

2021

CORPORATE ACCOUNTING — HONOURS

Paper : DSE-5.2A

Full Marks : 80

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

Answer **any four** questions.

1. The Balance Sheet of X Ltd. reflected the following balances :

Equity shares of ₹ 10 each, ₹ 8 per share (called up and paid up)	₹ 8,00,000
Capital Redemption Reserve	₹ 1,50,000
Securities Premium (fully realized)	₹ 50,000
Surplus in statement of Profit and Loss	₹ 1,60,000
Capital Reserve (fully realized in cash)	₹ 80,000
General Reserve	₹ 4,80,000

The Board of Directors resolved the following :

- (i) To make a call of ₹ 2 per share to the equity shareholders.
- (ii) To issue three Bonus shares for every five equity shares held.
- (iii) To utilise General Reserve as minimum as possible.
- (iv) To issue 40000 Right shares of ₹ 10 each fully paid up at ₹ 13 per share to its equity shareholders.

Assuming that all call moneys were collected in due time and the right shares were duly taken up by the shareholders, pass necessary journal entries in the books of the company. [Narration not required] 10

2. P Ltd. granted option for 8000 equity shares on October 1, 2016 at ₹ 80 (Face value ₹ 10 each), when the market price was ₹ 70. The vesting period was 2½ years. The maximum exercise period was 1 year. All the options were exercised by the employees on 30.06.2019.

Show necessary journal entries to record the above transactions in the books of the company [Narrations required]. 10

Please Turn Over

3. A Ltd. has authorized capital of ₹ 50,00,000 divided into 100000 equity shares of ₹ 50 each. The company issued for subscription 50000 shares at a premium of ₹ 10 each. The entire issue was underwritten as follows :

X — 30000 shares (firm underwriting – 5000 shares)

Y — 15000 shares (firm underwriting – 2000 shares)

Z — 5000 shares (firm underwriting – 1000 shares)

Out of total issue, 45000 shares including firm underwriting, were subscribed. The following were the marked forms including firm : X – 15600 shares; Y – 10400 shares and Z – 4000 shares.

Calculate the total liability (in number of shares) of each underwriter considering firm applications as marked. 10

4. The following figures are available from the Balance Sheet of Blue Chip Ltd. as on 31.03.2020 :

	₹
240000 equity shares of ₹ 10 each fully paid up	24,00,000
General Reserve	36,00,000
Securities Premium	12,00,000
14% Debentures	50,00,000
Sundry Creditors	22,00,000
Non-Current Assets (Tangible)	72,00,000
Current Assets	72,00,000

The company intends to buy back 40000 equity shares at a premium of ₹ 30 per share.

State whether the company can do so and if yes, pass journal entries in the books of the company. [Narration not required] 10

5. The following balances appeared in the books of Syska Ltd. as on 01.04.2020 :

	₹
13% Debentures Account	7,00,000
Debenture Redemption Fund Account	6,35,000
Debenture Redemption Fund Investment (Nominal Value = Cost)	6,35,000

The company sold its investments for ₹ 7,50,000 and redeemed the debentures at par on 01.04.2020. Prepare 13% Debentures Account, Debenture Redemption Fund Account and Debenture Redemption Fund Investment Account in the books of the company. 10

6. The Capital structure of White Ltd. is given below :

	₹
Equity share capital (₹ 100 each)	18,00,000
12% Pref. Share Capital (₹ 10 each)	9,00,000
10% Debentures	13,00,000
13% Term Loan	24,00,000
Reserves and Surplus	6,00,000

The average profit of the company before payment of interest and income tax is ₹ 14,00,000. The income tax rate is 25%.

Calculate the value of equity shares of the company assuming Price-Earning Ratio is 10.

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7. The Capital and Reserves & Surpluses of ABC Ltd. as on 31.03.2021 was as follows (in ₹) :

10000 Equity Shares of ₹ 10 each		1,00,000
1000 10% Preference Shares of ₹ 100 each	1,00,000	
Less Calls in arrear (on 100 shares @ ₹ 20)	2,000	
		98,000
400, 8% Preference Shares of ₹ 100 each. ₹ 60 called		24,000
Securities Premium	12,000	
Capital Redemption Reserve	42,000	
Reserve Fund	45,000	
Surplus in Statement of Profit & Loss	12,000	1,11,000

On 31.03.2021, investments standing in the books at ₹ 20,000 were sold for ₹ 18,000. On the same date it was resolved to redeem the eligible preference shares at 10% premium by issuing sufficient equity shares at 20% premium, subject to leaving a balance of ₹ 10,000 in Reserve Fund.

Give necessary journal entries assuming that all transactions were immediately given effect and payments were made to the Preference Shareholders. (Narration not required)

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8. Balance Sheet of G. Ltd. as on 31.03.2021 included the following :

	₹	₹
Share Capital :		
Equity Share Capital (₹ 10 each fully paid)	3,00,000	
10% Pref. Shares Capital	1,00,000	
		4,00,000
Reserves and Surpluses :		
General Reserve	24,000	
Capital Redemption Reserve	30,000	
Statement of Profit & Loss	26,000	
		80,000
Trade Payables		30,000

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Following information are also available :

Assets include a non-trade investment at ₹ 15,000

Market Value of other assets is ₹ 40,000 more than the book value.

Profits before tax for last three years were : 2018-2019 : ₹ 58,000, 2019-2020 : ₹ 64,000 and 2020-2021 : ₹ 75,000

Fair Return on Capital Employed in this type of business is estimated at 10%.

In year 2018-2019, there was an accidental loss of ₹ 6,600.

Profits of 2019-2020 and 2020-2021 include ₹ 2,000 and ₹ 1,600 as income from non-trade investments.

You are required to calculate the value of Goodwill of G. Ltd. based on above using 4 years purchase of super profit (assume applicable rate of income tax to be 20%) 10

Group - B

Answer *any two* questions.

9. Televista Ltd. invited applications for 20000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share, payable ₹ 3 per share on application, ₹ 5 per share on allotment (including premium) and the balance on first and final call. Applications for 27000 shares were received. It was decided :

- (i) to refuse allotment to the applicants for 3000 shares;
- (ii) to allot in full to the applicants for 4000 shares;
- (iii) to allot the balance of the available shares pro-rata among the other applicants; and
- (iv) to utilise excess application money in part payment of allotment money.

Mr. X holding 250 shares, to whom shares were allotted on pro-rata basis, failed to pay the amount due on allotment and call. Mr. Y holding 150 shares to whom full allotment was made, also failed to pay allotment and call money. These shares were forfeited after call. 150 forfeited shares of Mr. X and 100 forfeited shares of Mr. Y were reissued at ₹ 9 per share as fully paid up to Mr. Z.

Show the necessary journal entries including cash transactions in the books of Televista Ltd. [Narrations not required] 20

10. Following are the items appearing in the Balance Sheet of X Ltd. as on 31.03.2020 :

₹.

Share Capital :

6000, 10% Preference shares of ₹ 100 each	6,00,000
120000, Equity shares of ₹ 10 each	12,00,000

Reserve & Surplus :

General Reserve	5,00,000
Balance in Statement of Profit & Loss	(8,50,000)

Non-current Liabilities

2000, 6% Debentures of ₹ 100 each	2,00,000
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Current Liabilities

Trade Payables	6,50,000
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23,00,000

Assets**Non-current Assets**

Property, Plant and Equipment	13,80,000
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Current Assets

Inventories	3,90,000
Trade Receivables	2,10,000
Cash and Cash equipments	3,20,000

23,00,000

A scheme of reconstruction was adopted with a reduction of capital which was approved by the tribunal on the following terms :

- Equity shares to be converted into same number of equity shares of such face value as to reduce the paid up equity share capital by 30%.
- Preference shares to be converted into same number of preference shares of ₹ 60 each, fully paid up.
- Balance of General Reserve to be utilised in full.
- Debentures to be converted into such number of 8% Debentures of ₹ 50 each as to generate the same amount of interest as before.
- Property, Plant and equipment and inventories are to be reduced by ₹ 5,52,000 and ₹ 38,000 respectively.
- Arrears of preference dividend to be waived in full. The deficit balance in the statements of profit and loss to be written off in full.
- The following are to be given effect :
 - Unrecorded debtors ₹ 3,34,000
 - Unrecorded creditors ₹ 80,000 to be paid in full
 - Reconstruction expenses ₹ 11,500 to be paid.

Pass necessary journal entries (without narration) and the resultant Balance sheet after the capital reduction. 20

11. BT Ltd. is absorbed by the CT Ltd. on 01.04.2021, on which date the assets and liabilities of BT Ltd. were as follows :

		Amount (₹)
I. Equity and Liability :		
1. <i>Shareholder's Fund :</i>		
(a) Equity Share Capital (₹ 10 each fully paid)		80,000
(b) Reserves and Surplus :		
General Reserve	40,000	
Surplus Balance in Statement of Profit and Loss	32,000	
		72,000
2. <i>Non-current Liabilities :</i> 10% Debentures (100 each)		50,000
3. <i>Current Liabilities :</i> Trade Payable		13,000
Total		2,15,000

Please Turn Over

		Amount (₹)
II. Assets :		
1. <i>Non-current Assets :</i>		
(a) Property, Plant and Equipment :		
Tangible : Land and Building		1,20,000
Plant and Machinery		36,000
2. <i>Current Assets :</i>		
Inventory		40,500
Trade Receivables	18,000	
Less : Provision for doubtful debt	900	
		17,100
Cash and Bank		1,400
Total		2,15,000

The consideration payable by CT Ltd. was :

- A cash payment of ₹ 105 for every debenture in BT Ltd.
- Exchange of 3 shares in CT Ltd. of ₹ 5 each (to be issued at ₹ 6 each) for every share in BT Ltd.
- A further payment in cash at ₹ 4 for each share in BT Ltd.
- The expenses of liquidation ₹ 3,000 were paid by the BT Ltd.

Calculate the purchase consideration, and show Realisation A/c, CT Ltd. A/c, Equity Share Holders A/c and Bank A/c in the books of BT Ltd to close its books.

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12. The following is the Trial Balance of Y. Ltd. as on 31.03.2020 :

	Dr. (₹)	Cr. (₹)
Stock (01.04.2019)	1,60,000	—
Purchase and Sales	5,00,000	8,00,000
Purchase returns	—	10,000
Carriage Inward	2,100	—
Wages	50,000	—
Salaries	20,000	—
Discount Received	—	8,000
Furniture and Fittings	40,000	—
Rent	10,000	—
Sundry Expenses	16,500	—
Balance in Profit & Loss Statement (01.04.2019)	—	50,000
Paid up Capital	—	2,00,000
Interim dividend	16,000	—
Dividend distribution tax on interim dividend	3,290	—
Debtors and Creditors	52,400	31,000

(7)

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	Dr. (₹)	Cr. (₹)
Plant and Machinery	2,46,000	—
General Reserve	—	20,000
Patents	8,000	—
Bills Receivable and Payables	2,710	8,000
	11,27,000	11,27,000

Prepare a statement of Profit and Loss for the year ended on 31.03.2020 and a Balance Sheet as at that date as per schedule III of Companies Act. 2013 taking into consideration the following adjustments :

- (a) Stock at on 31.03.2020 was ₹ 1,96,000
- (b) Depreciate Plant and Machinery @ 15%, Furniture and Fittings @ 10%
- (c) Make a provision for doubtful debts @ 10%
- (d) Provision for tax is to be made @ 40% and the rate of Dividend distribution tax is 20.56%
- (e) Patents have a life of 5 years
- (f) The directors proposed a dividend @ 10% for the year ended 31.03.2020 excluding Interim dividend and decided to transfer ₹ 15,000 to General Reserve.