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**ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27**  
**B.COM -III SEMESTER**  
**SEMESTER EXAMINATION – November 2020**  
**BC / BPS3118 -CORPORATE ACCOUNTING II**

Time-2 1/2 hours

Max Marks-70

This paper contains four printed pages and four parts

**SECTION-A**

Answer any FIVE of the following. Each question carries two marks. (5x2=10)

1. Why and how is capital redemption reserve account created?
2. When does a company go for internal reconstruction?
3. X Limited having a share capital of Rs. 15,00,000 divided into 1,50,000 shares of Rs 10 each resolve to consolidate the shares into shares of Rs 100 each. Find number of shares and pass the journal entry for consolidation.
4. What is Minority Interest?
5. What do you mean by intercompany owing?
6. Give the types of Winding up of company.

**SECTION B**

Answer any THREE of the following. Each question carries five marks. (3x5=15)

7. A company had 5000, 6% redeemable preference shares of ₹100 each fully paid to be redeemed at a premium of 10%. For the purpose of redemption, the company issues 1250 equity shares of ₹100 each at a premium of 7.5%. The company had a balance of ₹4,87,500 in the P/L a/c and ₹25000 in the securities premium account. Pass journal entries in the books of the company.
8. Total assets at book value – ₹5,00,000. Assets are taken at 10% less than book value. Total liabilities - ₹2,00,000. Liabilities not taken over - ₹50,000 and Liquidation expenses of ₹5,000 is to be borne by the purchasing company. Calculate Purchase consideration and show the discharge of purchase consideration if ₹50000 is paid in cash and the balance in Equity shares of ₹50 each.
9. The following is the balance sheet of Best Ltd as on 31 March 2019.

Equities and Liabilities	₹
5,000 equity shares of Rs100 each fully paid	5,00,000
7,500 10% Preference shares of Rs 100 each fully paid	7,50,000
Sundry Creditors	50,000
<b>TOTAL</b>	<b>13,00,000</b>
Assets	1,73,000
Plant & Machinery	8,50,000
Patents	55,000
Stock in trade	77,000
Sundry debtors	145,000
<b>TOTAL</b>	<b>13,00,000</b>

The company suffered losses and the following scheme was adopted for Reconstruction:

- i. Equity shares are to be reduced to an equal number of shares of ₹25 each.
  - ii. The preference shares to be reduced to an equal number of shares of ₹50 each.
  - iii. The amount available to be used to write off ₹39240 of plant and machinery and ₹15000 of stock in trade.
  - iv. Make a provision of ₹15300 for doubtful debt.
  - v. The balance being used to write off patents.
- Pass necessary journal entries in the books of the company.

10. XYZ Ltd., acquired 56,000 shares of Rs. 100 each in ABC Ltd., on 1/Oct/2019. The following balance are extracted from the Balance sheet of ABC Ltd., as on 31/Mar/2020. Calculate Minority Interest.

Share capital	70,000 shares of Rs. 100 each
General Reserve (on 1/Apr/2019)	Rs. 14,00,000
P&L a/c (on 1/Apr/2019)	Rs. 22,40,000
Profit during the year 2019-20	Rs. 12,00,000

### SECTION C

Answer any TWO of the following. Each question carries fifteen marks. (2x15=30)

11. B Co. went into voluntary liquidation on 31/3/2019. The position of the Co. then had been as below:

Equities and Liabilities	₹
10,000 10% Preference shares of ₹100 each	10,00,000
5,000 equity shares of Rs100, ₹75 paid up	3,75,000
15,000 equity shares of ₹ 100 each, ₹ 60 paid up	9,00,000
15% Mortgage Debenture	5,00,000
Debenture interest	75,000
Creditors	6,37,500
<b>TOTAL</b>	<b>34,87,500</b>
<b>Assets</b>	
Land and Building	5,00,000
Plant and machinery	12,50,000
Patents	2,00,000
Stock	2,75,000
Debtors	5,50,000
Bank	1,50,000
P& L Account	5,62,500
<b>TOTAL</b>	<b>34,87,500</b>

The liquidator is entitled to a commission of 1% on all assets realized and 2% on amount distributed to unsecured creditors. Creditors include preferential creditors of

₹75,000. Preference dividend was in arrears for 2 years. The assets realized as follows:

Land and Building ₹6,00,000, Machinery ₹10,00,000, Patents ₹1,50,000, Stock ₹3,00,000 Debtors ₹4,00,000. Liquidation expenses amounted to ₹ 50,000.

Prepare Liquidator's final account.

12. The Balance sheet of Paywell Ltd. As on 31-3- 2020 was as follows.

<b>Equities and Liabilities</b>	<b>₹</b>
Equity share capital 8,000 equity shares of ₹ 100	8,00,000
4,000 Preference shares of ₹ 100	400,000
8% Debentures	2,00,000
Bank Loan	1,00,000
Creditors	2,00,000
<b>TOTAL</b>	<b>17,00,000</b>
<b>Assets</b>	
Goodwill	10,000
Land & Building	4,00,000
Plant	6,00,000
Stock	1,00,000
Debtors	80,000
P&L	4,90,000
<b>TOTAL</b>	<b>17,00,000</b>

The following scheme of reconstruction was approved by the court:

1. Preference shares are to be reduced to ₹50 per share fully paid.
2. Equity shares to be reduced by ₹ 75 per share.
3. Debenture holders to take over stock & Debtors in full satisfaction of their claims.
4. Eliminate Goodwill and P&L completely.
5. Plant value is reduced to 50% of its present value.

Journalize the entries and prepare the reconstructed Balance sheet.

13. H Ltd. is holding 45000 shares in S Ltd. On 1.4.2019 S Ltd. has undistributed profits and reserves amounting to ₹1,00,000. The Balance Sheet of both the companies as on that date were as under:

<b>Equities and Liabilities</b>	<b>H (₹)</b>	<b>S (₹)</b>
Equity shares of ₹ 10 each	25,00,000	6,00,000
General Reserve	3,60,000	1,20,000
Surplus	2,40,000	1,80,000
Creditors	3,50,000	1,00,000
<b>TOTAL</b>	<b>34,50,000</b>	<b>10,00,000</b>
<b>Assets</b>		
Property, Plant and Equipment	20,40,000	6,00,000
Investments (40000 shares in S Ltd)	5,00,000	---
Current Assets	9,10,000	4,00,000
<b>TOTAL</b>	<b>34,50,000</b>	<b>10,00,000</b>

Prepare the consolidated Balance Sheet of H Ltd as on 31.3.2020.

## SECTION D

Answer the following compulsory question. The question carries fifteen marks.  
(1x15=15)

14. Haiku Ltd and Honda Ltd carrying on similar business decided to amalgamate and a new Co. Haiku Honda Ltd is to be formed to take over the assets and liabilities of both the companies and it is agreed that fully paid equity shares of Rs.100 each shall be issued by the new Co. to the value of net asset of each of the old Co.

Balance sheet as on 31.03.2020

Equity and Liabilities	Haiku Ltd	Honda Ltd
Share Capital (Shares of ₹50 each)	10,00,000	8,00,000
General Reserve	4,00,000	---
P&L A/c	60,000	---
Creditors	80,000	1,60,000
Bills Payable	80,000	---
Bank Overdraft	---	1,60,000
<b>TOTAL</b>	<b>16,20,000</b>	<b>11,12,000</b>

Assets	Haiku Ltd	Honda Ltd
Goodwill	1,00,000	40,000
Land & Building	3,40,000	2,00,000
Plant & Machinery	4,80,000	3,20,000
Furniture	1,00,000	1,50,000
Stock	2,00,000	1,50,000
Cash	1,60,000	6000
Debtors	2,40,000	1,40,000
P&L A/c	---	1,14,000
<b>TOTAL</b>	<b>16,20,000</b>	<b>11,20,000</b>

All tangible assets are taken over at book values and goodwill of Haiku Ltd. is to be valued at ₹2,40,000 while that of Honda Ltd. is valueless.

Pass incorporation entries in the books of Haiku Honda Ltd. Also prepare the Balance sheet in the books of Haiku Honda Ltd. after amalgamation.

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