DOON UNIVERSITY, DEHRADUN

FINAL SEMESTER EXAMINATION, III SEM-2023

ACADEMIC YEAR 2023-24 (ODD SEMESTER)

SCHOOL OF MANAGEMENT

PROGRAMME – B. Com

COURSE CODE WITH TITLE – COE101, CORPORATE ACCOUNTING

MM: 50 **Time: 2 Hours**

Section A: Attempt all multiple-choice questions (MCQs) **(5X2 = 10)**

1. What is the impact of a share buyback on the earnings per share (EPS) of a company?

a. Increases EPS

b. Decreases EPS

c. Has no impact on EPS

d. Depends on the stock price movement

2. According to AS-14, how should the purchase consideration in an amalgamation be determined?

a. Fair value of the assets acquired

b. Book value of the assets acquired

c. Market value of the acquiring company's shares issued

d. Negotiation between the boards of the amalgamating companies

3. Which section of the companies Act (2013) requires that the financial statements shall comply with the accounting standards and shall be in the form provided in Schedule III.

a. Section 129(1)

b. Section 126(2)

c. Section 2(40)

d. None of the above

4. What are rights shares?

a. Shares issued to a specific group of investors

b. Shares offered to existing shareholders in proportion to their current holdings

c. Shares with voting rights only

d. Shares available for purchase by the general public

5. If the purchase consideration is more than net assets (at agreed values) of the transferor company, difference shall be recorded as ________in the book of the transferee company.

a. Goodwill

b. Capital Reserve

c. Profit

d. Loss

Section B: Attempt any four **(4X4=16)**

6. What do you understand by amalgamation of companies? How is it different from absorption and external reconstruction?

7. What are bonus shares? What is the accounting treatment for the issue of bonus shares?

8. Sneha Ltd. Buys-back 80,000 shares of Rs. 10 each at Rs. 15 per share. The reserves of the company are as follows:

	Amount (Rs.)
Security Premium	5,00,000
General Reserve	4,50,000

It has been decided to utilize the existing reserves to the maximum extent subject to leaving a balance of Rs. 50,000 in General Reserve. The balance amount required as per section 68 of the Companies Act, 2013 is to be arranged by the issue of 14% Preference Shares of Rs. 100 each at par. Pass Journal entries in the books of the company, assuming there is sufficient bank balance.

9. Y Ltd. forfeited 1,000 equity shares of 10 each, 7 called up, issued at a premium of 20% (to be paid at the time of allotment) for non-payment of allotment money of 4 per share (including premium) and first call of 2 per share. Out of these, 600 shares were reissued as fully paid up for 8.50 per share. Pass the journal entries for forfeiture and reissue of shares.

10. On the date of absorption, 3,00,000 Equity Shares of ₹ 10 each fully paid were appearing in the Balance Sheet of Chaman Limited together with 11% Debentures ₹ 5,00,000 and other current liabilities.

The selling Limited was absorbed by the P Ltd. on the following understanding :-

(*a*) Payment of Cost of absorption as a part of purchase consideration not exceeding ₹ 15,000 (Actual Cost = ₹ 12,000)

(*b*) The settlement of 11% debentures at a premium of 10% by the issue of 10% Debentures of ₹ 100 each issued at 95.

(*c*) The Payment of ₹ 5 per share in cash.

(*d*) The allotment of one 10% Preference Share of ₹ 10 each and 5 equity shares of ₹ 10 each fully paid for every 4 shares in X Ltd.

Calculate Purchase Consideration

Section C: Attempt any two **(12X2=24)**

11. **Given below is the Balance sheet of H Ltd. and S Ltd.**

BALANCE SHEET

As at 31st March, 2017

Equity and Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital			Fixed assets	1,00,000	1,30,000
(Fully paid equity shares of 10 each)	1,50,000	1,00,000	Investments		
			(8,000 equity shares of S Ltd.)	1,26,000	
Surplus	50,000	40,000	Current Assets	74,000	70,000
Trade Payables	1,00,000	60,000			
	3,00,000	**2,00,000**		**3,00,000**	**2,00,000**

Additional information

H Ltd. acquired the shares of S Ltd. on 1-7-2016.

Balance of surplus on 1-4-2016 was 30,000.

Prepare consolidated balance sheet of H Ltd. and its subsidiary as at 31st March, 2017.

12. The following balances appeared in the books of X. Ltd. as on 31 March, 2012.

Particulars	Debit	Credit
Equity shares of 10 each fully paid up		12,00,000
General Reserve		4,60,000
Unclaimed dividend		1,052
Trade creditors		85,716
Building (at cost)	3,00,000	
Purchases and sales	10,01,806	21,67,894
Manufacturing expenses	7,00,000	
Establishment charges	53,628	
General charges	62,156	
Machinery (at cost)	4,60,000	
Furniture (at cost)	10,000	
Opening stock	3,44,116	
Books debts	4,64,760	
Investments	5,77,900	
Provision for depreciation on fixed assets		1,82,000
Advance payment of income tax	1,00,000	

Particulars	Debit	Credit
Cash at bank	1,44,480	
Director's fees	3,600	
Interest on investments		17,088
Profit and Loss account (1-4-2012)		33,696
Staff provident fund		75,000
	42,22,446	**42,22,446**

From the above mentioned balances and the following information, prepare company's Balance Sheet as at 31st March, 2012 and profit and loss account for the year ended on that date.

(1) Stock on 31 March, 2012 was valued at ₹ 2,97,360

(2) Provide ₹ 38,000 for depreciation on fixed assets and ₹ 16,000 for managing director's remuneration.

(3) Interest accrued on investments amounts to ₹ 3,500.

(4) Make a provision of ₹ 1,00,000 for income tax.

(5) The directors propose a dividend of 8% after transfer of ₹ 70,000 to general reserve.

13. On March 31, 2017, a final Trial Balance extracted from the books of Fortunate Ltd. showed the following position:

Particulars	Dr. (Amount)	Cr. (Amount)
Goodwill	90,000	
Other Fixed assets	6,10,000	
Stock	4,00,000	
Trade Debtors	5,60,000	
Preliminary Expenses	20,000	
Profit and Loss Account	10,00,000	
10,000, Equity Shares of ₹ 100 each, ₹ 60 paid-up		6,00,000
10% Debentures		8,00,000
Interest on Debentures Outstanding		80,000
Bank Overdraft		50,000
Trade Creditors (Including Mr. Yadav for ₹ 8,50,000)		11,50,000
	26,80,000	**26,80,000**

Due to heavy losses, the following scheme of reconstruction is agreed:

(a) To make the existing ₹ 10 equity shares fully paid-up and then to reduce them to ₹ 20 each.

(*b*) To discharge the claims of the debenture holders by issuing 6,000, 15% debentures of ₹ 100 each.

(*c*) To pay ₹ 3,00,000 to Mr. Yadav (one of the creditor) in full settlement of his account and allot 15,000 fresh equity shares of ₹ 20 each at par to discharge the remaining trade creditors.

(*d*) The amount so available be used for writing off the debit balance of Profit and Loss account, preliminary expenses, goodwill account completely and for reduction of other fixed assets by ₹ 5,00,000.

You are required to:

(1) Pass Journal Entries;

(2) Prepare Reconstruction Account and Bank Account.

14. a) What is goodwill? Explain different methods of valuation of goodwill?

b) From the following information, you are required to value the Goodwill on the basis of Super Profit Method:

(*a*) Average capital employed ₹11,00,000;

(*b*) Normal rate of return 14%;

(*c*) The profits for the past three years are as follows:

For 2014 ₹ 1,75,000;

For 2015 ₹ 1,96,000 and

For 2016 ₹ 1,07,000;

(*d*) Profit for 2014 has been arrived at after writing of abnormal loss of ₹ 14,000.

(*e*) The profit for 2015 included a non-recurring income of ₹ 16,000;

(*f*) A non-depreciable fixed asset was purchased in 2016 for ₹ 58,000 but was wrongly charged to Revenue. It is to be rectified for valuation of Goodwill.