2024

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. Mainland India Ltd. was formed with an authorised capital of ₹ 10,00,000 divided into 10000 equity shares of ₹ 100 each. After issuing 100 shares to promoters and 900 shares to the vendor for the acquisition of machinery, it has offered the balance shares to the public for subscription payable as follows :

On Application	₹ 40	On First Call	₹ 30
On Allotment	₹ 40 (including premium)	On Final Call	₹ 10

The issue was fully subscribed and full allotment was made to all the applicants. Arrears of instalments were as follows :

On Allotment : 250 shares; On First Call : 750 shares (including those on which allotment money were due); On Final Call : 2000 shares (including those on which allotment and first call money were due).

The company decided to forfeit shares on which less than ₹ 90 per share had been paid on account of share capital. Out of the forfeited shares, shares on which only application money was received were reissued at ₹ 90 per share as fully paid up.

Show the Journal entries (with narration) relating to the forfeiture and reissue of forfeited shares in the books of Mainland India Ltd. (working should form part of your answer). 10

2. B. Ltd. has its share capital divided into equity shares of ₹ 10 each. On 01.01.2024 it granted 5000 employees stock option at ₹ 30 per share, when the market price was ₹ 50 per share. The options were to be exercised between 15th March, 2024 and 31st March, 2024. The employees exercised their options for 3600 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

Or,

Garima Ltd. decided to issue 1050000 equity shares of ₹ 10 each at a premium of ₹ 20 to the public. Srestha, Priya and Smita have come forward to underwrite the public issue in a 3 : 1 : 1 ratio and also agree to firm underwriting of 30000 shares, 20000 shares and 10000 shares, respectively.

Applications were received for 1010000 shares and the details are as follows :

Srestha : 580000 shares (including firm applications)
Priya : 220000 shares (including firm applications)
Smita : 160000 shares (including firm applications)

Unmarked application : 50000 shares.

Determine the liability of each underwriter (in number of shares) if the underwriting contract provides credit for marked applications and the benefit of firm underwriting to individual underwriters. 10

3. The following are the balances extracted from the Balance Sheet of Sunrise Ltd. as on 31.03.2024 :

Particulars	₹	₹
10% Redeemable Preference Share Capital :		
Subscribed and fully paid-up : 1,400 shares of ₹ 100 each		1,40,000
Subscribed but not fully paid-up : 200 shares of ₹ 100 each	20,000	
Less : Calls unpaid @ ₹ 10 each	2,000	
		18,000
General Reserve		45,000
Balance of Profit & Loss		10,000
Securities Premium		10,000
Investment allowance reserve (₹ 20,000 is free for distribution)		60,000
Capital Reserve		15,000
Investments (Face value : ₹ 40,000)		31,000

During April, 2024 investments were sold at 90% of their face value. All the eligible preference shares were redeemed at a premium of 10%. Sufficient numbers of equity shares of ₹ 10 each were issued at par as was necessary for the purpose after utilising the available funds to the maximum extent. All eligible preference shareholders were duly paid except untraceable holders of 200 shares.

Pass Journal entries to record the above transactions in the books of Sunrise Ltd., assuming that they do not belong to the 'prescribed class' of companies recognised for the purpose of redemption. 10

Or,

The following is the Balance Sheet of E Ltd. as on 31st March, 2024 :

	Amount (₹)
I. Equity and Liabilities	
1. *Shareholders' Fund*	
(a) *Share Capital*	
600000 Equity Shares of ₹ 10 each fully paid	60,00,000
(b) *Reserves and Surplus*	
General Reserve	14,00,000
Securities Premium	10,10,000
2. *Non-current Liabilities*	
12% Debentures of ₹ 100 each	28,00,000
3. *Current Liabilities*	
Trade Payables	9,20,000
	1,21,30,000
II. Assets	
1. *Non-current Assets*	
(a) Property, Plants and Equipments – Tangible	66,60,000
(b) Non-current Investments	7,40,000
2. *Current Assets*	
(a) Inventories	24,00,000
(b) Trade Receivables : Debtors	11,80,000
(c) Cash and Cash Equivalents	11,50,000
	1,21,30,000

On 1st April, 2024, the shareholders of the company have approved the scheme of buyback of equity shares as under :

(i) 20% of the equity shares would be bought back at ₹ 16 per share.

(ii) General Reserve balance may be utilised for the purpose.

(iii) Premium payable on buyback of shares should be met from the Securities Premium Account.

(iv) Investments would be sold for ₹ 7,80,000.

Pass Journal entries to record the above transactions and prepare the Balance Sheet of the company immediately after the buyback of shares. 10

4. The Balance Sheet of F Ltd., disclosed the following information as on 31st March, 2022 :

15% Debentures ₹ 15,00,000

Debenture Redemption Fund ₹ 11,63,600

Debenture Redemption Fund Investment ₹ 11,63,600 (in 10% Govt. Securities)

The contribution to Debenture Redemption Fund was ₹ 1,30,800 p.a. for the year 2022-23 and 2023-24. Debentures are due for redemption on 31st March, 2024. Prepare the above accounts in the books of company assuming that securities were realised on 31st March, 2024 for a sum of ₹ 13,52,000 and interests on securities received on 31st March, were immediately reinvested. 10

5. From the following information related to Apple Ltd. available on 31.03.2024, calculate the value of goodwill by the 'Capitalisation of Super Profit' method (taking weighted average profit) on that date : 10

[Fig. in ₹]

Equity share capital of ₹ 100 each	6,00,000	9% Debentures	1,00,000
10% Preference share capital	1,00,000	Depreciation fund	60,000
Reserves and Surplus	70,000	Trade payables	50,000

The assets tier of the Balance Sheet includes share issue expenses ₹ 20,000. The market value of tangible assets is ₹ 70,000 more than the book value. Profits for the last three years after 40% income tax were ₹ 75,000, ₹ 84,000 and ₹ 1,14,000 respectively. The fair return on capital employed in this type of business is estimated at 10%. (Consider weights 1, 2 and 3 respectively and use Closing Trading Capital Employed).

Or,

The following particulars are available in relation to H Ltd. :

(i) Equity share capital : 10,000 equity shares of ₹ 20 each

(ii) Preference share capital : 2000, 8% preference shares of ₹ 100 each

(iii) Reserves : ₹ 60,000

(iv) Current liabilities : ₹ 36,000

(v) Loss on revaluation of fixed assets : ₹ 24,000

(vi) Average trading profits : ₹ 60,000 (after tax)

(vii) Normal rate of return on capital employed : 10%

(viii) Goodwill should be valued at 3 years' purchase of super profit.

Calculate intrinsic value per equity share. 10

Group - B

6. The following is the Trial Balance of Lyceum Ltd. as on March 31, 2024 :

Particulars	Dr. (₹)	Cr. (₹)
Stock (01.04.2023)	1,20,000	–
Purchases	41,00,000	–
Sales	–	58,00,000
Returns	24,000	30,000
Miscellaneous Income	–	40,000
Office Expenses	2,30,000	–
12% Bank Loan	–	2,00,000
Wages & Office Salaries	6,85,000	–
Director's Remuneration	1,14,000	–
Building (at cost)	5,00,000	–
Plant & Machinery (at cost)	15,00,000	–
Auditor's fees	60,000	–
Interim Dividend paid	50,000	–
Provision for Depreciation :		
On Building	–	80,000
On Plant & Machinery	–	2,90,000
Sundry Debtors	5,00,000	–
Sundry Creditors	–	1,40,000
Advance Tax	35,000	–
Surplus in SPL (on 01.04.2023)	–	3,60,000
Share Issue Expenses	12,000	–
Cash at Bank	49,000	–
Bad Debts	21,000	–
Provision for Tax	–	60,000
Share Capital (₹ 10 per share)	–	10,00,000
	80,00,000	**80,00,000**

Additional Information :

(i) Stock on 31.03.2024 was ₹ 2,00,000.

(ii) Depreciate Building @5% on cost and Plant & Machinery @ 10% on cost.

Please Turn Over

(iii) The income tax assessment for the prior year has been completed. After adjusting the advance tax of ₹ 20,000, the income tax payable is fixed at ₹ 35,000 (against which a provision of ₹ 52,000 exists in the books).

(iv) Make a provision for income tax at 25% for the financial year 2023-24.

(v) Provision for bad debts is to be created at 2% on Debtors.

(vi) Bank loan was raised on October 1, 2023.

(vii) Write-off Share issue expenses by one-third.

(viii) The Board of Directors recommended a dividend @ 15% on paid-up capital (excluding interim dividend).

Prepare a Statement of Profit and Loss for the year ended March 31, 2024 and the Balance Sheet as on that date, along with the notes to accounts on Tangible Assets and Reserve and Surplus only. 15

7. Sink Ltd. has decided to reconstruct the Balance Sheet since it had accumulated huge losses. The following are the Equity, Liabilities and Assets of Sink Ltd. as on 31.03.2024 :

I. EQUITY AND LIABILITIES	₹	II. ASSETS	₹
1. ***Shareholders' Funds***		1. ***Non-current Assets***	
(a) Equity shares of ₹ 100 each fully paid	7,50,000	(a) Fixed assets (i) Tangible assets	9,80,000
Pref. shares of ₹ 100 each fully paid	3,00,000	(ii) Intangible assets : Goodwill	1,00,000
		(b) Non-current investments	20,000
(b) ***Reserves and Surplus :***		2. ***Current Assets***	
Balance of Profit & Loss	(1,20,000)	(a) Inventories	2,00,000
2. ***Current Liabilities***		(b) Trade receivables : Debtors	1,60,000
Trade payables : Creditors	5,87,000	(c) Cash and cash equivalents	57,000
Total	**15,17,000**	**Total**	**15,17,000**

Note : Arrear Preference Dividends ₹ 60,000

An internal reconstruction scheme is submitted as follows :

(i) The paid-up value of each Equity share would be reduced to ₹ 50 each.

(ii) All equity shareholders agree to pay the balance in cash.

(iii) The Preference Shares are to be converted into 12% Unsecured Debentures of ₹ 100 each in regard to 80% of their capital and the balance to be sacrificed. ₹ 40,000 are to be paid in full settlement of arrear preference dividend.

(iv) Expenses in connection with the scheme amounted to ₹ 16,000.

(v) Goodwill is to be written off fully; Investments are to reflect their market value of ₹ 35,000. Obsolete items in inventories of ₹ 45,000 are to be written off; Provision for doubtful debts to the extent of 5% of debtors would be provided for.

(vi) After writing off the accumulated losses, if any balance available arises from reconstruction, it will be used to write down the Tangible Assets.

The scheme was duly approved and put into effect. Equity shareholders paid the balance call money in full. Show necessary Journal entries (narration not required) to give effect to the above scheme and also prepare the Balance Sheet of the company after reconstruction.

10+5

Or,

(a) Distinguish between 'Amalgamation in the nature of merger' and 'Amalgamation in the nature of purchase'.

(b) The following were the Balance Sheets of X Ltd. and Y Ltd. as at March 31, 2024 [₹ in Lakh] :

Particulars	**X Ltd.**	**Y Ltd.**
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund :		
(a) Share Capital : Equity Shares of ₹ 10 each	15,000	6,000
(b) Reserve and Surplus :		
Securities premium	3,000	–
Foreign Project Reserve	–	310
General Reserve	9,500	3,200
Balance of Profit and Loss	2,870	825
2. Non-current Liabilities :		
Long-term borrowing : 12% Debentures	–	1,000
3. Current Liabilities :		
(a) Trade Payables : Sundry Creditors	120	463
Bills Payable	1,080	–
(b) Short-term provisions : Sundry provisions	1,830	702
Total	**33,400**	**12,500**
II. ASSETS		
1. Non-current Assets		
(a) Property, Plants and Equipments :		
Land and Building	6,000	–
Plant and Machinery	14,000	5,000
Furniture, Fixture and Fittings	2,304	1,700
(b) Other non-current assets: Cost of issue of debentures	–	50
2. Current Assets		
(a) Inventories	7,862	4,041
(b) Trade Receivables : Sundry Debtors	2,120	1,020
Bills Receivable	–	80
(c) Cash and Cash Equivalents : Cash and Bank	1,114	609
Total	**33,400**	**12,500**

On April, 1, 2024, X Ltd. took over Y Ltd. in an amalgamation in the *Nature of Merger* under the following conditions :

(i) It was agreed that in discharge of consideration for the business, X Ltd. would allot three fully paid equity shares of ₹ 10 each at par for every two shares held in Y Ltd.

(ii) It was also agreed that 12% Debentures in Y Ltd. would be converted into 13% Debentures in X Ltd. of the same amount and denomination.

(iii) Expenses of amalgamation amounting to ₹ 1 lakh were borne by X Ltd.

You are required to prepare X Ltd.'s Balance Sheet immediately after the merger. 5+10