

The directors proposed the following scheme of reconstruction.

- (a) The preference shares are to be exchanged for 3,000, 8% debentures of Rs. 100 each.
- (b) The dividend arrears are to be settled by issue of 6,000 6% preference shares of Rs. 10 each and 600 equity shares of Rs. 60 each.
- (c) Equity shares are to be reduced by Rs. 40 each. These shareholders are also to subscribe for cash one (new) equity share for every 10 shares held.
- (d) Goodwill is to be written off and the fixed assets be reduced by Rs. 80,000.
- (e) Stock to be increased by Rs. 4,000. Debtors to be written down by Rs. 12,000 and investment to be written down to their market value of Rs. 13,000.

Pass journal entries to give effect to the scheme and prepare balance sheet after the scheme was carried out on 31.12.1990.

20. Explain the various advantages of human resource accounting.

(For candidates admitted from 2015–2016 onwards)

M.Com. DEGREE EXAMINATION, NOVEMBER 2023.

Financial Management/Bank Management/
Computer Applications

ADVANCED CORPORATE ACCOUNTING

Time : Three hours

Maximum : 100 marks

SECTION A — (10 × 2 = 20)

Answer ALL questions.

- 1. What is the valuation of share?
- 2. How do you calculate goodwill in shares?
- 3. Why is it called liquidation?
- 4. What is a statement of affairs in compulsory liquidation?
- 5. What is a holding and subsidiary company?
- 6. List out the disadvantage of holding company.
- 7. What is internal reconstruction with example?

8. What do you mean by amalgamation?
9. What is the role of human resource accounting?
10. What are the two methods of human resource accounting?

SECTION B — (5 × 7 = 35)

Answer ALL questions, choosing either (a) or (b).

11. (a) The following information is presented for five years ending 31st December 1998.

Year	Profits after tax	Taxation	Transfer to resource	Director's remunerations
	Rs.	Rs.	Rs.	Rs.
1994	25,000	9,000	5,000	2,000
1995	27,500	10,000	6,000	2,250
1996	24,000	7,500	4,000	2,250
1997	32,500	12,500	7,500	2,500
1998	36,000	17,500	7,500	3,000

Fixed assets have been revalued and the same showed an appreciation of 2,50,000 (depreciation to be provided for @10%). The company has a 8% preference share capital of Rs. 50,000. The current rate of taxation may be taken @ 50%.

Calculate the value of goodwill on the basis of four years' purchase of the last five years' average profits.

Or

- (b) The following is the Balance Sheet of NSC Ltd. as on 31st December 1998.

Liabilities	Rs.	Assets	Rs.
4,000 10% prof. shares of Rs. 100 each	4,00,000	Sundry assets at book value	12,00,000
60,000 equity share of Rs. 10 each	6,00,000		
Bills payable	50,000		
Creditors	1,50,000		
	12,00,000		12,00,000

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% of at 10% less than the book value. There is an unrecorded liability of Rs. 10,000.

Find the value of each equity share it is to be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital.

12. (a) From the data relating to a company (in voluntary liquidation), you are asked to prepare liquidator's final statement of account.

- (i) Cash with liquidator (after all assets are realised and secured creditors and debenture holders)
- (ii) Preferential creditors to be paid Rs. 30,000.
- (iii) Other unsecured creditors Rs. 2,15,000.
- (iv) 4,000 6% preference shares of Rs. 100 each, fully paid.
- (v) 2,000 equity shares of Rs. 100 each, Rs. 75 per share paid up.
- (vi) 6,000 equity shares of Rs. 100 each, Rs. 60 per share paid up.
- (vii) Liquidator's remuneration 2% on preferential and other unsecured creditors.
- (viii) Preference dividends were in arrears for 2 years.

Or

- (b) The liquidator of a company is entitled to a remuneration on of 3% on the amounts realised (excluding cash in hand) and 2% on the amount distributed to the unsecured creditors. Un secured creditors, including preferential creditors of Rs. 5,000, amounted to Rs. 40,000 Debenture holders were paid Rs. 51,875 together with interest preferential creditors were paid in full expenses of liquidation come to Rs. 510.

Cash on hand Rs. 1,000 and assets realised Rs. 79,000. Calculate the liquidator's total remuneration.

13. (a) S Ltd. has capital of Rs. 15,00,000 in shares of Rs. 100 each. out of this, 'H' Ltd. Purchased 75% Shares at Rs. 17,50,000. The profit of 'S' Ltd at the time of purchase of sharers by 'H' Ltd were Rs. 7,50,000. 'S' Ltd. decided to make a bonus issue out of capital profits of one share of Rs. 100 each fully paid for every three shares held. Calculate the cost of a control after the issue of bonus shares.

Or

- (b) 'S' Ltd has a capital of Rs. 2,00,000 in shares of Rs. 100 each out of which H Ltd. purchased 75% of the shares at Rs. 2,40,000. The profits of 'S' Ltd at the time of purchase of shares by H Ltd. were Rs. 1,10,000 S Ltd decided to make a bonus issue out of pre acquisition profit of one share for every fives shares held.

Calculate the cost of control of acquiring shares of 'S' Ltd.'

- (i) Before the issue of bonus shares.
- (ii) After the issue of bonus sharers.

14. (a) Spring Field Ltd. is absorbed by Sports Field Ltd. the consideration being.

- (i) The taking over of the trade liabilities of Rs. 40,000.
- (ii) The payment of cost of absorption of Rs. 15,000.
- (iii) The repayment of 'B' debentures of Spring Field Ltd. of Rs. 2,00,000 at par;
- (iv) The discharge of 'A' debentures of Rs. 3,00,000 in the vendor co at a premium of 10% by the issue of 8% debentures in Sports Field Ltd., at par;

- (v) A payment of Rs. 20 per share in cash and the exchange of 4 fully paid Rs. 10 shares in Sports Field Ltd. at a market price of Rs. 15 per share for every Rs. 50 share in Spring Field Ltd. which were 40,000 in number. You are required to find out the purchase consideration.

Or

- (b) As a contribution towards capital reduction scheme, the 5% debenture holders, who were to receive Rs. 13,80,000 from the company, have agreed to reduce their claims to 50% which is to be satisfied half by the issue of 7% mortgage debentures and half by the issue of 8% preference shares of Rs. 100 each. Pass necessary journal entry in the books of company.

15. (a) What are the assumptions of human resource accounting?

Or

- (b) What are the importance aspects of requirements of human resource accounting?

SECTION C — (3 × 15 = 45)

Answer any THREE questions.

16. Healy Ltd. and Moly Ltd. propose to amalgamate.

Liabilities	Healy Ltd. Rs.	Moly Ltd. Rs.	Assets	Healy Ltd. Rs.	Moly Ltd. Rs.
Share Capital: Equity shares of Rs. 10 each	4,00,000	2,00,000	Fixed Assets less depreciation	5,00,000	1,50,000
General Reserves	3,00,000	20,000	Investments (face value @2,00,000 6% G.P. notes)	2,00,000	—
P&L A/C	1,00,000	30,000	Current assets	3,00,000	1,50,000
Current liabilities	2,00,000	50,000			
	<u>10,00,000</u>	<u>3,00,000</u>		<u>10,00,000</u>	<u>3,00,000</u>

Net profit

Year	Healy Ltd	Moly Ltd.
1996	1,50,000	46,000
1997	1,44,000	45,000
1998	1,50,000	56,000

Goodwill for the purpose of a amalgamation may be taken as 3 years purchase of average super profits of trading on the basis of 10% normal profit on closing capital invested. The current assets of Healy Ltd. are to be taken as Rs. 4,30,000 and that of Moly Ltd. as Rs. 1,75,000. As certain the value of Goodwill.

17. The Insol Ltd. is to be liquidated. Their summarised Balance sheet as at 30th Sep. 2003 appears as under.

Liabilities	Rs.	Assets	Rs.
2,50,000 equity shares of Rs. 10 each	25,00,000	Land and Buildings	5,00,000
Secured debentures (on Land and Buildings)	10,00,000	Other Fixed assets	20,00,000
Unsecured loans	20,00,000	Current Assets	45,00,000
Trade creditors	35,00,000	P/L A/C	20,00,000
	<u>90,00,000</u>		<u>90,00,000</u>

Contingent liabilities are:

For bills discounted 1,00,000

For excise duty demands 1,50,000

On investigation, it is found that the contingent liabilities are certain to devalue and the assets are likely to be realised as follows:

Land and Buildings 11,00,000

Other fixed assets 18,00,000

Current assets 35,00,000

Taking the above into account, prepare the statement affairs.

18. The balance sheet of C Ltd. and D Ltd. as at 31st December, 1986 are as follows.

Liabilities	C Ltd. Rs.	D Ltd. Rs.	Assets	C Ltd. Rs.	D Ltd. Rs.
Share capital (in share of Rs. 80 each)	2,00,000	1,00,000	Sundry assets	1,32,200	1,38,200
General reserve	18,000	20,000	Goodwill	—	20,000
P/L A/C	24,500	23,000	Shares in D Ltd at cost	1,40,000	—
Creditors	30,000	15,200			
	<u>2,72,500</u>	<u>1,58,200</u>		<u>2,72,500</u>	<u>1,58,200</u>

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In the case of 'D' Ltd, profit for the year ended 31st December 1986 is Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of C Ltd. in a D Ltd. is 90% acquired on 30th June 1986.

Draft a consolidated Balance Sheet of 'C' Ltd. and its subsidiary.

19. The balance sheet of 'Not-So-Well' Ltd. as on 31st Dec. 1990 was as follows.

Liabilities	Rs.	Assets	Rs.
Share capital : 3,000 cumulative 7% Pref. shares of Rs. 100 each, fully paid	3,00,000	Fixed assets (including good will Rs. 40,000)	10,00,000
6,000 equity shares of Rs. 100 each fully paid	6,00,000	Investments	15,000
General Reserve	80,000	Stock	1,50,000
Securities premium	10,000	Sundry debtors	1,85,000
Contingent liabilities (4 years dividend and on pref. shares)	4,00,000	Bank	40,000
	<u>13,90,000</u>		<u>13,90,000</u>

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