

C 44161

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Name.....

Reg. No.....

**SECOND SEMESTER M.Com. DEGREE EXAMINATION, AUGUST 2013**

(CUCSS)

**MC 2C 07—ADVANCED CORPORATE ACCOUNTING**

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. State the importance of Accounting Standards.
2. What is meant by Human Resources Accounting ?
3. Distinguish between Holding company and a Subsidiary company.
4. State the difference between Amalgamation and Absorption.
5. Differentiate the terms pre and post acquisition profit/loss.
6. What is inflation accounting ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six questions.*

*Each question carries a weightage of 3.*

7. State the methods of accounting for Amalgamation.
8. Explain the importance of IAS.
9. Distinguish between voluntary and compulsory winding up.
10. Explain the procedures of preparation of Accounting Standards in India.
11. H. Ltd., acquired 4,000 shares of S. Ltd., on 1.1.2010. Their Balance Sheets as at 31.12.2010 stood as follows :

*Balance Sheet as at 31<sup>st</sup> December, 2010*

<i>Liabilities</i>	<i>H. Ltd.,</i>	<i>S. Ltd.,</i>	<i>Assets</i>	<i>H. Ltd.,</i>	<i>S. Ltd.,</i>
	<i>Rs.</i>	<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>
Share Capital :			Fixed Assets	..1,00,000	60,000
10,000 Equity Shares			Investments :		
of Rs. 10 each fully paid ..	1,00,000		4,000 Equity shares		
5,000 Equity Shares of			of S. Ltd., at Rs. 12.50..	50,000	—
Rs. 10 each fully paid ..	—	50,000	Current Assets	.. 30,000	20,000

**Turn over**

Liabilities	2		Assets	C 44161	
	H. Ltd., Rs.	S. Ltd., Rs.		H. Ltd., Rs.	S. Ltd., Rs.
Sundry Creditors	... 40,000	20,000			
Profit and Loss Account	... 40,000	10,000			
	<u>1,80,000</u>	<u>80,000</u>		<u>1,80,000</u>	<u>80,000</u>

On 1.1.2010, the Profit and Loss Account of S. Ltd., showed a loss of Rs. 15,000 which was written off out of profits earned in 2010.

Prepare a consolidated Balance Sheet as at 31.12.2010.

12. The following information was extracted from the books of a limited company on 31<sup>st</sup> December 2010, on which date a winding up order was made :

	Rs.
Cash in hand	5,000
Stock in trade (estimated to produce Rs. 15,000)	20,000
Fixtures and Fittings (estimated to produce Rs. 2,100)	3,000
Plant and Machinery (estimated to produce Rs. 15,600)	15,000
Freehold Land and Buildings (estimated to produce Rs. 45,000)	30,000
Book Debts (Estimated to produce Rs. 5,200)	6,200
Unsecured Creditors	70,000
Preferential Creditors	2,000
Creditors fully secured (value of securities Rs. 11,000)	9,000
Creditors partly secured (value of securities Rs. 6,000)	10,000
Bank overdraft, secured by a second charge on all the assets of the company	8,000
10% Debentures secured by floating charge on all the assets of the company (interest paid to date)	50,000
Equity share capital - 6,000 shares of Rs. 10 each	60,000
11% preference shares - 6,500 shares of Rs. 10 each	65,000
Calls in arrear on equity shares (estimated to produce Rs. 1,000)	2,500

Make out statement of affairs as regards creditors and contributories.

13. The following particulars relate to a company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Final account allowing for his remuneration at 2 percent on the amount distributed to unsecured creditors other than preferential creditors :

	Rs.
/ Unsecured Creditors ...	2,24,000
/ Preferential creditors ...	70,000
/ Debentures ...	75,000
/ The assets realised the following sums :	
/ Cash in hand ...	20,000
/ Land and Building ...	1,30,000
/ Plant and machinery ...	1,10,500
/ Furniture and Fittings ...	7,500

The liquidation expenses amount to Rs. 2,000. A call of Rs. 2 per share on the partly paid 10,000 equity shares was made and duly paid except in case of one shareholder owning 500 shares.

14. The ledger balances of Bansi Ltd., as on 31.12.2010 are :

Fixed assets Rs. 7,00,000, Investments Rs. 10,000, Stock and Debtors Rs. 8,50,000, Preliminary Expenses Rs. 20,000, Equity share capital (60% paid) Rs. 6,00,000, 10% First Debentures Rs. 2,00,000, 12% Second Debentures Rs. 5,00,000, Bank overdraft Rs. 50,000, Trade Creditors (including Yona for Rs. 8,50,000) Rs. 11,50,000, Outstanding Interest for one year on both types of debentures Rs. 80,000.

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

- (a) To make the existing Rs. 100 each shares fully paid up and then to reduce them to Rs. 20 each.
- (b) To settle the claims of first debenture-holders by issuing 2,000 13.5% debentures of Rs. 100 each.
- (c) To discharge the claims of the second debenture holders by issuing 15% 4,000 debentures of Rs. 100 each.
- (d) To pay Rs. 3,00,000 to Mr. Yona in full settlement of his account.
- (e) To allot 15,000 fresh equity shares of Rs. 20 each to discharge the remaining trade creditors.
- (f) Market value of investments is Rs. 20,000 and
- (g) To write off the fictitious assets and to reduce the fixed assets.

Assuming all formalities are duly complied with, pass journal entries to give effect to the above scheme and prepare the post reconstruction Balance Sheet.

(6 × 3 = 18 weightage)  
Turn over

## Part C

Answer any two questions.  
Each question carries a weightage of 6.

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15. The financial position of M.N. Ltd., on 30<sup>th</sup> June 2011 is summarised :

Liabilities	Rs.	Assets	Rs.
Share capital		Freehold Property	.. 34,000
Authorised, Issued, fully called up :		Plant	.. 96,000
15,000 equity shares	... 1,50,000	Tools and dies	.. 27,300
10,000 6% Preference shares	... 1,00,000	Investments	.. 15,000
7% Secured Debentures	... 60,000	Stocks	.. 42,500
Accrued Interest thereon	... 4,200	Debtors	.. 53,400
Loan Secured	... 20,000	R and D expenditure	.. 18,000
Creditors	... 50,000	Profit and Loss account	.. 98,000
	<hr/>		<hr/>
	3,84,200		3,84,200
	<hr/>		<hr/>

The scheme of organisation detailed below is agreed and approved by the court :

- 1 Assets to be revalued at — Plant Rs. 59,000 ; Tools and dies Rs. 15,000 ; Stock 30,000 ; Debtors Rs. 48,700.
- 2 R and D expense and Profit and Loss account to be written off.
- 3 Land at book value of Rs. 6,000 and valued at Rs. 14,000 is taken over by Debenture holders in part payment. The remaining property is valued at Rs. 40,000.
- 4 The investment valued at Rs. 22,000 to be taken over by Loan creditors, Rs. 2,000 is refunded to the company.
- 5 The creditor for Rs. 18,000 has agreed to accept new second mortgage debentures carrying interest @ 10 percent per annum in settlement of Rs. 15,500. Another creditors for Rs. 10,000 agrees to accept cash at a discount of 15%.
- 6 The equity shares are to be written down to Re. 1 per share and preference shares to Rs. 8 per share.
- 7 The cost of scheme amounting Rs. 3,500 to be paid and written off.
- 8 The equity shareholders to subscribe and pay for two new shares of Re. 1 each for every one share held.

You are required to show the journal entries, reorganization account, bank account and resultant balance sheet.

16. The following are the Balance Sheets and Profit and Loss account of Bhat Ltd., prepared on the basis of historical cost accounting :-

*Balance Sheet as at 1.1.2010*

	Rs.		Rs.
Share capital	.. 4,00,000	Plant and Machinery	... 2,00,000
Profit and Loss account	.. 50,000	Furniture and Fixtures	... 50,000
Sundry liabilities	.. 1,50,000	Inventory	... 1,00,000
		Debtors	... 80,000
		Cash	... 1,70,000
	<u>6,00,000</u>		<u>6,00,000</u>

*Balance Sheet as at 31.12.2010*

	Rs.		Rs.
Share capital	.. 4,00,000	Plant and Machinery	2,00,000
Profit and Loss account	.. 1,45,000	Less : Depreciation 10%	20,000
Sundry liabilities	.. 65,000		<u>1,80,000</u>
		Furniture and Fixtures	50,000
		Less : Depreciation 10%	5,000
			<u>45,000</u>
		Inventory	.. 80,000
		Debtors	.. 1,20,000
		Cash	.. 1,85,000
	<u>6,10,000</u>		<u>6,10,000</u>

*Profit and Loss Account for the Year 2010*

	Rs.		Rs.
To Inventory (1.1.2010)	1,00,000	By Sales	10,00,000
Purchases	7,60,000	Inventory (31.12.2010)	80,000
Depreciation	25,000		
Operating expenses	1,00,000		
Net Profit	95,000		
	<u>10,80,000</u>		<u>10,80,000</u>

**Turn over**

**Additional information :**

- (a) The replacement cost of the goods sold on the dates the sales were made amounted to Rs. 8,00,000.
- (b) The current replacement cost of the inventory on 31.12.2010 is Rs. 85,000.
- (c) On 31.12.2010, the replacement costs of the Plant and Machinery and Furniture and Fixtures were Rs. 2,20,000 and Rs. 40,000 respectively.

You are required to prepare Profit and Loss statement for the year ending 31<sup>st</sup> December 2010 and Balance Sheet as on 31.12.2010 on the basis of Current Cost Accounting.

17. Explain briefly the principle of consolidation of Financial Statements in Holding Company Accounts.

(2 × 6 = 12 weightage)

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