G 3337 (Pages : 4) Reg. No.................................

Name....................................

FIVE YEAR B.Com., LL.B. (HONOURS) DEGREE EXAMINATION, MAY 2023

Fifth Semester

FE 15/FC 11—CORPORATE ACCOUNTING

(2019 Admissions–Regular/2018 Admissions–Supplementary)

[Common to 2013 and 2014 Admissions–Supplementary]

Time : Three Hours Maximum : 75 Marks

Part A

Answer any **five** *questions.*
Each question carries 3 *marks.*

1. What do you mean by Capital Redemption Reserve ?
2. Distinguish between Amalgamation and Internal Reconstruction.
3. Who are Preferential Creditors ?
4. What are the advantages of Buyback of shares?
5. Who is a contributory ?
6. Explain about Statement of Affairs.

(5 × 3 = 15 marks)

Part B

Answer any **three** *of the following.*
Each question carries 10 *marks.*

7. Define purchase consideration. Explain methods to calculate it by talking suitable examples.
8. Explain about bonus shares and various sources from which these are issued.
9. The following scheme of re-construction has been approved for XY Ltd.

   (i) The shareholders to receive in lieu of their present holding of 25,000 shares of Rs. 10 each, the following:

   a) Fully paid equity shares equal to 2/5 of their holding.

   b) 6% preference shares, fully paid, to the extent of 1/5 of the above new equity shares, and

   c) Rs. 30,000, 7% second debentures.

Turn over

(ii) An issue of Rs.25,000, 4% First Debentures was made and allotted, payment for the same has been received in cash.

(iii) The Goodwill which stood at Rs. 1,50,000 was written down to Rs. 75,000.

(iv) Machinery which stood at Rs. 50,000 was written down to Rs. 37,500.

(v) Leasehold premises which stood at Rs. 87,500 were written down to Rs. 75,000.

Pass journal entries in the books of the company.

10. R Ltd. had an authorized equity capital of Rs. 20 lakhs divided into shares of Rs. 100 each. The paid-up capital was Rs. 12,50,000. Besides this, the company had 9% Redeemable Cumulative Preference Shares of Rs. 10 each for Rs. 2,50,000. Balances on other accounts were Securities Premium- Rs. 18,000; Profit and Loss Account- Rs. 72,000 and General Reserve- Rs. 3,40,000. Included in Sundry Assets were investments of the face value of Rs. 30,000 carried in the books at a cost of Rs. 34,000.The company decided to redeem the Cumulative Preference Shares at 10% premium, partly by the issue of equity shares of the face value of Rs. 1,20,000 at a premium of 10%. Investments were sold at 105% of their face value. All preference shareholders were paid off. After redemption of the Cumulative Preference Shares, fully paid bonus shares were issued in the ratio of 1:4. Give the necessary journal entries bearing in mind that the directors wanted a minimum reduction in the free reserves, while effecting the above transactions.

(3 × 10 = 30 marks)

Part C

Answer any **two** *of the following.*

Each question carries 15 *marks.*

11. Explain the various ways in which the company can capitalize its profits. Also state the procedure for issuing the bonus shares.

12. The BF Ltd., went into voluntary liquidation on 31st December, 2020. The balances in its books on that date were :

Liabilities	Rs.	Assets	Rs.
Share Capital:		Land and Buildings	2,50,000
Authorised and Subscribed:		Machinery and Plant	9,25,000
5,000 6% Cumulative		Patents	1,00,000
Preference Shares of		Stock	1,37,500
Rs. 100 each fully paid	5,00,000	Sundry Debtors	2,75,000
2,500 Equity Shares of			
Rs. 100 each, Rs. 75 paid.	1,87,500	Cash at Bank	75,000
7,500 Equity Shares of			
Rs. 100 each, Rs. 60 paid.	4,50,000		
5% Mortgage Debentures	2,50,000		
Interest Outstanding	12,500		
Creditors	3,62,500		

The liquidator is entitled to commission of 3% on all assets realised except cash and 2% on amounts distributed among unsecured creditors other than preferential creditors. Creditors include Preferential Creditors Rs. 37,500 and a loan for Rs. 1,25,000 secured by a mortgage on land and buildings. The preference dividends were in arrears for two years. The assets realised as follows :

	Rs.
Land and Buildings	3,00,000
Machinery and Plant	5,00,000
Patents	75,000
Stock	1,50,000
Sundry Debtors	2,00,000

The expenses of liquidation amounted to Rs. 27,250. Prepare Liquidator's Final Statement of Account.

13. The following are the ledger balances of W Ltd. as on the date of its absorption by S Ltd. :

Liabilities	Rs.	Assets		Rs.
Equity Share Capital		Goodwill		1,00,000
80,000 equity shares of				
Rs. 10 each	8,00,000	Land and Building		6,50,000
General Reserve	2,00,000	Machinery		4,00,000
Dividend Equalisation Fund	1,00,000	Stock		4,50,000
12% Debentures	2,00,000	Debtors	2,00,000	
Sundry Creditors	6,00,000	Less: Provision	10,000	1,90,000
Employees Pension Fund	60,000	Cash at Bank		60,000
Employees Provident Fund	40,000	Preliminary Expenses		1,40,000
		Discount on debentures		10,000
	20,00,000			20,00,000

S Ltd. acquires the business for consideration of Rs. 9,80,000 payable Rs. 9,00,000 in shares of Rs. 10 of S Ltd. at Rs. 15 per share, sufficient number of 15% debentures of S Ltd. so as to redeem the debentures of W Ltd. at the premium of 10% and the balance in cash. The realisation expense of W Ltd. amounted to Rs. 15,000. On fixing the purchase price, Land and Buildings are revalued at Rs. 8,00,000, Machineries at Rs. 4,50,000 and debtors at Rs. 1,70,000. Prepare ledger accounts in the books of W Ltd. and opening entries in the books of S Ltd.

(2 × 15 = 30 marks)