2022

(February)

COMMERCE

(Honours)

(Corporate Accounting)

[BC–303(a)]

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Discuss the sources from which bonus shares can be issued by a company. 3

(b) State the provisions of the Companies Act, 2013 for the issue of right shares. 6

(c) Write a note on sinking fund method of redemption of debentures. 3

(d) Differentiate between Debenture and Debenture stock. 3

Or

(a) Define the term 'debenture'. 3

(b) Give the meaning of private placement of shares. 3

(c) What is Debenture Trust Deed? Explain its utility. 5

(d) Explain buy-back of shares. 4

2. From the following Trial Balance of Miners Co. Limited, prepare a Statement of Profit & Loss A/c for the year ended 31st March, 2021 : 15

Particulars	*Debit* (₹)	*Credit* (₹)
Cash at Bank	2,11,000	
Share Capital		10,39,500
Plant	80,000	
Sale of Gold		3,59,000
Mines	4,40,000	
Promotional Expenditure	12,000	
Interest on Fixed Deposit		7,800
Dividend on Investment (after tax @ 22%)		6,400
Royalties Paid	20,000	
Railway Track & Wagons	34,000	
Wages of Miners	1,48,440	
Advertising	10,000	
Carriage on Plant	3,600	
Furniture & Buildings	41,800	
Administrative Expenses	56,000	

Particulars	*Debit* (₹)	*Credit* (₹)
Repairs	1,800	
Coal & Oil	13,000	
Cash in Hand	1,060	
Investment in Shares of Diamond Mines Ltd.	1,60,000	
Brokerage on Purchase of Shares in Diamond Mines Ltd.	2,000	
6% Fixed Deposit	1,78,000	
	14,12,700	14,12,700

Adjustments :

(i) Depreciate Plant & Machinery and Track & Wagons by 5%, Plant & Machinery by 10%

(ii) Value of Gold as on 31st March, 2021 was ₹ 30,000

(iii) Provide for Income tax ₹ 40,000

Or

Mr. Sailor formed a company under the name of Sailor Co. Pvt. Ltd. to take over his existing business from 1st April, 2020; but the company was incorporated on 1st July, 2020.

Entries related to transfer of business were not entered in the books and were carried on without break till 31st March, 2021.

Following were the balances extracted from the books as on 31st March, 2021 :

Heads of Accounts	*Debit* (₹)	*Credit* (₹)
Opening Stock	4,30,000	
Purchases	18,90,000	
Carriage Outwards	33,000	
Traveller's Commission	75,000	
Office Salaries	2,10,000	
Administration Expenses	1,99,000	
Rent & Rates	1,20,000	
Director's Fees	1,80,000	
Fixed Assets	10,00,000	
Current Assets (Excluding Stock)	3,40,000	
Preliminary Expenses	52,000	
Sales		27,80,000
Mr. *X*'s Capital on 1st April, 2020		23,00,000
Current Liabilities		3,70,000

You are also given the following information :

(i) Stock on 31st March, 2021 was ₹ 4,40,000

(ii) The Gross Profit ratio is constant and monthly sales in April 2020, February 2021 and March 2021 are double the average monthly sales of the remaining part of the year

(iii) Purchase consideration was agreed to be satisfied by the issue of Equity shares of ₹ 100 each

(iv) The Preliminary Expenses are to be written off

(v) Carriage Outwards and Traveller's Commission vary in direct proportion to sales

(vi) Depreciation shall be provided at 25% p.a. on fixed assets

You are required to—

(a) find out the Gross Profit and show its apportionment between pre-incorporation and post-incorporation period;

(b) prepare a Statement of Profit & Loss A/c for the year ended 31st March, 2021. Workings should form a part of your answer. 6+6+3=15

3. *(a)* What are the advantages and limitations of Ratio Analysis? 6

(b) A firm has a current ratio of 4 : 1 and quick ratio of 2·5 : 1. Assuming that inventories are ₹ 22,500, find out the total current assets and total current liabilities. 4

(c) Explain horizontal and vertical analysis. 5

Or

(a) From the following, prepare a Cash Flow Statement as per Accounting Standard-3 (Revised) : 12

Credit Balances	*2020* (₹)	*2021* (₹)	*Debit Balances*	*2020* (₹)	*2021* (₹)
Equity Share Capital	2,00,000	2,50,000	Goodwill	30,000	20,000
12% Preference Share Capital	50,000	40,000	Buildings	1,00,000	80,000
General Reserve	35,000	55,000	Plant	40,000	70,000
Profit & Loss A/c	15,000	17,000	Debtors	1,20,000	1,60,000
Creditors	23,000	5,000	Stock	18,000	20,000
			Cash	15,000	17,000
	3,23,000	3,67,000		3,23,000	3,67,000

Depreciation charged on Plant was ₹ 30,000 and on Buildings was ₹ 50,000.

(b) Explain the significance of debt equity ratio. 3

4. *(a)* Distinguish between 'pooling of interests method' and 'purchase method' of amalgamation. 7

(b) Describe the points that should be taken into consideration while making accounting entries under pooling of interests method. 8

Or

Following is the Balance Sheet of Looser Ltd., a company which is incurring losses for the past two years :

Balance Sheet of Looser Ltd.

Particulars	*Note No.*	*Amount* (₹)
1	2	3
I. Equity & Liabilities		
(1) Shareholder's Fund :		
(a) Share Capital	1	9,00,000
(b) Reserve & Surplus		
–Profit & Loss A/c		(4,25,000)
–General Reserve		2,50,000
(2) Share Application Money Pending Allotment		—
(3) Non-Current Liabilities : Long-term Borrowings—6% Debentures of ₹ 100 each fully paid-up		1,00,000
(4) Current Liabilities :		
(a) Short-term Borrowings		—
(b) Trade Payables—Creditors		3,25,000
Total		11,50,000
II. Assets		
(1) Non-Current Assets : Fixed Assets		6,90,000
(2) Current Assets :		
(a) Current Investments		—
(b) Inventories—Stock		1,95,000
(c) Trade Receivables—Debtors		1,05,000
(d) Cash & Cash Equivalents		1,60,000
Total		11,50,000

Notes to Accounts :

Share Capital

Particulars	₹
Issued, Subscribed & Paid-up Capital	
60000, Equity Shares of ₹ 10 each fully paid-up	6,00,000
3000, 10% Preference Shares of ₹ 100 each fully paid-up	3,00,000
	9,00,000

Note : Preference dividends are in arrear for two years.

The directors decided upon a scheme of reconstruction with a reduction of capital and it is approved on the following terms :

(i) Equity shares to be converted into same number of Equity shares of face value as to reduce the paid-up equity share capital by 30%.

(ii) Preference shares to be converted into same number of Preference shares of ₹ 60 each, fully paid-up.

(iii) Balance of General Reserve to be utilized in full.

(iv) Debentures to be converted into such number of 8% Debentures of ₹ 50 each as to generate the same amount of interest as before.

(v) Fixed Assets and Stock are to be reduced by ₹ 2,76,000 and ₹ 19,000 respectively.

(vi) Arrears of Preference dividend to be written off in full. Balance of Profit & Loss A/c also to be written off.

(vii) The following are to be given effect to :

(1) Unrecorded debtors ₹ 1,67,000

(2) Unrecorded payment to creditors ₹ 40,000

(3) Reconstruction expenses amounted to ₹ 5,750

Pass Journal entries to give effect to the above scheme. Also prepare the Capital Reduction Account. 12+3=15

5. *(a)* What do you understand by the terms 'purchased goodwill' and 'non-purchased goodwill'? What are their important features? 2+6=8

(b) Following are the particulars of a partnership firm :

(i) Average capital employed is ₹ 7,00,000

(ii) Net Trading Profits for the past 3 years are ₹ 1,07,600; ₹ 90,700 and ₹ 1,12,500

(iii) Market rate of interest on investment is 8%

(iv) Rate of risk return on capital employed in business is 2%

(v) Fair remuneration to the partners for their services is ₹ 12,000 per annum

(vi) The profit included non-recurring profits on average basis of ₹ 1,000, out of which it was considered that even non-recurring profits had a tendency to be recurring at an average rate of ₹ 600 per year

(vii) Sundry Assets of the firm ₹ 7,50,000 and Current Liabilities is ₹ 30,000

Find the value of Goodwill of the firm under the following methods : 7

(1) Three Years' Purchase of Super Profit Method

(2) Capitalization Method (Ignore taxation)

Or

On 1st April, 2020, *H* Ltd. purchased 24000 shares in *S* Ltd. On this date *S* Ltd. had a balance of ₹ 22,500 in General Reserve and ₹ 37,500 (Dr.) in Profit & Loss A/c. From their Balance Sheets as on 31st March, 2021 given below, prepare a Consolidated Balance Sheet : 15

Balance Sheets of H Ltd. and S Ltd.
as on 31st March, 2021

Particulars	*Note No.*	*H Ltd.* (₹)	*S Ltd.* (₹)
1	2	3	4
I. Equity & Liabilities			
(1) Shareholder's Fund :			
(a) Share Capital—Shares of ₹ 10 each		7,50,000	3,00,000
(b) Reserve & Surplus			
–Profit & Loss A/c		90,000	7,500
–General Reserve		60,000	(67,500)
(2) Share Application Money Pending Allotment		—	—
(3) Non-Current Liabilities		—	—
(4) Current Liabilities :			
Trade Payables—Creditors		1,05,000	31,500
Total		10,05,000	2,71,500

Balance Sheets of H Ltd. and S Ltd.
as on 31st March, 2021

Particulars	*Note No.*	*H Ltd.* (₹)	*S Ltd.* (₹)
1	2	3	4
II. Assets			
(1) Non-Current Assets :			
(a) Fixed Assets			
Tangible Assets—Land & Building		6,75,000	1,50,000
(b) Non-Current Investments—24000 Equity shares in *P* Ltd.		2,10,000	—
(2) Current Assets :			
Other Current Assets		1,20,000	1,21,500
Total		10,05,000	2,71,500

Fixed Assets standing in the books of *P* Ltd. ₹ 90,000 was considered worth ₹ 75,000 on the date of purchase of control. For the purpose of determining the value of shares 20% depreciation has been written off since acquisition. Stock of *H* Ltd. includes ₹ 30,000 on which *S* Ltd. made ₹ 7,500 profit.

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