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**UNIVERSITY OF NORTH BENGAL**  
B.Com. Honours 3rd Semester Examination, 2021

**CC7-COMMERCE**  
**CORPORATE ACCOUNTING**

Time Allotted: 2 Hours

Full Marks: 60

*The figures in the margin indicate full marks.  
All symbols are of usual significance.*

**GROUP-A**

**Answer any two questions**

12×2 = 24

1. AB Ltd. invited applications for 1,00,000 equity shares of Rs. 10 each at a premium of 20%. Amount Payable was Rs. 5 on application; Rs. 4 on allotment (premium included); Rs. 2 on First Call and Re. 1 on Final Call. Applications were received for 1,20,000 shares and allotment was made as follows:

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- (a) Applicants of 30,000 got 20,000 shares in allotment  
(b) Applicants of 40,000 got 30,000 shares allotted  
(c) Rest applicants were fully allotted.

Applicants of 500 shares falling in category (c) and applicants of 600 shares falling in category (b) failed to pay allotment money. These shares were forfeited on failure to pay the 1st Call. Holders of 600 shares falling in category (a) failed to pay the First Call & Final Call and thereon these shares were also forfeited after Final Call was made. 500 shares of category (c) and 150 shares of category (b) were reissued to Ram at Rs. 8 per share as fully paid.

Pass the necessary Journal entries for above transactions in the books of AB Ltd. and also prepare Cash Book.

2. Following is the Balance Sheet of Rescue Ltd. as on 31.3.2021:

8+4

Liabilities	Rs.	Assets	Rs.
10,000 Equity Shares (Rs. 100 each)	10,00,000	Goodwill	12,500
12% Debentures	2,50,000	Land & Building	85,000
Outstanding Liability	60,000	Plant & Machinery	1,50,000
Trade Payable	1,50,000	Inventory	40,000
		Trade Receivables	1,35,000
		Cash at Bank	30,000
		Preliminary Expenses	17,500
		Profit & Loss A/c	9,90,000
	<b>14,60,000</b>		<b>14,60,000</b>

The following reconstruction scheme is approved:

- (i) Equity shares to be reduced by 5% and then consolidated into 5,000 equity shares of Rs. 10 each.

- (ii) 12% Debentures are converted into 14% debentures.
- (iii) Outstanding liability was waived off.
- (iv) Creditors are given option to either accept 50% of their claim in cash in full settlement or to convert their claim into equity shares of Rs. 10 each. Creditors for Rs. 1,00,000 opt for shares in satisfaction of their claims.
- (v) To make payment to creditors opting for cash, the company issues 5,000 equity shares of Rs. 10 each. The full amount to be received in applications.
- (vi) Land & Building are revalued at Rs. 1,15,000 whereas Plant and Machinery is to be written down by Rs. 45,000. A provision amounting to Rs. 5,000 is to be made for doubtful debts.

Pass the Journal Entries in the books of Rescue Ltd. and prepare Balance Sheet immediately after reconstruction.

- 3. (a) Explain the term “consolidation of financial statements.” State the benefits and drawbacks of Consolidating Financial Statement. 4
- (b) What is “minority interest”? Explain the expression “Cancellation of inter-company debts and acceptance” with suitable examples. 4
- (c) Write a note on Debt Service Coverage Ratio. 4

- 4. Elle Ltd. share capital on 31.03.2021 consisted: 8+4

20,000 Equity Shares of Rs. 100 each (Rs. 80 paid up)

14% 6,000 Preference Shares (Redeemable) of Rs. 100 each (Fully Paid up)

The company decided to redeem its Preference Shares at a premium of 10% (per share)

Also the balance sheet of Elle Ltd. on 31.03.2021 had General Reserve of Rs. 9,00,000; Capital Reserve of Rs. 85,000. The redemption was effected partly out of profit and partly out of proceeds of new issue of 3,000, 13.5% Preference Shares of Rs. 100 each at a premium of 25% per share. On 1st July 2020, the company at its general meeting decided to utilize the Capital Reserve on following way:

- (i) Declaration of bonus @ Rs. 10 per share on equity share for the purpose of making the equity shares fully paid and
- (ii) Issue of bonus shares to equity shareholders in the ratio of one share for every four shares held by them.

Journalize the above transactions in the books of Elle Ltd. and show the extract Balance Sheet as on 31.03.21.

### GROUP-B

- 5. Answer any *four* questions: 6×4 = 24

- (a) The following information and ratio relates to Dobby Ltd.: 6

Debtors' velocity	3 months
Stock velocity	8 months
Creditor's velocity	2 months
Gross Profit Ratio	25%

Gross Profit for the year ended 31st March, 2021 amounts to Rs. 4,00,000.

Closing Stock of the year is Rs. 10,000 above the Opening Stock.

Bills Payable amount to Rs. 10,000.

Calculate the following figures:

- (i) Sales
  - (ii) Sundry Debtors
  - (iii) Closing Stock
  - (iv) Sundry Creditors.
- (b) Explain the different methods of calculating ‘Net Cash Flow from Operating Activities’ with suitable example. 6
- (c) State the conditions when an Amalgamation can be treated as “Amalgamation in the nature of merger”. 6
- (d) The Trial Balance of Hydra Ltd. as on 31.03.2021, shows following items: 6

Particulars	Debit (Rs.)	Credit (Rs.)
Provision for Tax (2020-2021)		7,50,000
Advance Income Tax ( 2020-2021)	5,00,000	

**Adjustments:**

- (i) During the year assessment was completed for earlier year at Rs. 1,90,000 against which provision for Income Tax was Rs. 1,50,000 and Advance Income Tax was Rs. 1,40,000
  - (ii) Create Provision for Tax Rs. 1,20,000
- You are required to prepare necessary Ledger Accounts and relevant extract in the Final Accounts.
- (e) The following particulars of a company are available: 6
- (i) Equity Share Capital: 10,000 equity shares of Rs. 10 each fully paid.
  - (ii) Preference Share Capital: 1,000, 12% preference shares of Rs. 100 each fully paid.
  - (iii) Reserves and Surplus: Rs. 15,000
  - (iv) External Liabilities: Creditors- Rs. 12,000; Bills Payable- Rs. 6,000
  - (v) The average normal profit after tax earned each year by the company Rs. 28,500.
  - (vi) Transferred to G-Reserve- 10%
- Assets of the company include one fictitious item of Rs. 800. The normal rate of return in respect of the equity share of this type of company is ascertained at 10% (ignore Goodwill).
- Compute value of company’s share under Yield Method.
- (f) Explain different methods for calculating Purchase Consideration (AS14). What are the limitations of pooling of interest method in Amalgamation? 3+3

**GROUP-C**

6. Answer any *four* questions:

3×4 = 12

(a) Calculate Debtors' Turnover Ratio and Average Collection period in terms of months from the following:

Credit Sales for the year Rs. 60,000; Debtors Rs. 5,000; Bills Receivable Rs. 5,000.

(b) What are the difference methods of redemption of debentures?

(c) The net profit of the business after tax for the past five years are: Rs. 2,00,000; Rs. 2,12,500; Rs. 2,30,000; Rs. 2,62,500 and Rs. 2,95,000. The capital employed in the business is Rs. 20,00,000. The normal rate of return expected in this type of business is 10%. It is expected that the company will be able to maintain its super profit for the next 5 years.

Calculate the value of goodwill on the basis of Capitalization of Super Profit Method.

(d) What are Cash and Cash equivalents in Cash Flow Statement?

(e) Explain in brief the difference between 'Rights Issue' and 'Bonus Issue'.

(f) Write a note on:

Holding Company and Subsidiary Company.

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