

B.Com. DEGREE EXAMINATION - APRIL 2023
ACCOUNTING AND FINANCE
FOURTH SEMESTER

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

SECTION-A

Answer ALL questions: **(10x2=20)**

1. Write a short note on the 'goodwill valuation'.
2. What is 'Yield Value' of shares?
3. Write a note on 'Voluntary Winding up'.
4. Explain Internal reconstruction.
5. How Purchase consideration is determined?
6. From the following particulars, compute the value per equity share under net assets method :

Total Assets at Market value	49,80,000
Total outside Liabilities	19,00,000
2,00,000 Equity shares of Rs.10 each	20,00,000

7. Raman Ltd., agrees to purchase the business of Krishnan Ltd. Whose share capital was Rs. 10,000, Shares of Rs.10 each. It was agreed that one share @ Rs.12 per share be issued for every share held in Krishnan Ltd. In addition, Rs.4 per share in cash also will be paid. Calculate Purchase consideration.
8. Goodwill is to be valued at 3 years purchase of Five year's average profits. The profits for the last five years of the firm were as follows:

Year	Rs.
1994	2,400
1995	3,000
1996	3,400
1997	3,200
1998	4,000

Calculate Goodwill.

9. Calculate Liquidator's remuneration from the following particulars :
Asset Realized : Rs. 6,30,000, Including Cash Balance : Rs.30,000, Liquidator's remuneration: 2% on the assets realized.
10. Ratan Ltd., having a share capital of Rs.3,00,000 divided into 3,000 shares of Rs.100 each, resolves to sub-divide the shares into 30,000 shares of Rs.10 each. Pass necessary journal entry.

SECTION-B

Answer any FIVE questions:

(5x8=40)

11. The following particulars relate to a limited company which went into voluntary liquidation:

	Rs.
Preferential Creditors	25,000
Unsecured Creditors	58,000
6% Debentures	30,000

The Assets realized Rs. 80,000. The expenses of liquidation amounted to Rs. 1,500 and the liquidator's remuneration was agreed at 2 ½ % on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidator's final statement of account.

12. On 31.12.03 X Ltd. acquired 80% equity shares of Y Ltd. The P and L account General Reserve balances as per Balance Sheet of Y Ltd. prepared on 31.12.03 amounting to Rs. 6,80,000 and Rs. 1,44,000 respectively. On the date of acquisition of shares, the assets of Y Ltd. were re-valued and gain of Rs. 1,20,000 was found out. Calculate capital profits and Revenue profits.
13. From the data relating to a company, you are asked to prepare liquidator's final statement of account.
- Cash with liquidator is Rs. 6,73,800.
 - Preferential creditors to be paid Rs. 30,000.
 - Other unsecured creditors Rs. 2,15,000.
 - 4,000 6 % preference shares of Rs. 100 each, fully paid.
 - 2,000 equity shares of Rs. 100 each, Rs. 75 per share paid up.
 - 6,000 equity shares of Rs. 100 each, Rs. 60 per share paid up.
 - Liquidator's remuneration 2% on preferential and other unsecured creditors.
 - Preference dividends were in arrears for 2 years.
14. The following are the abridged balance sheets of P Ltd. and S Ltd. as on 31st March 1999.

Liabilities	P Ltd. (Rs. in'000)	S Ltd. (Rs. in'000)	Assets	P Ltd. (Rs. in'000)	S Ltd. (Rs. in'000)
Equity Share Capital of Rs.10 each	8,000	3,000	Fixed Assets	11,000	4,730
10% Preference share capital of Rs. 100 each	-	1,000	Current Assets	4,000	1,970
General Reserve	4,610	980			
Statutory Reserve	390	125			
Profit & Loss A/c	563	355			
12% Debentures	-	250			
Current Liabilities	1,437	990			
	<u>15,000</u>	<u>6,700</u>		<u>15,000</u>	<u>6,700</u>

On 1st April, 1999, P Ltd. takes over S Ltd. on the following terms:

- (i) P Ltd. will issue 3,50,000 equity shares of Rs.10 each at par to the equity shareholders of S Ltd.
- (ii) P Ltd will Issue 11,000 10% Preference shares of Rs.100 each at par to the preference shareholders of S Ltd.
- (iii) The Debentures of S Ltd. will be converted into an equal number of 12.5% debentures of the same denomination.

You are informed that the statutory reserves of S Ltd. are to be maintained for two more years. You are required to show the balance sheet of P Ltd. Immediately after the above mentioned scheme of amalgamation has been implemented assuming that the amalgamation is in the nature of merger respectively.

15. ABC Company Ltd. passed resolution and got court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:

- (i) To Write off the debit balances of P&L A/c of Rs. 2,10,000.
- (ii) To Reduce the value of Plant & Machinery by Rs. 90,000 and goodwill by Rs. 40,000.
- (iii) To reduce the value of Investments by Rs. 80,000.

The Reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 is paid up into 50,000 equity shares of Rs.10 each fully paid.

Pass Journal entries to record the share capital reduction.

16. A firm earned net profits during the last three years as follows;

Year	Rs.
I Year	36,000
II Year	40,000
III Year	44,000

The Capital Investment of the firm is Rs.1,00,000.

The fair return on the capital, having regard to the risk involved, is 10%.

Calculate the value of goodwill on the basis of 3 years' purchase of super profit.

17. Average capital employed in Ahmed Ltd. is Rs. 35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs. 14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,000 P.m. But now he would be paid a salary of Rs.12,000 p.m. Normal rate of return expected in the industry in which Ahmed Ltd. is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.

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SECTION-C

19AF/MC/CR44

Answer any TWO questions:

(2x20=40)

18. Alpha Ltd and Beta Ltd. were amalgamated on 1st April 2001. A New Company Gamma Ltd. was formed to take over the business of the existing companies. The Balance sheets of Alpha Ltd. and Beta Ltd. as on 31st March 2001 are given below;

Liabilities	Alpha Ltd.	Beta Ltd.	Assets	Alpha Ltd.	Beta Ltd.
Share Capital Equity Shares of Rs.100 each	1,000	800	Fixed Assets	1,200	1,000
15% Preference shares of Rs.100 each	400	300	Current Assets, Loans & Advances	880	565
Reserves and Surplus:					
Revaluation Reserve	100	80			
General Reserve	200	150			
P&L A/c	80	60			
Secured Loan : 12% Debentures of Rs.100 each	96	80			
Current Liabilities & Provisions	204	95			
	<u>2,080</u>	<u>1,565</u>		<u>2,080</u>	<u>1,565</u>

Other Information :

(i). 12% Debentures of Alpha Ltd. and Beta Ltd. are discharged by Gamma Ltd. by issuing adequate number of 16% Debentures of Rs.100 each to ensure that they continue to receive the same amount of Interest.

(ii). Preference shareholders of Alpha Ltd. and Beta Ltd. have received same number of 15% preference shares of Rs.100 each of Gamma Ltd.

(iii). Gamma Ltd. Has issued 1.5 equity shares for each equity share of Alpha Ltd. and 1 equity shares for each equity share of Beta Ltd. The face value of shares issued by Gamma Ltd. is Rs. 100 each.

You are required to prepare Balance sheet of Gamma Ltd. as on 1st April 2001 after the amalgamation has been carried out using the "Pooling of Interest method"

19. The Balance sheet of Saphthagiri Ltd. on 31st March 1996 was as follows;

Liabilities	Rs.	Assets	Rs.
8% Preference shares of Rs.10 each	50,000	Goodwill	90,000
Equity shares of Rs.10 each	2,50,000	Land & Buildings	1,40,000
General Reserve	20,000	Machinery	37,500
6% Debentures (Rs.100 each)	20,000	Furniture	15,000
Bank Overdraft	28,500	Preliminary expenses	1,000
Creditors	40,000	Profit & Loss A/c	1,25,000
	<u>4,08,500</u>		<u>4,08,500</u>

The Capital reduction scheme, approved by the court is as under:

- i. Holders of 6% debentures of Rs.100 are to be given 8% debentures of Rs.50 and preference shares of Rs.10 each of equal amount, for the remaining amount of Rs.5.
- ii. The value of all preference shares Including the preference shares given to debentures as shown above, is to be reduced to Rs.6 and dividend rate is to be increased up to 9%.

- iii. The value of equity shares is to be reduced to Rs.2 each.
- iv. The existing equity shareholders are to purchase additional equity shares of Rs.1,00,000 for cash to pay off the bank overdraft.
- v. All fictitious and intangible assets are to be written off and machinery and furniture are to be written off in proportion of book values, with the help of General reserve and capital reduction A/c.

Pass necessary journal entries in the books of the company to record the above transactions. Prepare the company's balance sheet after such changes.

20. A Company went into Voluntary Liquidation on 31.03.1998; when the following Balance sheet was prepared:

Liabilities	Rs	Assets	Rs
Authorized Capital : 4,000 Shares of Rs.10 each	40,000	Goodwill	6,960
Issued Capital : 3,000 Shares of Rs.10 each	30,000	Freehold Property	5,000
Unsecured Creditors	15,432	Machinery	7,480
Partly secured creditors	5,836	Stock	11,710
Preferential creditors	810	Debtors	9,244
Bank overdraft(unsecured)	232	Cash	100
		Profit & Loss A/c	11,816
	52,310		52,310

The Liquidator realized the assets as follows :

Freehold Property which was used in the first Instance to pay the partly secured creditors pro-rata Rs.3,600; Machinery Rs.5,000; Stock Rs.6,200; Debtors Rs.8,700; Cash Rs.100.

The Expenses of Liquidation amounted to Rs.100 and the liquidator's remuneration was agreed at 2.5% on the amount realized including cash and 2% on the amount paid to Unsecured Creditors. Prepare the Liquidator's Final Statement of Account.

21. The following are the Balance Sheets of H Ltd. and S Ltd. as on 31.3.1995:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Shares of Rs. 10 each	6,00,000	2,00,000	Machinery	3,00,000	1,00,000
General Reserve			Furniture	70,000	45,000
Profit & Loss a/c	1,50,000	70,000	Stock	1,75,000	1,89,000
Creditors	70,000	50,000	Debtors	55,000	30,000
	90,000	60,000	Cash	50,000	10,000
			Preliminary Expenses	-	6,000
			70% shares in S Ltd. at cost	2,60,000	-
	9,10,000	3,80,000		9,10,000	3,80,000

H Ltd. acquired the shares of S Ltd., on 30.6.1994. On 1.4.1994, S Ltd.'s General reserve and profit and loss a/c stood at Rs. 60,000 and Rs. 20,000 respectively, No part of the preliminary expenses was written off in the year ended 31.3.1995. Prepare Consolidated Balance sheet of H Ltd. and its subsidiary S Ltd. as on 31.3.95.
