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2022

**M.B.A. 4<sup>th</sup> Semester End-Term Examination**  
**ADVANCED CORPORATE ACCOUNTING**  
**(New Regulation)**

Full Marks – 70

Time – Three hours

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The figures in the margin indicate full marks  
for the questions.

Answer question No. 1 and any *four* from the rest.

1. Fill in the blanks :

(10 × 1 = 10)

- (i) When the cost of investment of a holding company in a subsidiary company is less than the book value of the proportionate net assets, the difference is called \_\_\_\_\_ (Capital Reserve/Goodwill).
- (ii) The \_\_\_\_\_ value of share is based upon the amount of profit available to equity shareholders. (Yield/ Intrinsic)
- (iii) Dividend Yield method of Valuating the shares take in to account the \_\_\_\_\_ rate of dividends in relation to the normal rate of return. (Average/Highest).
- (iv) Intrinsic value of share is based on the value of the \_\_\_\_\_ (Net Assets/Total Assets).
- (v) Normal rate of return is also called \_\_\_\_\_ rate of return. (Fair/Unexpected).
- (vi) The post-acquisition profit is also called \_\_\_\_\_ (Capital profit/Revenue profit).
- (vii) Interest on Debentures is charged to \_\_\_\_\_ acquisition profit. (post / pre)
- (viii) \_\_\_\_\_ is the legal procedure by which the company comes to an existence. (Incorporation/ Liquidation)

[Turn over

(ix) The \_\_\_\_\_ remuneration once fixed cannot be increased. (Liquidator's/Auditor's).

(x) Variable Expenses are normally apportioned between the pre and post incorporation period in the ratio of \_\_\_\_\_ (sales / time)

2. (a) What do you mean by Compulsory Winding up by the National Company Law Tribunal u/s 433? Discuss the grounds for compulsory winding up. (5)

(b) The Capital Structure of Kailash Ltd. is as follows-

40,000 Equity shares of Rs 100 each – Rs. 40,00,000

8%, 50,000 Preference Shares of Rs 100 each – Rs. 50,00,000

10%, 25,000 Debentures of Rs 100 each – Rs. 25,00,000

Other details –

Earnings before Interest and taxes for the year 2020-21– Rs. 35,00,000 Tax Rate – 45%, Industry ROI – 13%, Transfer to General Reserve – 15%, Dividend Rates are 2018-19 - 18% 2019-20 - 16% 2020-21 - 20%. Calculate value of an equity share under Earning Yield Method and Dividend yield Method. (5+5=10)

3. (a) Following is the Balance Sheet of Pratim Ltd as on 31.03.2021

Liabilities	Amount	Assets	Amount
Share Capital –		Cash in hand	20,000
10,000 Equity shares of Rs 10 each, fully paid up	1,00,000	Cash at bank	30,000
20,000 Equity shares of Rs 10 each, Rs 5 paid up	1,60,000	Sundry Debtors	1,00,000
30,000 Equity shares of Rs 10 each, Rs 5 paid up	1,50,000	Stock-in-trade	1,35,000
2000, 9% Preference shares of Rs 100 each	2,00,000	Land and Building	3,00,000
General Reserve	65,000	Furniture	75,000
Profit and Loss A/c	45,000	Goodwill	90,000
Bank Loan	15,000	Discount on shares	20,000
Sundry Creditors	35,000		
Total	7,70,000	Total	7,70,000

The value of assets is calculated as follows-

(i) Furniture is to be depreciated at 10% p.a.

(ii) Value of stock-in-trade, Land and Building and goodwill is estimated at Rs 1,25,000, Rs 3,60,000 and Rs 1,20,000 respectively.

(iii) Debtors are expected to realize 25% less than the book value.

Find out the value of each share under Asset Backing method (7)

- (b) Rakesh Limited was incorporated on January 1, 2015 with an authorised capital of Rs. 50000 to take over the running business of Prakash Bros. Ltd. from 1<sup>st</sup> Oct 2014. The following is the summarized P/L A/c for the year ended on Sept 30, 2015.

Particulars	Details (Rs)	Amount (Rs)
Sales from 1.10.2014 to 31.12.2014	60,000	
Sales from 1.1.2015 to 30.9.2015	<u>1,90,000</u>	<u>2,50,000</u>
Cost of sales for the year	1,54,000	
Administrative expenses	17,680	
Selling commission	8,750	
Goodwill written off	2,000	
Interest to vendor (loan repaid on 1.2.2015)	3,730	
Distribution Expenses (80% variable)	12,500	
Preliminary Expenses	3,300	
Debenture interest	3,200	
Depreciation	3,840	
Directors' fees	1,000	<u>2,10,000</u>
Net Profit		<u>40,000</u>

The cost of sales per unit was reduced by 10% in the post incorporation period as compared to pre incorporation period. Prepare a statement showing the profits of both the pre and post incorporation period. (8)

4. (a) What are the duties to be performed by a Liquidator at the time of Liquidation of a company? (6)
- (b) Sangam Enterprise Ltd. went into Voluntary Liquidation having the following liabilities:
- Unsecured Creditors Rs 85,000.
  - Secured Creditors Rs 58,000 (realizable value of securities Rs 63,000)
  - Preferential Creditors Rs 16,000.
  - 9% Debentures having a floating charge on the assets Rs 15,000.
  - Interest on Debentures outstanding Rs 675

Liquidator's out of pocket expenses amounted to Rs 450. The Liquidator is entitled to remuneration of 5% on the assets realized and of 3% of the amount distributed to unsecured creditors. The various assets (excluding the securities held by secured creditors) realized Rs 86,000. Prepare liquidator's statement of a/c showing the proportion paid to the unsecured creditors. (9)

5. (a) What is a Holding Company? Discuss the Advantages of a Holding Co. (1+4=5)
- (b) Following are the Balance Sheets of Holding Ltd. and its subsidiary Subsidiary Ltd. as on 31-03-2022

Balance Sheet					
Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital			Sundry Assets	4,35,000	2,00,000
Shares of Rs 10 each	5,00,000	2,00,000	Investment in shares of		
Reserve	90,000	10,000	S Ltd. (16,000 shares)	1,75,000	-
Profit and Loss Accou	30,000	7,000	Sundry Debtors	30,000	22,000
Sundry Creditors	25,000	9,000	Bills Receivable	10,000	8,000
Bills Payable	5,000	4,000			
Total	<u>6,50,000</u>	<u>230000</u>	Total	<u>6,50,000</u>	<u>2,30,000</u>

The H Ltd. purchased the shares of S Ltd. on 01-09-2021. On 01-04-2021, the Reserve and P/L A/c of S Ltd showed a credit balance of Rs 5,000 and Rs 3,000 respectively. Debtors of H Ltd. include 5000 due from S Ltd. while all the bills payable of S Ltd. are issued in favour of H Ltd.

Prepare consolidated balance sheet as on 31-03-2022. (10)

6. (a) From the following information, calculate the value of goodwill of M/s Kunal Entp.
- At three year's purchase of weighted average profits.
  - At three year's purchase of Super Profits.
  - On the basis of capitalisation of Super Profits.
  - On the basis of capitalisation of Average Profits.

Additional Information:

Average capital employed in the business- Rs 6,00,000. Net Trading results of the firm for the past years: Profit 2018-19-Rs 1,75,000 (included an abnormal gain of Rs 15,000); Loss 2019-20-Rs 1,00,000; Profit 2020-21-Rs 4,70,000 (loss by earthquake included Rs 10,000). Normally the Rate of return expected from capital having regard to the risk involved-15%. Remuneration to each partner for his service to the firm- Rs 1,000 per month. Assets (excluding goodwill)- Rs 6,55,000, Liabilities- Rs 46,000. (8)

- (b) What is profit or loss prior to incorporation? Discuss the steps involved in determining profit prior to incorporation. (2+5=7)
7. Write short notes on the following (Any five) (5 × 3 = 15)
- Consolidated Balance Sheet.
  - Minority Interest.
  - Purchase Consideration.
  - Voluntary winding up.
  - Intrinsic Value Method for Valuation of shares.
  - Capital Profit vs Revenue Profit.
  - Limitations of a Holding Company

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