

2023

## CORPORATE ACCOUNTING — HONOURS

Paper : DSE-5.2AH

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

1. Kristi Ltd. issued 10,000 equity shares of ₹ 100 each at 20% premium. The amount is payable as :

On application ₹ 30; on allotment ₹ 50 (including premium) and the balance equally in two calls.

Till date the company called-up all money except the final call and it received all the money due except on the following shares :

Holders	Shares held	Unpaid amount	
		Allotment ₹	1st Call ₹
Mr. A	800	30	20
Mr. B	500	10	20
Mr. C	400	—	20

The company forfeited the shares on which both allotment and 1st call money were due.

Of the shares forfeited, 500 shares as forfeited from Mr. A and 300 shares as forfeited from Mr. B were re-issued as ₹ 80 paid at a discount of ₹ 15 each.

Show the journal entries (narration not required) for forfeiture and re-issue in the books of Kristi Ltd.

10

2. B Ltd. has its share capital divided into equity shares of ₹ 10 each. On 01.01.2023 it granted 20,000 employees stock option at ₹ 50 per share, when the market price was ₹ 120 per share. The options were to be exercised between 15th March, 2023 and 31st March, 2023. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year. Show necessary journal entries to record the above transactions. 10

Please Turn Over



Or,

C Ltd. made a public issue of 1,50,000 shares of ₹ 100 each at par, ₹ 60 payable on application and balance on allotment. The issue was underwritten by A, B and C in 5:3:2. Applications for 1,43,900 shares were received as per the details below :

Underwriters	Firm applications	Marked applications	Total
A	5,000	40,000	45,000
B	5,000	45,900	50,900
C	3,000	18,000	21,000
Unmarked applications			27,000
Total			1,43,900

It was agreed that benefit of firm underwriting be given to individual underwriters. Calculate the total liability of each of the underwriters in terms of number of shares. 10

3. The 3,000, 6% Redeemable Preference Shares of ₹ 100 each, fully paid of A Ltd. were due for redemption on 01.04.2023 at a premium of 5%. A Ltd. follows Accounting Standards as prescribed by the Companies Act, 2013.

Reserves and Surpluses on 01.04.2023 were:

Capital Redemption Reserve	₹ 60,000
Revaluation Reserve	₹ 80,000
Securities Premium	₹ 40,000
General Reserve	₹ 2,80,000
Statement of Profit & Loss (Cr.)	₹ 1,20,000

For the purpose of redemption, the company made an issue of 1,200 Equity Shares of ₹ 100 each at a premium of 20% on the above mentioned date. The issue was immediately subscribed and paid for.

It also sold 60% of investments (Book value ₹ 1,80,000 and Face value ₹ 2,00,000) at 95%.

Show Journal entries (narrations not required) to give effect to the above transactions. 10



Or,

The following is the Balance Sheet of E Ltd. as on 31st March, 2023:

<b>I. Equity and Liabilities</b>	<b>Amount ( ₹ )</b>
<b>1. Shareholders' Fund</b>	
<b>(a) Share Capital</b>	
3,00,000 Equity Shares of ₹ 10 each fully paid	30,00,000
<b>(b) Reserves and Surplus</b>	
General Reserve	7,00,000
Securities Premium	5,00,000
<b>2. Non-current Liabilities</b>	
12% Debentures of ₹ 100 each	14,00,000
<b>3. Current Liabilities</b>	
Trade Payables	4,60,000
	<b>60,60,000</b>
<b>II. Assets</b>	
<b>1. Non-current Assets</b>	
(a) Property, Plant and Equipment — Tangible	33,30,000
(b) Non-current Investments	3,70,000
<b>2. Current Assets</b>	
(a) Inventories	12,00,000
(b) Trade Receivables: Debtors	5,90,000
(c) Cash and Cash Equivalent	5,70,000
	<b>60,60,000</b>

On 1st April, 2023, the shareholders of the company have approved the scheme of buyback of equity shares as under:

- 20% of the equity shares would be bought back at ₹ 16 per share.
- General Reserve balance may be utilised for the above purpose.
- Premium payable on buyback of shares should be met from the Securities Premium Account.
- Investments would be sold for ₹ 3,90,000.

Pass journal entries to record the above transactions and prepare the Balance Sheet of the company immediately after the buyback of shares.

6+4

Please Turn Over



4. F Ltd. issued 1,000, 12% Debentures of ₹ 100 each on 1st April, 2020, repayable at the end of 3 years at a premium of 5%. It was decided to create a sinking fund for the redemption of debentures. The investments are expected to earn interest at 5% per annum. Reference to the sinking fund table shows that ₹ 0.317209 invested at 5% per annum amounts to ₹ 1 at the end of three years. Investments were sold for ₹ 70,000 and debentures were redeemed on 31st March, 2023. Prepare 12% Debentures A/C, Debenture Redemption Fund A/C and Debenture Redemption Fund Investment A/C for the three years up to 31st March, 2023. 10
5. From the following information, calculate the value of goodwill as on 31.03.23. 10
- Equity Share Capital (₹ 10) ₹ 4,00,000.
  - 9% Preference Shares Capital ₹ 1,00,000.
  - Reserve and Surplus ₹ 90,000.
  - 10% Debenture ₹ 1,00,000 (issued during the year 2018-2019)
  - Depreciation fund ₹ 60,000.
  - Creditors ₹ 70,000.
  - Market Value of Assets is ₹ 90,000 more than the book value.
  - Profits for last 3 years after 20% tax were :  
2020-2021: ₹ 80,000, 2021-2022: ₹ 1,17,000 and 2022-2023: ₹ 1,18,000 respectively.
  - Non-trade income of ₹ 15,000 (before tax) is included in the amount of profit for 2021-2022 only. In 2020-2021, the company suffered an abnormal loss of ₹ 24,000.
  - Fair Return on Capital Employed in this type of business is estimated at 10%.
  - Goodwill is to be valued on the basis of 3 years purchase of Super Profit.  
(Take simple average profit).

**Or,**

The following particulars are available in respect of H Ltd. :

- (a) Capital 450, 6% preference shares of ₹ 100 each fully paid and 4,500 equity shares of ₹ 10 each fully paid
- (b) External liabilities: ₹ 7,500
- (c) Reserves and Surplus: ₹ 35,000
- (d) The average expected profit (after taxation) earned by the company ₹ 8,500
- (e) The normal profit earned by same type of companies is 9%
- (f) 10% of the profit after tax is transferred to reserves.

Calculate the intrinsic value per equity share and value per equity share according to yield basis. Assume that out of total assets, assets worth of ₹ 350 are fictitious.



**Group - B**

6. Big Ltd. agreed to acquire the business of Small Ltd. as on 31.03.2023. The summarised Balance Sheets of the two companies as on that date were as follows :

Particulars	Big Ltd.	Small Ltd.
<b>Equity and Liabilities</b>	(₹)	(₹)
Equity Share Capital (₹ 10 each fully paid)	5,00,000	3,00,000
General Reserve	2,00,000	1,00,000
Balance of Profit & Loss Statement (Cr.)	1,60,000	40,000
12% Debentures	1,50,000	50,000
Trade Payables (Creditors)	70,000	20,000
Total	<b>10,80,000</b>	<b>5,10,000</b>
<b>Assets</b>		
Tangible Assets	7,10,000	3,20,000
Goodwill	—	50,000
Current Assets	3,70,000	1,40,000
Total	<b>10,80,000</b>	<b>5,10,000</b>

Following were agreed for the purpose of take over :

- Assets of Small Ltd. were revalued as: Tangible Assets ₹ 3,80,000; Goodwill ₹ 70,000 and Current assets at ₹ 1,37,000.
- Claim of debenture holders of Small Ltd. were to be discharged at 4% premium by the issue of sufficient equity shares of Big Ltd. of ₹ 10 each at an agreed price of ₹ 12.50 each.
- The consideration was satisfied:

By the issue of 30,000, ₹ 10 fully paid shares at an agreed value of ₹ 12.50 each; 12% Debentures of ₹ 75,000 of Big Ltd. at par and the balance in cash.

You are required to :

- Calculate the purchase consideration
- Prepare Business Purchase Account and Liquidator of Small Ltd. Account in the books of Big Ltd., and
- Prepare the Balance Sheet of Big Ltd. after acquisition of Small Ltd. 5+6+4



Or,

Following are the ledger balances of P Ltd. on 31.03.2023 :

	₹	₹
Property, Plant and Equipment		32,00,000
Non-current Investments		40,000
Inventories (Market value ₹ 13,60,000)		15,60,000
Debtors		18,40,000
Shares issue expenses		80,000
Bank overdraft		2,00,000
8% 'A' Debentures		8,00,000
10% 'B' Debentures		20,00,000
Sundry creditors (including Shyam for ₹ 22,00,000)		46,00,000
Accrued Debenture Interest : 'A' Debentures	80,000	
'B' Debentures	2,40,000	
		3,20,000
Equity share capital (40,000 shares of ₹ 100 each, ₹ 60 paid-up)		24,00,000

Due to accumulated losses and overvaluation of Property, Plant and Equipment, following scheme of reconstruction is agreed upon :

- (i) To make call against the existing equity shares to make them fully paid and then to sub-divide them to shares of ₹ 20 each.
- (ii) After sub-division the equity shareholders to surrender 80% of their holding for redistribution or otherwise for cancellation.
- (iii) To settle the claim (inclusive of interest) of the holders of Debentures 'A' by issuing 4000, 12% Debentures of ₹ 100 each. They are also to be issued 12,000 equity shares out of surrendered shares.
- (iv) To issue 60,000 equity shares out of surrendered shares to the holders of Debentures 'B' in full settlement of their claim. (including interest)
- (v) To issue 40,000 equity shares out of the surrendered shares to Shyam in full settlement of his account.
- (vi) To write off all accumulated losses, fictitious assets and write down the Property, Plant and Equipment to the extent possible. Pass necessary journal entries to give effect to the above transactions and prepare the Balance Sheet of P Ltd. after reconstruction.



7. From the following trial balance of X Ltd. as on 31.03.2023, prepare Statement of Profit and Loss for the year ended 31.03.2023 and Balance Sheet as on that date as per Schedule-III of Companies Act, 2013 :

Particulars	Dr. (₹)	Cr. (₹)
Share capital : Subscribed and Paid-up (₹ 10 each)	—	40,00,000
Land (at cost)	30,00,000	—
Building (at cost)	20,00,000	—
Plant and Machinery (at cost)	30,00,000	—
Furniture and Fixture (at cost)	2,00,000	—
Opening stock-in-trade	5,00,000	—
Purchases	52,00,000	—
Purchase returns	—	50,000
Sales	—	75,22,000
Sales return	24,000	—
Managing Director's Remuneration	1,00,000	—
Salaries and wages	3,00,000	—
Investment (at cost)	2,00,000	—
Investment income received	—	10,800
12% Debentures (fully secured)	—	20,00,000
Debenture interest paid	2,20,000	—
Sundry Debtors	17,00,000	—
Sundry Creditors	—	9,40,000
Interim dividend paid	2,41,120	—
Profit and Loss balance (Cr.) as 01.04.2022	—	4,26,000
General Reserve on 01.04.2022	—	20,00,000
Unclaimed dividend	—	24,000
Provision for depreciation as on 01.04.2022 :		
On Building	—	4,00,000
On Plant and Machinery	—	10,00,000
On Furniture and Fixture	—	40,000
Audit fees	60,000	—
Administrative and other expenses	6,05,600	—
Cash and Bank balance	10,62,080	—
	<b>1,84,12,800</b>	<b>1,84,12,800</b>



**Other Information :**

- (a) Closing stock-in-trade as an 31.03.2023 was valued at cost of ₹ 15,00,000.
- (b) Provide depreciation on Fixed Assets as follows :
  - (i) Building @ 5% on wdv,
  - (ii) Plant and Machinery @ 20% on wdv,
  - (iii) Furniture and Fixture @ 10% on wdv.
- (c) Tax deducted at source on investment income was ₹ 1,200.
- (d) Provision for tax is to be made @ 30%.
- (e) The directors have recommended the following appropriations :
  - (i) Final dividend @ ₹ 1.00 per share in addition to interim dividend already declared and paid.
  - (ii) Transfer ₹ 1,00,000 to General Reserve.

Profit and Loss Balance (Cr) as 01.04.2022	1,00,00,000	
General Reserve as 01.04.2022	5,00,000	
Profit and Loss Account		1,05,00,000
Depreciation on Building	37,500	
Depreciation on Plant and Machinery	1,00,000	
Depreciation on Furniture and Fixture	1,00,000	
Provision for Tax	36,000	
Final Dividend	1,00,000	
Transfer to General Reserve	1,00,000	
Tax Deducted at Source	1,200	
Closing Stock-in-trade	15,00,000	
Balance as 31.03.2023		1,38,73,800