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Roll No. of candidate

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2020

M.B.A. 4th Semester End-Term Examination

ADVANCED CORPORATE ACCOUNTING

(New Regulation)

Full Marks – 50

Time – Two hours

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

Answer Question No. 1 and any *three* from the rest.

1. State the statements with True or False. (any *five*)
(5 × 1 = 5)
 - (a) A contributory is a person who is liable to contribute to the assets of the company in the event of its winding up.
 - (b) The liquidation caused by the inability to pay its debt is called Compulsory liquidation.
 - (c) A share is a share in the share capital of a company.
 - (d) Generally valuation of shares means valuation of equity shares.

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- (e) Normal rate of return represents the return on net assets including the goodwill of a company.
 - (f) The profit prior to incorporation means the revenue profit earned by a company.
 - (g) Preliminary expenditure is charged to pre incorporation period.
 - (h) Liquidation is the legal procedure by which the company comes to an end.
 - (i) A Voluntary winding up takes place when a company is directed to wound up by the order of the Tribunal.
 - (j) Fixed Expenses are normally apportioned between the pre and post incorporation period in the ratio of sales.
2. (a) Explain any two methods of valuation of equity shares. (5)
- (b) The Balance Sheet of Supriya Co. Ltd. as on 31st March, 2020 is as follows

| Liabilities | Amount | Assets | Amount |
|----------------------------------|----------|----------------------|----------|
| 6000 Equity shares of Rs100 each | 6,00,000 | Land and Building | 1,50,000 |
| Profit and Loss A/c | 55,000 | Plant and Machinery | 2,20,000 |
| General Reserves | 60,000 | Trade Mark | 15,000 |
| 5% Debentures | 1,10,000 | Stock | 3,00,000 |
| Bank Overdraft | 10,000 | Sundry Debtors | 1,60,000 |
| Creditors | 60,000 | Bank Balance | 45,000 |
| | | Preliminary Expenses | 5,000 |
| | 8,95,000 | | 8,95,000 |

On 31st March 2020, the land and building is valued at Rs 200000 and the goodwill at Rs. 85,000 and plant and machinery at Rs 2,50,000. Sundry Debtors, on the same date includes Rs 10,000 irrecoverable.

The Net Profits (before tax) of the last three years are as follows-2017-18 - Rs 2,00,000, 2018-19 – 2,40,000 and 2019-20- Rs 2,20,000 of which 25% to be transferred to reserve. The normal rate of return is considered at 10%. Compute the value of the Company's share under Asset Backing Method and Yield Method.
(5+5=10)

3. (a) What is Compulsory winding up by National Law Tribunal u/s 433? Discuss the grounds for Compulsory Winding Up. (1+5=6)
- (b) Sagar Ltd. was incorporated on 1st March 2019 to acquire the business of Alkem Ltd. from 1st January 2019. The Profit and Loss Account for the year ended 31st December 2019 is presented below.

| Particulars | Amount | Particulars | Amount |
|--|---------------|-------------|---------------|
| To, Purchases (After adjusting the stocks) | | | |
| To, Gross Profit c/d | 7,740 | By. Sales | 15,000 |
| | 7,260 | | |
| | <u>15,000</u> | | <u>15,000</u> |
| To, Management Salaries | 3,000 | | |
| To, Office Expenses | 250 | | |
| To, Selling Expenses | 820 | | |
| To, Carriage Outward | 170 | | |
| To, Rent and Rates | 200 | | |
| To, Debenture interest | 135 | | |

| Particulars | Amount | Particulars | Amount |
|--|--------------|-------------|--------------|
| To, Dividend | 300 | | |
| To, Directors fees | 200 | | |
| To, Preliminary Expenses | 287 | | |
| To, Interest on Purchase Consideration | 90 | | |
| To, Net Profit | 1,808 | | |
| Total | <u>7,260</u> | Total | <u>7,260</u> |

Additional information

- (i) Sales made by the company was amounted to Rs 12,000.
 - (ii) The shares and debentures were issued to the vendor on 1st April 2019.
 - (iii) Interest at 6% p.a. was paid on the purchase consideration from January 2019 to the date of payment.
 - (iv) You are required to prepare a statement in columnar form to depict the pre and post incorporation profit for the year ended 31st Dec. 2019. (9)
4. (a) "Goodwill is a company's value that exceeds the assets over the liability." - Discuss. (5)
- (b) The following particulars relate to Rising Sun Company Ltd. which goes into Liquidation voluntarily as on 31st March, 2020.

| Particulars | Rs | Particulars | Rs |
|------------------------|----------|--------------------|--------|
| Unsecured Creditors | 1,12,000 | Land realised | 90,000 |
| Preferential Creditors | 35,000 | Building realised | 20,500 |
| Debentures | 37,500 | Plant realised | 9,750 |
| Cash in hand | 10,000 | Furniture realised | 3,750 |

Liquidation's remuneration is 2% on the amount realized on assets and 2% on the amount distributed to unsecured creditors other than preferential creditors. Liquidation expenses amounted to Rs 1,000. A call of Rs 2 per share on partly paid Rs 4,750 shares was made and money was duly received. You are required to prepare the Liquidator's final statement of account. (10)

5. (a) Discuss the advantages enjoyed by a Holding Company.
- (b) H Ltd. acquired 4,000 shares of Rs 10 each on 1st April 2019 for Rs 54,000 in S Ltd. received @ 10% dividend for 2019 on 1st July 2019 and the dividend has been credited to the P/L A/c of the H Ltd. Following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. as on 31-12- 2019.

| Liabilities | H Ltd | S Ltd | Assets | H Ltd | S Ltd |
|---|-----------------|---------------|--|-----------------|---------------|
| Share Capital (Shares of Rs 10 each) | 60,000 | 50,000 | Investment in shares of S Ltd. (4000 shares) | 54,000 | – |
| General Reserve | 12,000 | 10,000 | Sundry Assets | 62,000 | 96,000 |
| Profit and Loss Account | 34,000 | 28,000 | | | |
| Sundry Creditors | 10,000 | 8,000 | | | |
| Total | 1,16,000 | 96,000 | Total | 1,16,000 | 96,000 |

On 1-1-2019 the Profit and Loss Account and General Reserve of S Ltd showed balance of Rs. 10,000 and Rs 5,000 respectively. Prepare a consolidated balance sheet as on 31-2-2011. (10)

6. (a) The balance sheet of Satyam Ltd. as on 31st March, 2020 is given below

| Liabilities | Amount | Assets | Amount |
|---------------|-----------------|--------------|-----------------|
| Capital | 5,00,000 | Land | 3,60,000 |
| Creditors | 1,60,000 | Machinery | 2,20,000 |
| Bills Payable | 40,000 | Furniture | 4,000 |
| | | Stock | 16,000 |
| | | Cash at Bank | 1,00,000 |
| | <u>3,50,000</u> | | <u>3,50,000</u> |

The profit of the business for the 5 years ending is as follows - 2015-16 - Rs 80,000, 2016-17 - Rs 84,000, 2017-18 - Rs 90,000, 2018-19 - Rs.1,00,000 and 2019-20 Rs. 1,06,000 respectively. The assets are valued as under - Land - Rs 3,38,000, Machinery - Rs 2,36,000 and Furniture- Rs 2,000. The Normal Rate of Return on capital employed is 10% p.a. Assume that normal managerial remuneration is Rs 12,000. Find out the value of goodwill under Capitalisation Method. (6)

- (b) Discuss the various types of holding companies with the help of examples. Write a note on Capital Profit and Revenue Profit in terms of Holding Company? (3 + 6 = 9)

7. Write short notes on the following (Any *five*)
(5 × 3 = 15)

- (a) Cost of Control
 - (b) Minority Interest
 - (c) Holding Co. Vs Subsidiary Co.
 - (d) Normal Rate of Return on Investment
 - (e) Liquidator's Final Statement
 - (f) Post acquisition profits
 - (g) Yield Value Method for Valuation of shares.
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