by the government
 - (iv) All of the above
- (i) Debenture holders having a floating charge on assets have priority in payment over
- (i) secured creditors
 - (ii) unsecured creditors
 - (iii) preferential creditors
 - (iv) None of the above
- (j) Reduction of capital is unlawful except when
- (i) sanctioned by the creditors
 - (ii) sanctioned by the shareholders
 - (iii) sanctioned by the court
 - (iv) None of the above

3. Write short notes on the following : 2×5=10

- (a) Forfeiture of shares
- (b) Oversubscription
- (c) Voluntary liquidation
- (d) Superprofit
- (e) Purchase consideration

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(4th Semester)

COMMERCE

Paper : BC-404

(Corporate Accounting)

Full Marks : 70 Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

The figures in the margin indicate full marks for the questions

1. (a) What is meant by redemption of debentures? Explain the sources of finance for the redemption of debentures. 3+6=9

Or

- (b) JK Ltd. issued 10000 shares of ₹ 100 each at a premium of ₹ 20 each. Amount payable there on as under :
- On Application—₹ 30
 - On Allotment—₹ 70 (including premium)
 - On 1st Call and Final Call—₹ 20

Applications were received for 15000 shares. Only 12000 shares were allotted on pro-rata basis. 3000 shares were rejected and their amount was returned. All the calls were made and money received in full except on 100 shares in last call. All the unpaid shares were forfeited after legal formalities. Forfeited shares were re-issued at ₹ 90 each.

Pass the necessary Journal entries to give the above effect. 9

2. (a) What is divisible profit? Distinguish between Capital Reserve and General Reserve. 2+7=9

Or

- (b) Following is the Trial Balance of XYZ Ltd. as at 31st March, 2020 :

Debit Balances	₹	Credit Balances	₹
Opening Stock	1,50,000	Equity Share Capital	5,00,000
Purchases	3,80,000	Purchase Return	10,000
Wages	60,000	Sales	11,50,000
Carriages	2,000	Discount	6,300
Furniture	25,000	Surplus Account	1,70,000
Salaries	12,000	Sundry Creditors	33,700
Rent	15,000	General Reserve	82,000

(3)

Debit Balances	₹	Credit Balances	₹
Trade Expenses	11,000	Bills Payable	13,000
Sundry Debtors	54,000	Provision for	
Plant and Machinery	12,00,000	Doubtful Debts	3,000
Cash at Bank	21,500		
Patents	9,000		
Bills Receivable	14,000		
Bad Debts	6,500		
Discount Allowed	8,000		
	<u>19,68,000</u>		<u>19,68,000</u>

Additional Information :

- (i) Stock on 31st March, 2020 ₹ 2,00,000
- (ii) Depreciate Plant and Machinery at 12%, Furniture at 10% and Patents at 20%
- (iii) Further Bad Debts amounted to ₹ 4,000. Provide 5% on debtors for Bad Debts
- (iv) Provide for income tax @ 35% and for corporate dividend tax @ 14%

Prepare Statement of Profit and Loss for the year ended 31st March, 2020. 9

3. (a) What is liquidator's Final Statement of Account? Explain the preferential creditors as given under the Indian Companies Act, 2013. 4+5=9

12-21/293a

(Turn Over)

(4)

Or

(b) The Bekar Foods Ltd. went into voluntary liquidation on 31st December, 2019. The balances in its books on that date were as follows :

Balance Sheet as at 31st December, 2019

₹

I. Equity and Liabilities :	
1. Shareholders' Fund :	
(a) Share Capital :	
5000, 6% Cumulative Preference Shares of ₹ 100 each fully paid	5,00,000
2500 Equity Shares of ₹ 100 each, ₹ 75 paid	1,87,500
7500 Equity Shares of ₹ 100 each, ₹ 60 paid	4,50,000
(b) Reserve and Surplus (Profit & Loss—Loss)	(3,00,000)
2. Non-Current Liabilities :	
Long-term Borrowings	
5% Mortgage Debenture	2,50,000
3. Current Liabilities :	
Trade Payable—Creditors	3,62,500
Other Current Liabilities :	
Interest Outstanding	12,500
Total Equity and Liabilities	<u>14,62,500</u>
II. Assets :	
1. Fixed Assets :	
(a) Tangible Assets :	
Land and Building	2,50,000
Plant and Machinery	6,25,000
(b) Intangible Assets :	
Patent	1,00,000
2. Current Assets :	
Inventory (Stock)	1,37,500
Trade Receivable (Debtors)	2,75,000
Cash and Cash Equivalent	75,000
Total	<u>14,62,500</u>

12-21/293a

(Continued)

(5)

The liquidator is entitled to commission of 3% on all assets realized except cash and 2% on amounts distributed among unsecured creditors other than preferential creditors. Creditors include preferential creditors ₹ 37,500 and a loan for ₹ 1,25,000 secured by a mortgage on land and buildings. The preference dividends were in arrears for two years. The assets realized are as follows :

	₹
Land and Building	3,00,000
Machinery and Plant	5,00,000
Patents	75,000
Stock	1,50,000
Sundry Debtors	2,00,000

The expenses of liquidation amounted to ₹ 27,250. Prepare the liquidator's Final Statement of Account. 9

4. (a) What are the different methods of valuation of shares? Explain. 9

Or

- (b) A client intends to invest ₹ 15,000 in equity shares of a limited company and wants you to calculate the maximum number of shares he can expect to

(6)

acquire with the said amount on the basis of the following information available :

	₹
Issued and Paid-up Capital :	
6% Preference Shares of	
₹ 100 each	5,00,000
Equity Shares of	
₹ 10 each	3,00,000
	<u>8,00,000</u>

Average net profit of the business is ₹ 57,000. Expected normal yield is 7% in case of such Equity Shares. Total Tangible Assets (other than Goodwill) is ₹ 9,49,000 and Total Outside Liabilities is ₹ 95,000. Goodwill is to be calculated at 5 years' purchase of the superprofits, if any. Show your workings in detail. Ignore income tax. 9

5. (a) Explain the term 'internal reconstruction' or 'capital reduction'. Discuss the procedure for reducing share capital. 5+4=9

Or

- (b) Write down the necessary Journal entries to be passed in the book of Transferor Company. 9
