STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20 and thereafter)
COURSE CODE: 19AF/MC/CR44

B.Com. (A&F) DEGREE EXAMINATION, APRIL 2021
ACCOUNTING AND FINANCE

COURSE : MAJOR – CORE
PAPER : CORPORATE ACCOUNTING AND RESTRUCTURING

TIME : 90 MINUTES **MAX. MARKS: 50**

SECTION-A

ANSWER ALL QUESTIONS (3x2=6)

1. Calculate goodwill on the basis of three years purchase of average profit if profits for the years ending 2014, 2015, and 2016 were Rs.63,000, Rs.65,500 and Rs.75,000. A non-recurring income of Rs.8,250 is included in the profit of 2004. The closing stock for the year 2015 was overvalued by Rs.25,500.
2. H Ltd. purchased 75% of shares in S Ltd. on 1.7.2013. On 31.12.2013, the Balance Sheet of S Ltd. showed General Reserve balance on 1.1.2013 Rs. 80,000. Profit earned during 2013 Rs. 1,40,000 and Preliminary expenses not written off Rs.5,000. Calculate capital profits.
3. Write a note on Statement of Affairs.

SECTION-B

ANSWER ANY THREE QUESTIONS (3x8=24)

4. The Balance Sheet of Vajra Ltd. as on 31st March 2015 is as follows:

Liabilities	Rs	Assets	Rs
Equity shares of Rs.100 each		Fixed Assets	25,00,000
6% Cumulative Preference		Investments (Market value	
shares	20,00,000	Rs.1,90,000)	2,00,000
of Rs.100 each	10,00,000	Current Assets	20,00,000
5% Debentures of Rs.100 each	8,00,000	P/L a/c	1,20,000
Sundry Creditors	10,00,000		
Provision for Taxation	20,000		
	48,20,000		**48,20,000**

The following scheme of internal reconstruction is sanctioned:

a. All the existing equity shares are reduced by Rs.60 each and all preference shares are reduced by Rs.60 each.
b. The rate of interest on debentures increased to 6%. The debenture holders surrender their existing debentures of Rs.100 each and exchange the same for fresh debentures of Rs.70 each for every debenture held by them.
c. Fixed assets are to be written down by 20%. Current assets are to be revalued at Rs.9,00,000.
d. Investments are to be brought to their market value.

e. One of the creditors of the company to whom the company owes Rs.4,00,000 decides to forego 40% of his claim. The creditor is allotted 6,000 equity shares of Rs.40 each in full and final settlement of his claim.
f. The taxation liability is to be settled at Rs.30,000.
g. It is decided to write off the debit balance of Profit and Loss a/c.
Pass journal entries to give effect to the scheme of reconstruction.

5. The Balance Sheet of Thomas Cook Ltd. as on 31st December 2017 were as follows:

Liabilities	Rs	Assets	Rs
20,000 shares of Rs.10 each	2,00,000	Plant and Machinery	2,40,000
Profit and Loss a/c	30,000	Buildings	2,68,000
Debentures	1,90,000	Furniture	15,000
Trade Creditors	1,80,000	5% Non-Business Investments	60,000
Provision for Taxation	28,000	Inventories	8,000
Proposed Dividend	32,000	Debtors	12,000
		Bank	52,000
	6,60,000		**6,60,000**

Buildings were revalued at Rs. 3,28,000 and furniture at Rs.34,000.
The fair commercial rate of return on investment was 10%.
The net profits of the company after charging taxes and depreciation were
2013 – Rs.44,000, 2014 – Rs.40,000, 2015 – Rs. 42,000, 2016 – Rs.41,000, 2017 – Rs.43,000
Calculate goodwill based on five years' purchase of average super profits for the last five years.

6. The Balance sheets of S Ltd and M Ltd. as on 31.3.2015 are given below:

Liabilities	S Ltd	M Ltd.	Assets	S Ltd	M Ltd.
Issued Capital in Rs.10 shares	1,20,000	1,00,000	Fixed Assets	44,000	84,000
General Reserve	20,000	36,000	Investment in M Ltd.	88,000	
Profit and Loss a/c	12,000	20,000	Debtors	6,000	15,000
Bills Payable	2,000	5,000	Bills receivable	4,000	16,000
Current Liabilities	2,60,000	7,000	Stock	10,000	40,000
			Cash at Bank	6,000	13,000
	1,58,000	**1,68,000**		**1,58,000**	**1,68,000**

8 ,000 shares were purchased by S Ltd. on 1.8.2012. At the beginning of the year, the General Reserve and Profit and Loss account of M Ltd. stood at Rs.30,000 and Rs.10,000 respectively. At the time of purchase, fixed assets of M Ltd. was revalued at Rs.1,08,000. Unrealized profit included in stock of M Ltd. was Rs.2,000. Calculate cost of control and minority interest.

7. The following is the balance sheet of Abel Ltd. as on 31st March 2013:

Liabilities	Rs.	Assets	Rs.
2,000 7% Preference shares of		Machinery	3,80,000
Rs.100 each fully paid	2,00,000	Furniture	20,000
4,000 Equity shares of Rs.100		Stock	2,40,000
each fully paid	4,00,000	Debtors	4,80,000
4,000 Equity shares of Rs.100		Cash at Bank	1,00,000
each , Rs.75 paid	3,00,000	Profit and Loss a/c	6,00,000
Bank Loan (pledge on stock)	2,00,000		
Creditors	7,00,000		
Income tax payable	20,000		
	18,20,000		**18,20,000**

The company went into liquidation on April 1, 2013. The assets realized as follows: Machinery Rs.3,32,000, Furniture Rs.16,000, Stock Rs.2,20,000, Debtors Rs.4,60,000. Liquidation expenses paid Rs.3,000. The liquidator is entitled to commission 1% of amount realized and 2% on amount paid to unsecured creditors including preferential creditors. Calls on partly paid shares were made but the amount on 100 shares was found to be irrecoverable. Prepare Liquidator's Final Statement of Account.

SECTION-C

ANSWER ANY ONE QUESTION: (1x20=20)

8. Given below are the summarized balance sheets of Bright Ltd and Dull Ltd. as on 31.12.2013. Dull Ltd was taken over by Bright Ltd.

Balance Sheets as on 31.12.2013

Liabilities	Rs. Bright Ltd.	Rs. Dull Ltd.	Assets	Rs. Bright Ltd.	`Rs) Dull Ltd.
Share capital :			Sundry fixed assets	9,50,000	4,00,000
Equity shares of ` 10	7,00,000	2,50,000	Investments (Non-trade)	2,00,000	50,000
Each			Inventory	1,20,000	50,000
General reserve	3,50,000	1,20,000	Trade receivables	75,000	80,000
Profit and loss A/c	2,00,000	65,000	Advances	80,000	20,000
Export profit reserve	70,000	70,000	Cash and bank	2,75,000	1,30,000
12% Debentures	1,00,000	1,00,000			

Trade payables	2,80,000	1,25,000			
	17,00,000	**7,30,000**		**17,00,000**	**7,30,000**

Bright Ltd. would issue 12% debentures to discharge the claims of the debenture holders of Dull Ltd. at par.

Profits of Bright Ltd. during 2011, 2012 and 2013 were as follows:

Year	**Dull Ltd.**
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2011	1,50,000
2012	2,10,000
2013	1,80,000

Goodwill may be calculated at 4 years purchase of average super profits of three years trading on the basis of 20% normal trading profit on closing capital invested. Goodwill valued to be incorporated in the books of the company. Expenses of liquidation paid by Bright Ltd was Rs.4,000.

Pass Journal Entries and prepare the balance sheet of Bright Ltd. after the merger.

9. The Balance Sheets of P Ltd and its subsidiary Q Ltd. on 31st March 2016 were as follows:

Liabilities	**P Ltd**	**Q Ltd.**	**Assets**	**P Ltd**	**Q Ltd.**
Equity shares of Rs.10 each	2,00,000	5,00,000	Land and Buildings	6,00,000	
General Reserve	3,00,000	1,00,000	Plant and Machinery	20,00,000	
Profit and loss a/c:			Furniture	90,000	1,00,000
Balance on 1/4/2015	4,00,000	2,00,000	30,000 shares in Q Ltd.	6,50,000	
Profit for the year	5,00,000	2,50,000	Stock	4,00,000	7,50,000
Creditors	3,00,000	3,00,000	Debtors	1,00,000	2,00,000
Bank Overdraft	2,00,000		Cash in hand	10,000	15,000
Bills Payable	1,50,000		Bills Receivable		1,00,000
			Cash at Bank		1,05,000
	38,50,000	**13,50,000**		**38,50,000**	**13,50,000**

The shares were acquired by P Ltd. on 1st October 2015. Bills payable of P Ltd. are all payable to Q Ltd. Included in debtors of Q Ltd. is a sum of Rs.50,000 owing by P Ltd. in respect of goods supplied by Q Ltd. Half of these goods are still lying with P Ltd. Q Ltd. charged a profit of cost plus 25% on these goods. A dividend of 10% was paid by Q Ltd. for the year 2014. Cash amounting to Rs.1,500 was in transit from P Ltd. to Q Ltd. Prepare the Consolidated Balance Sheet as on 31/3/2016.

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