

- Q.5 i. What do you understand by the “Consolidation of Financial Statements”? **3**
 ii. A Ltd. acquired 2,000 Equity Shares of Rs. 100 each in B Ltd. on 31st Dec. 2017. The summarised Balance Sheets of the two companies as on 31st Dec. 2017 were as follows: **7**

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Eq. Share Capital	8,00,000	2,50,000	Fixed Assets	7,00,000	2,50,000
Reserves	3,00,000	50,000	Current Assets	4,00,000	2,00,000
Profit & Loss A/c	1,00,000	1,00,000	2,000 Shares in B Ltd. at Cost	3,00,000	-
Creditors	2,00,000	50,000			
Total-	14,00,000	4,50,000		14,00,000	4,50,000

B Ltd. had a credit balance of Rs. 5, 00,000 in the reserve and Rs. 20,000 in the Profit & Loss Account when A Ltd. acquired shares in B Ltd... B Ltd. issued Bonus shares in the ratio of one for every five shares held out of the profits earned During 2017. This is not shown in the above Balance Sheet of B Ltd. Prepare a Consolidated Balance Sheet of A Ltd. and its Subsidiary, as on 31st December 2017. Giving all necessary workings.

- OR iii. How do you evaluate ‘Minority Interest’? Is it a liability of the group? **7**
- Q.6 i. What do you mean by amalgamation in the nature of merger? **3**
 ii. The following is the Balance Sheet of X Ltd. as at 31st December 2017: **7**

Liabilities	Amount	Assets	Amount
10,000 Eq. Shares @ Rs.100 each	1,00,000	Land & Building	3,50,000
Reserves	3,70,000	Plant & Machinery	6,70,000
Profit & Loss A/c	30,000	Stock	4,50,000
12% Debentures	1,50,000	Debtors	2,50,000
Creditors	2,10,000	Bank	30,000
		Preliminary Exp.	10,000
Total-	17,60,000	Total-	17,60,000

On 1st January 2018, Y Ltd. took over the business of X Ltd. in an amalgamation in the nature of Merger. Y Ltd. will issue 1, 00,000 Equity shares of Rs. 10 each at par. Y Ltd. redeemed the debentures at par and paid Rs. 10,000 as expenses of Amalgamation. Prepare necessary Ledger Accounts to close the books of X Ltd. Also Pass the required Journal Entries in the books of Y Ltd.

- OR iii. Pass the necessary any seven Journal Entries (with proper narration) in the books of Transferor Co., At the time of amalgamation in nature of merger. **7**



Enrollment No.....
 Faculty of Commerce
 End Sem (Odd) Examination Dec-2018
 CM3CO09 Corporate Accounting
 Programme: B.Com.(Hons) Branch/Specialisation: Commerce
Duration: 3 Hrs. Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. When Share Application Money transferred to Share Capital account then Share Application Account is to be **1**
 (a) Credited (b) Debited (c) Both (a) and (b) (d) None of these
- ii. From the following which amount cannot be utilised for the redemption of Preference Shares **1**
 (a) Balance of Premium A/c (b) Dividend Equalization Fund
 (c) Profit & Loss A/c (d) General Reserve
- iii. From the following which amount is not deducted from the Profits of the Company for Managerial Remuneration **1**
 (a) Compensation paid willingly not under legal pressure
 (b) Income Tax on Income of Company
 (c) Interest on Debentures
 (d) Both (a) and (b)
- iv. Declared Dividend is to be shown in the **1**
 (a) Cr. side of P.& L. Appropriation (b) Liabilities side of B/S
 (c) Dr. side of P.& L. Appropriation (d) Both (b) and (c)
- v. When outsider’s liability is deducted from the assets in the method is **1**
 (a) Income Valuation Method (b) Fair Price Method
 (c) Asset Valuation Method (d) None of these
- vi. When Super Profit is Capitalised for the valuation of Goodwill the method is called **1**
 (a) Super Profit Method (b) Annuity Method
 (c) Capitalisation of Profit Method (d) Both (a) and (b)
- vii. Any company will be known as Holding Company only if company fulfil the conditions **1**
 (a) Having shares 50% or above (b) Voting Rights
 (c) Control on Management Board (d) All of these
- viii. When a Holding Company acquires more than half shares but less than all shares of subsidiary company, rest of shares holders known as **1**
 (a) Creditors (b) Minority Shareholders
 (c) Debenture Holders (d) None of these

- ix. Pooling of interest method is adopted in the case of Amalgamation in **1**
 (a) Nature of Purchase (b) Nature of Merger
 (c) Both (a) and (b) (d) None of these
- x. When all the assets is taken over by the transferee company, then it will be **1**
 shown in the transferor company's Realisation Account
 (a) Credit Side (b) Debit Side
 (c) Not in the Realisation A/c (d) None of these

- Q.2 i. What do you mean by Issue of Shares at Discount? Explain it with example. **3**
 ii. On 1st April 2018, Satyapal was the holder of 500 Shares of Rs. 10 each of **7**
 Motor Cars Limited. He has paid Rs. 2 on Application and Rs. 2 on
 Allotment but he could not pay Rs. 2 on First Call and Rs. 4 of Second Call.
 At a meeting of the Directors held on that day his shares were Forfeited for
 the non-payment of the First & Second Call of Rs. 2 and Rs. 4 per share
 respectively. On 1st May 2018, these shares were re-issued as fully paid to
 Maganlal for Rs. 4,500. Give the Journal entries for recording these
 transactions in the books of Motor Cars Ltd.
- OR iii. A Ltd. was incorporated on 1st May 2018 to purchase the running business **7**
 of X Co. Ltd. From 1st January 2018:

To Rent & Taxes	12,000	By Gross Profit	1,55,000
To Insurance	3,000		
To Elec. Charges	2,400		
To Salaries	36,000		
To Directors Fees	4,600		
To Commission	6,000		
To Advertisement	4,000		
To Discount	3,500		
To Office Exp.	7,500		
To Carriage	3,000		
To Bank Charges	1,500		
To Preliminary Expenses	6,500		
To Bad Debts	2,000		
To Interest on Loan	3,000		
To Net Profit	60,000		
Total -	1,55,000	Total-	1,55,000

Total Sales for the year ending 31st December 2018 were Rs. 5,00,000 out of which sales of Rs. 1,50,000 were for the period from 1st January 2018 to 1st May 2018 and Sales Rs. 3,50,000 were the remaining period. Find out the profit prior to incorporation and post incorporation of A Ltd.

- Q.3 i. What do you mean by divisible profits? **4**
 ii. Describe the provisions regarding remuneration of whole time managing **6**
 directors as per the Companies Act.
- OR iii. Following details were received from the Company's Accounts: **6**
- | | |
|---|--------|
| (a) Remuneration of managing director | 2,000 |
| (b) Provision for Bad Debts | 1,000 |
| (c) Provision for Taxation | 15,000 |
| (d) Depreciation | 8,000 |
| (e) Preliminary Expenses | 7,000 |
| (f) Depreciation allowed according Income Tax | 7,000 |
| (g) After considering above, Net Profit | 45,000 |
- Calculate remuneration of managing director @5% of net profit. This net profit should be as per the provisions of the Companies Act.

- Q.4 i. Explain the Net Asset Method of valuing the shares with suitable example **4**
 ii. On 31st December 2018, the Balance Sheet of a Limited Company disclosed **6**
 the following position:

Issued Capital in Rs. 10 per Share	4,00,000	Fixed Assets	5,00,000
Reserves	50,000	Current Assets	2,00,000
Profit & Loss A/c	20,000		
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
Total-	7,00,000	Total-	7,00,000

On 31st December 2018 the fixed assets were independently valued at Rs. 6,00,000. The net profits for three years were: 1995 Rs. 51,600, 1996 Rs. 52,000 and in 1997 Rs. 51,650. Compute the value of Company's share by Asset Valuation Method.

- OR iii. On the following information's calculate the value of goodwill by Super **6**
 Profit Method:
- (a) Average Capital Employed in the business is Rs. 6,00,000
 (b) Net Trading Profits of the firm for the past three years were
 Rs. 1,07,600, Rs. 90,700 and Rs. 1,12,500.
 (c) Rate of Interest expected from Capital having regard to the risk involved
 in 12% p.a.
 (d) Fair remuneration to the partners for their service Rs. 12,000 per annum,
 not charged to P.&L. Account so far.

Marking Scheme
CM3CO09 Corporate Accounting

Q.1	i.	When Share Application Money transferred to Share Capital account then Share Application Account is to be (b) Debited	1
	ii.	From the following which amount cannot be utilised for the redemption of Preference Shares (a) Balance of Premium A/c	1
	iii.	From the following which amount is not deducted from the Profits of the Company for Managerial Remuneration (b) Income Tax on Income of Company	1
	iv.	Declared Dividend is to be shown in the (b) Liabilities side of B/S	1
	v.	When outsider's liability is deducted from the assets in the method is (c) Asset Valuation Method	1
	vi.	When Super Profit is Capitalised for the valuation of Goodwill the method is called (c) Capitalisation of Profit Method	1
	vii.	Any company will be known as Holding Company only if company fulfil the conditions (d) All of these	1
	viii.	When a Holding Company acquires more than half shares but less than all shares of subsidiary company, rest of shares holders known as (b) Minority Shareholders	1
	ix.	Pooling of interest method is adopted in the case of Amalgamation in (b) Nature of Merger	1
	x.	When all the assets is taken over by the transferee company, then it will be shown in the transferor company's Realisation Account (b) Debit Side	1
Q.2	i.	Meaning Issue of Shares at Discount	2 marks
		Example / journal entry	1 mark
	ii.	Practical Problem Proportionate Marking	7
OR	iii.	Practical Problem Proportionate Marking	7
Q.3	i.	Meaning of divisible profits	4
	ii.	Provisions regarding remuneration of whole time managing directors as per the Companies Act.	6
OR	iii.	Practical Problem Proportionate Marking	6

Q.4	i.	Explain the Meaning of Net Asset Method Example	2 marks	4
	ii.	Practical Problem Proportionate Marking	2 marks	6
OR	iii.	Practical Problem Proportionate Marking		6
Q.5	i.	Meaning "Consolidation of Financial Statements"		3
	ii.	Practical Problem Proportionate Marking		7
OR	iii.	'Minority Interest' Liability of the group	5 marks	7
			2 marks	
Q.6	i.	Meaning amalgamation in the nature of merger		3
	ii.	Practical Problem Proportionate Marking		7
OR	iii.	Journal Entry in Transferor Co. Each entry 1 Mark at least any seven Entry with proper narration		7
