

B.COM.(C.S) DEGREE EXAMINATION NOVEMBER 2022
CORPORATE SECRETARYSHIP
FIFTH SEMESTER

COURSE : MAJOR – CORE
PAPER : CORPORATE ACCOUNTING AND RESTRUCTURING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ALL QUESTIONS:

(10 x 2 = 20)

1. What is meant by managerial remuneration?
2. Write a short note on the 'Intrinsic value method'.
3. What is meant by 'Corporate Restructuring'?
4. State the meaning of the term 'Internal Reconstruction'.
5. Write a note on purchase consideration.
6. Calculate Cost of goods sold to be shown in the Statement of Profit and Loss of Gaekward Company Ltd. from the following information:

	Rs.		Rs.
Opening Stock	20,000	Carriage Inwards	5,000
Purchases	10,00,000	Carriage Outwards	3,000
Purchases returns	4,000	Closing Stock	50,000

7. You are required to ascertain the Net Profit before tax and extraordinary items, from the information given below:

Particulars	Rs.
Net Profit for 2020 after charging the following items:	80,000
Dividend paid	30,000
Provision for Tax made during the year 2020	20,000
Transfer to Contingency Reserve	8,000

8. Ascertain the value of an equity share under the net assets method with the help of the following information:

Particulars	Rs.
10% preference shares of Rs.10 each fully paid	6,00,000
Equity shares of Rs.100 each fully paid	8,00,000
Net assets available to shareholders (after deduction of liabilities)	28,00,000

9. Lawrence Ltd. has share capital of Rs.10,00,000 divided into 10,000 equity shares of Rs.100 each fully paid. Show entries for alteration of share capital under each of the following cases:
 - (a) The company resolved to sub-divide the shares into 1,00,000 shares of Rs.10 each.
 - (b) The company resolved to convert its 10,000 shares of Rs.100 each into Rs. 10,00,000 worth of stock.

10. 'Moon' Ltd. was taken over by 'Sun' Ltd. The following position was mutually agreed upon:

	'Moon' Ltd.	'Sun' Ltd.
Number of shares	30,000	45,000
Face Value of shares	100	10
Net Assets	1,80,00,000	36,00,000

Ascertain the intrinsic value of the shares and the ratio of exchange of shares.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. From the following particulars, determine the maximum remuneration available to the manager of a manufacturing company.

The profit and loss account of the company showed a net profit of Rs.10,00,000 after taking into account the following items:

	Rs.
Depreciation (including Special Depreciation Rs.10,000)	25,000
Provision for Income tax	50,000
Donation to political parties	12,000
Ex-gratia payment to a worker	2,000
Capital profit on sale of assets	4,000

12. From the following balances and additional information, you are required to prepare Statement of Profit and Loss of Shreyas Company Ltd. for the year ended 31st December 2020.

	Rs.		Rs.
Opening Stock	1,00,000	Plant	3,61,000
Purchases	4,00,000	Furniture	34,200
Wages	1,40,000	Bad debts	6,400
Discount Allowed	8,400	Sales	6,50,000
Insurance (Upto 31 st March 2021)	13,440	Discount received	6,300
Salaries	37,000	Bonus	21,000
Rent	12,000	Advertisement	12,400
General expenses	17,900		

Additional Information:

- (a) Closing stock was valued at Rs.4,00,000
 (b) Plant and Furniture be depreciated by 15% and 10% respectively.
 (c) A tax provision of Rs.16,000 is considered necessary.

13. Compute Cash from Operating Activities from the following Balance Sheets:

Liabilities	2019 Rs.	2020 Rs.	Assets	2019 Rs.	2020 Rs.
Share capital	2,00,000	2,00,000	Fixed Assets at cost	1,60,000	1,80,000
P&L A/c	40,000	60,000	Less: Depreciation	(30,000)	(50,000)
General reserve	25,000	40,000	Stock	1,00,000	92,000
Creditors	70,000	80,000	Debtors	35,000	90,000
			Cash	70,000	68,000
	3,35,000	3,80,000		3,35,000	3,80,000

14. From the following particulars relating to the business of Mr. Siva, compute the value of goodwill on the basis of 3 years' purchase of super profits taking the average of last four years:

- Capital invested – Rs. 1,20,000
- Market Rate of Return on Investment – 12%
- Rate of risk return on capital invested: 3%
- Managerial remuneration of the proprietor, if employed elsewhere Rs. 30,000 p.a.
- Trading results:

Year	Result & Amount
2017	Profit Rs. 60,000
2018	Profit Rs.72,000
2019	Loss Rs.8,000
2020	Profit Rs.88,000

15. The following is the balance sheet of Angel Ltd. as on 31st December 2020 :

Liabilities	Rs.	Assets	Rs.
Share Capital:		Assets at Book values	6,00,000
30,000 equity shares of Rs.10 each	3,00,000		
2,000 6% preference shares of Rs.100 each	2,00,000		
Current Liabilities	1,00,000		
	6,00,000		6,00,000

The market value of 50% of the assets is considered as 10% more than the book values and that remaining 50% at 5% less than book values. There was a liability of Rs.5,000 which remained unrecorded.

You are required to calculate the value of an equity share under the Intrinsic Value method.

16. Samantha Company Ltd. has the following shares as part of its share capital:

- 40,000 9% preference shares of Rs.100 each fully paid
- 30,000 equity shares of Rs.100 each fully paid
- 1,00,000 equity shares of Rs. 5 each fully paid
- 10,000 equity shares of Rs. 10 each, Rs.8 called up and paid up

Give necessary journal entry for each of the following alterations of share capital:

- To sub-divide the preference shares into shares of Rs.10 each.
- To convert its 10,000 equity shares of Rs.100 each into Rs. 10,00,000 worth of stock.
- To consolidate the equity shares of Rs.5 each into shares of Rs.10 each.
- To convert the partly paid up equity shares into fully paid up shares of Rs.8 each.

17. The following scheme of reconstruction has been approved for Bharathi Ltd.:

- The equity shareholders to receive in lieu of their present holding of 50,000 shares of Rs.10 each, the following:
 - Fully paid equity shares equal to 2/5th of their holding.
 - 10% preference shares , fully paid, to the extent of 1/5th of the above new equity shares; and
 - Rs.60,000 14% Second Debentures.
- An issue of Rs.50,000 12% First Debentures was made and allotted, payment for the same being received in cash forthwith.
- Goodwill which stood at Rs. 1,50,000 was completely written off.

(d) Buildings appreciated by Rs. 30,000

(e) Machinery which stood at Rs.1,00,000 was written down by Rs.25,000.

(f) Furniture which stood at Rs. 1,75,000 were written down to Rs. 1,50,000.

Give necessary journal entries in the books of the company necessitated by the above reconstruction.

18. Following is the balance sheet of Samy Ltd. as on 31st March 2020 :

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	16,25,000
Equity shares of Rs.10 each	7,50,000	Investments	3,00,000
8% preference shares of Rs.100 each	3,75,000	Current Assets	2,50,000
General Reserve	4,50,000		
7% Debentures	3,50,000		
Current Liabilities	2,50,000		
	21,75,000		21,75,000

Romy Ltd. agreed to take over the business of Samy Ltd. on the following terms:

(a) Romy Ltd. agreed to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.

(b) Fixed Assets are to be valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

You are required to calculate the purchase consideration under the Net Assets method.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

19. The following are the Balance Sheets of Mathi Company Ltd.:

Liabilities	2019 Rs.	2020 Rs.	Assets	2019 Rs.	2020 Rs.
Equity Share capital	1,50,000	2,00,000	Goodwill	57,500	45,000
8% Preference Share Capital	75,000	50,000	Buildings	1,00,000	85,000
Profit and Loss a/c	15,000	24,000	Plant	40,000	1,00,000
General reserve	20,000	35,000	Stock	38,500	54,500
Proposed Dividend	21,000	25,000	Debtors	80,000	1,00,000
Creditors	27,500	41,500	Bills receivable	10,000	15,000
Bills Payable	10,000	8,000	Cash	7,500	5,000
Provision for Taxation	20,000	25,000	Bank	5,000	4,000
	3,38,500	4,08,500		3,38,500	4,08,500

Additional information:

(a) Depreciation charged on plant in 2020 was Rs. Rs.5,000

(b) Depreciation charged on building in 2020 was Rs.10,000

(c) An interim dividend of Rs.10,000 has been paid in 2020

(d) Income tax of Rs.17,500 was paid during the year 2020.

You are required to prepare a Cash Flow Statement. (As per AS-3)

20. The following particulars are available in respect of a company:

(a) Capital: 450 6% preference shares of Rs.100 each and 4,500 equity shares of Rs.10 each fully paid.

(b) External liabilities Rs.7,500

(c) Reserves & Surplus Rs.3,500

(d) The average profit (after taxation) per year Rs. 8,500

- (e) The normal profit earned on the market value of fully paid equity shares of the similar companies – 9%
- (f) 10% of the profit after tax each year is transferred to reserves.
- Calculate the fair value of a share assuming that out of the total assets worth Rs. 1,01,000, assets worth Rs.350 are fictitious.

21. The following is the Balance sheet of Bad Luck Ltd. as on 31st March 2021

Liabilities	Rs.	Assets	Rs.
Share capital: 40,000 eq. shares of Rs.10 each	4,00,000	Patents	80,000
1,000, 10% pref. shares of Rs.100 each	1,00,000	Buildings	4,00,000
9% Debentures	2,00,000	Machinery	2,60,000
Sundry creditors	6,60,000	Stock	1,60,000
Outstanding expenses	40,000	Debtors	1,10,000
		Profit & Loss A/c	3,90,000
	14,00,000		14,00,000

With a view to reconstruct the company, it is proposed:

- To reduce the paid-up amount of equity shares by Rs.9 each
- To reduce 10% preference shares by Rs.40 each
- To reduce 9% debentures by 10%
- To reduce the claims of Sundry creditors' claim by one-third
- To reduce the Machinery by Rs.1,20,000
- To reduce the Stock by Rs.20,000
- To provide Rs.30,000 for bad debts and
- To write off all the intangible assets

Pass journal entries to give effect to the above scheme of reconstruction and show the company's Balance Sheet after reconstruction.

22. The following are the Balance Sheets of 'Anil' Ltd. and 'Sunil' Ltd. as on 31st March 2021:

Liabilities	Anil Ltd. Rs.	Sunil Ltd. Rs.	Assets	Anil Ltd. Rs.	Sunil Ltd. Rs.
Share capital (Rs.10 shares)	8,00,000	3,00,000	Fixed Assets	11,00,000	4,73,000
10% pref. share capital	-	1,00,000	Current Assets	4,00,000	1,97,000
General Reserve	4,61,000	98,000			
Statutory reserve	39,000	12,500			
Profit & Loss A/c	56,300	35,500			
12% Debentures	-	25,000			
Current Liabilities	1,43,700	99,000			
	15,00,000	6,70,000		15,00,000	6,70,000

On 1st April 2021 'Anil' Ltd. takes over 'Sunil' Ltd. on the following terms:

- 'Anil' Ltd. will issue 35,000 equity shares of Rs.10 each at par to the equity shareholders of 'Sunil' Ltd.
- 'Anil' Ltd. will issue 1,100 10% preference shares of Rs.100 each at par to the preference shareholders of 'Sunil' Ltd.
- The debenture of 'Sunil' Ltd. will be converted into an equal number of 12.5% debentures of the same denomination.

You are informed that statutory reserve of 'Sunil' Ltd. is to be maintained for two more years. You are required to show the balance sheet of 'Anil' Ltd. immediately after the above-mentioned scheme of amalgamation has been implemented assuming that the amalgamation is in the nature of merger
