

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086
(For candidates admitted during the academic year 2019-20 and thereafter)

B.COM. DEGREE EXAMINATION - APRIL 2024
ACCOUNTING AND FINANCE
FOURTH SEMESTER

COURSE : MAJOR – CORE
PAPER : BUSINESS TAXATION
COURSE CODE : 19AF/MC/BT64
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION-A

Answer ALL questions:

(10x2=20)

1. What is intrinsic value of shares?
2. Define Holding Company.
3. State any two salient features of Purchase consideration under AS-14.
4. What do you mean by ‘Surrendered Shares’?
5. Who are preferential Creditors?
6. Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:

Year	Profits in Rs.
2020	4,800
2021	7,200
2022	10,000
2023	3,000
2024	5,000

7. Mannan Ltd. acquired 65% shares of Kannan Ltd. on 1.10.2023. Profit and Loss Account in the books of Kannan Ltd showed a debit balance of Rs.40,000 on 1.4.2023. On 31.3.2024 the balance sheet of Kannan Ltd showed Profit and Loss Account balance of Rs.1,20,000. Calculate Capital Profit and Revenue Profit.
8. Lee Ltd. agreed to absorb Bee Ltd. by paying Rs.10,00,000 to the shareholders. In addition, they agreed to settle 1,000 8% Debentures or Rs.100 each in Bee Ltd at 20% Premium by issuing own debentures of Rs.100 each at Rs.96 each. Ascertain the Face value and actual issue value of debentures to be issued.
9. On 30th June 2022, Fortunes Ltd passed a resolution consolidating 80,000 fully paid equity shares of Rs.10 each into 8,000 fully paid shares of Rs.100 each. On 30th June 2023 the company passed another resolution for converting the shares into stock. Show the necessary journal entries.
10. Compute Liquidator’s remuneration from the information given below:
Secured Creditors : Rs.60,000(Securities realised Rs.80,000)
Other Assets Realised : Rs.75,000
Liquidator’s Remuneration : 2.5% on the amount realised (including securities with Creditors)

SECTION-B

Answer any FIVE questions:

(5x8=40)

11. From the following particulars calculate the value of an equity share:

2,000 9% Preference shares of Rs.100 each	Rs. 2,00,000
50,000 Equity shares of Rs.10 each Rs.8 Per share paid up	Rs. 4,00,000
Expected Profit before tax for 2023 – 24	Rs.2,18,000
Rate of tax	30%
Transfer to General Reserve every year	10% of Profit
Normal rate of earning	15%

12. Royal Ltd earned net profits during the last three years as follows:

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

The capital investment of the firm is Rs.1,00,000. A 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.

13. Calculate Minority interest from the following information:

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital	1,400	1,000	Sundry Assets	885	1,510
Creditors	350	190	Investment in S		
P&L A/c	260	320	Ltd (900 shares at cost)	1,125	
Total	2,010	1,510		2,010	1,510

14. Stock of Rs.3,20,000 held by H Ltd. consists of Rs.1,20,000 goods purchased from S Ltd. who has charged profit on sale or 20%. H Ltd. acquired 80% of shares of S Ltd. Calculate the amount of Unrealised Profit included in stock.

15. Raman Ltd agrees to purchase the business of Krishnan Ltd on the following terms:

- For each of the 10,000 shares of Rs.10 each in Krishnan Ltd. 2 shares in Raman Ltd. of Rs.10 each will be issued at an agreed value of Rs.12 per share.
 - Rs. 4 per share paid to shareholders of Krishnan Ltd.
 - 8% Debentures worth Rs.80,000 will be issued to settle the Rs.60,000 9% debentures in Krishnan Ltd.
 - Rs.10,000 will be paid towards expenses of winding up.
- Calculate Purchase consideration.

16. Give Journal Entries for the following transactions in connection with internal reconstruction:

- 30,000 equity shares of Rs. 10 each fully paid reduced to shares of Rs.5 each fully paid.
- 300 9% debentures of Rs.1, 000 each converted into 1,500 12% debentures of Rs.100 each.
- The debit balance of profit and loss account Rs.1,50,000 and the preliminary expenses Rs.30,000 were written off.
- The value of Plant and Machinery and stock were written down by Rs.60, 000 and Rs.30,000 respectively.

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

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

The Assets realised Rs.80, 000. The expenses of liquidation amounted to Rs.1,500 and the liquidators' remuneration was agreed at 2.5% on the amount realised and 2% on the amount paid to unsecured creditors including preferential creditors. Prepare the Liquidators Final Statement of Account.

SECTION-C

Answer any TWO questions:

(2x20=40)

18. From the Balance Sheet and information given below, Prepare a consolidated Balance sheet.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share Capital:			Sundry Assets	80,000	12,000
Equity Shares of			Stock in Trade	61,000	24,000
Rs.10 each fully paid	1,00,000	20,000	Debtors	13,000	17,000
Profit and Loss A/c	40,000	12,000	Bills Receivable	1,000	-
Reserves	10,000	6,000	Investment	15,000	-
Creditors	20,000	12,000	(1,500 shares in		
Bills Payable	-	3,000	S Ltd. at cost		
Total	1,70,000	53,000		1,70,000	53,000

Additional Information:

- All profits of S Ltd have been earned since the shares were acquired by H Ltd. But the reserve of Rs.6,000 was already there at the time.
- Bills accepted by S Ltd are all in favour of H Ltd which has discounted Rs.2, 000 of them.
- Sundry assets of S Ltd undervalued by Rs. 2,000.
- The Stock in trade of H Ltd includes Rs. 5,000 bought from S Ltd at a profit to the S Ltd @ 25% on cost.

19. The Balance Sheet as on 31st March 2023 of the Gamma Ltd. was as follows:

Liabilities	Amount	Assets	Amount
10,000 Equity shares of		Land	65,000
Rs.10 each	1,00,000	Machinery	22,000
8% Debentures	40,000	Furniture	3,000
Creditors	6,000	Stock	25,000
		Debtors	15,000
		Cash	4,000
		Profit and Loss A/c	12,000
	1,46,000		1,46,000

Beta Company Ltd was formed to take over the business of Gamma Ltd with a nominal capital of Rs.1, 00,000 divided into 500 9% Preference shares of Rs.100 each and 500 equity shares of Rs.100 each on the following basis:

- The debenture holders in Gamma Ltd are to accept 350 preference shares.
 - The shareholders in Gamma Ltd are to receive one equity share in Beta Ltd for every two shares held by them.
 - The cost of Liquidation met by Beta Ltd. Rs.600.
 - The Balance sheet of Preference shares have been issued and taken up by the public.
- Prepare Journal Entries and Balance Sheet of Beta Ltd.

20. The following is the Balance Sheet of Weak Ltd on 31.03.2023.

Liabilities	Amount	Assets	Amount
20,000 Equity shares of Rs.10 each	2,00,000	Patents	40,000
500 10% Preference Shares of Rs.100 each	50,000	Buildings	2,00,000
8% Debentures	1,00,000	Machinery	1,30,000
Creditors	3,30,000	Stock	80,000
Outstanding Expenses	20,000	Debtors	55,000
		Profit and Loss A/c	1,95,000
	7,00,000		7,00,000

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

- (i) To reduce Equity share paid up amount by Rs.9 each.
- (ii) To reduce 10% Preference shares by Rs.40 each.
- (iii) To reduce 8% Debentures by 10%
- (iv) To reduce Trade Creditors' claim by one third.
- (v) To reduce Machinery by Rs.60,000.
- (vi) To reduce Inventory by Rs.10,000.
- (vii) To Provide Rs.15,000 for bad debts.
- (viii) To Write off all the Intangible Assets.

Pass Journal entries to give effect to the above scheme and show the company's Balance Sheet after Reconstruction.

21. The following information was extracted from the books of X Co. Ltd. on 31st December 2023 on which date a winding up order was made:

Particulars	Amount in Rs.
Equity share capital: 2,000 shares of Rs.10 each	20,000
6% Preference share capital: 3,000 shares of Rs.10 each	30,000
Calls in arrears (Estimated to produce Rs.200)	400
5% First mortgage debentures secured by floating charge on the whole of the assets of the company(Interest paid to date)	20,000
Creditors fully secured(Value of Securities Rs.4,000)	3,500
Creditors Partly secured (Value of Securities Rs.2,000)	4,000
Preferential Creditors for wages, rates and taxes etc.	750
Unsecured Creditors	27,000
Bank overdraft secured by a second charge on the whole of the assets of the company	2,000
Cash in hand	120
Book Debts:	
Good	3,800
Doubtful debts (estimated to produce Rs.300)	800
Bad debts	450
Stock in trade (estimated to produce Rs.6,000)	7,200
Freehold land and building (estimated to produce Rs.18,500)	21,000
Plant and Machinery (estimated to Produce Rs.6,300)	6,000
Furniture and Fittings (estimated to produce Rs.800)	1,200

Prepare a statement of affairs of the company.
