

Sl.No. of Q.P. : 4149

Name of the Course: B.A. Programme
Name of the Paper: Corporate Accounting
Scheme/Mode of Examinations: CBCS (Old Course)
Paper No. 62411224
Semester: II
Duration: 3 hours
Maximum Marks: 100

Your Roll No. _____

Instructions for Candidates

1. Write your roll number on the top immediately on the receipt of this question paper.
2. The total questions in this paper are 5. All questions are compulsory.
3. Each question carries equal marks.

Q1. A company has made the following three decisions for a year; answer the question concerning each one of these decisions

1. To incorporate Employee Stock Option Plans in their Compensation Packages. What are the advantages of such a decision to the company and employees?
2. To redeem its 22,000, 12% Preference Shares of ₹10 each at 10% premium. Following balances are obtained from the books: Securities Premium ₹6500, Balance in Surplus Account ₹20,000. Directors redeemed the shares by making minimum fresh issue of equity shares of ₹10 each at 4% premium. What journal entries should be made by the company? Show relevant working notes.
3. To redeem its 12% debentures: (a) By Conversion of 13% Debentures with face value ₹1,71,000 at 105%, into 8% cumulative preference shares of ₹20 each at ₹25 per share. (b) By purchase and immediate cancellation on 1st June, 12% debentures with face value 20,000 (200 debentures for ₹100 each) at 96 cum-interest price, interest was payable half yearly on 30th September and 31st March. What journal entries should be made for the two redemptions, by the company? Show relevant working notes.

(20 Marks)

OR

Q1. The Balance Sheet of New Era Ltd. as on 31st March, 2020 was as follows:

EQUITY & LIABILITIES	Rs(in lakhs)
Authorized Share Capital	
500000 Equity shares of Rs 10 each	5000000
20000, 12% Preference Share capital @ Rs.100 each	<u>2000000</u>
ISSUED Capital	
15000, 12% Preference shares @ Rs. 100 each	1500000
300000, Equity shares @ Rs 10 each	<u>3000000</u>
Subscribed and Fully paid up;	
15000, 12% Preference shares @ Rs. 100 each	
Subscribed and Not Fully paid up;	1500000

300000 Equity Shares @ Rs 10 each , 7.50 Paid up	2250000
Reserves & Surplus	
Securities Premium	200000
Surplus A/c	600000
General Reserve	200000
Capital Reserve	400000
Capital Redemption Reserve	400000
Non-current Liabilities – 12% Debentures Partly Convertible Debentures of Rs 100 each	600000

On 1st April 2020 the company made a final call of Rs 2.50 each on 300000 equity shares. the call money was received on 23rd April 2020. On 30th April 2020, the company decided to issue one bonus shares to every three shares held.

Capital reserve of Rs 400000 is due to revaluation of fixed assets. Securities Premium Balance include Rs 100000 due to share issued for consideration other than cash. 25% of Debentures are convertible into equity shares of Rs 10 each fully paid after one month of the bonus issue.

Pass necessary Journal entries.

(20 Marks)

Q2. Following balances appear in the balance sheet of A ltd. As at 31st march 2020

Issued , Subscribed and Paid up Capital:	Rs.
10000, 10% Preference share of Rs 10 each fully paid	100000
100000 equity shares of Rs 10 each , Rs 8 paid up	800000
General Reserve	240000
Securities premium	25000
Profit and loss account	120000

On 1st April 2020 the company made a final call @ Rs 2 each on 100000 equity shares. The call money was duly received. Thereafter the company decided to issue bonus shares to equity shareholders as one share to every five shares held and for this purpose it was decided to use general reserve to the minimum extent. Pass journal entries.

(20 Marks)

OR

Q2. An unlisted real estate company issued Rs. 10,00,000, 12% debentures at par on 1st April, 2019 redeemable at par in two equal instalments on march 31st, 2021 and March 31st, 2022. The company decided to transfer to debenture redemption reserve Rs. 1,00,000 on March 31, 2020. The company made investments on 30th April, 2020 and on 16th April, 2021 in government securities equal to 15% of the debentures maturing in the years ending 31st March, 2021 and 31st March, 2022. The company sold the investments on March 31, 2021 and March 31, 2022 respectively and redeemed the debentures on the due dates. Pass journal entries, except the entries for interest on debentures, assuming rate of interest on investments is 8% per annum.

Q3. The following balances are extracted from the books of accounts of X Ltd. On 31st March 2020

Particulars	Amount (₹)	
	Dr	Cr
Property Plant and Equipment	14,35,000	
Long Term Investments	8,05,000	
Purchase of stock in the beginning of the year	15,00,000	
Stock-in -Trade (on 1st April 2019)	8,00,000	
Debtors (considered good)	4,60,000	
Advance paid against construction of Plant	2,60,000	
Cash and Cash Equivalents	4,44,000	
Share Capital (1,80,000 equity shares of 10 each)		18,00,000
Creditors		9,00,000
Revenue from Operations		35,00,000
Profit and Loss Account (1.4.2019)		40,000
Dividend received on Investments		20,000
Employee Benefit Expenses	4,40,000	
Director's Fees	16,000	
Administrative Expenses	50,000	
Rates, Taxes and Insurance	20,000	
Auditor's fees	30,000	
Total	62,60,000	62,60,000

Additional Information

1. Provide Depreciation @10%
2. Stock has been valued at ₹7,20,000 on 31st March 2020
3. There has been a loss of stock by fire of ₹1,00,000, towards the end of the year. However, the insurance company admitted the claim of ₹80,000 only.
4. Provide for taxation @ 40%

Prepare Profit and Loss Statement for the year ended 31st March 2020 and a Balance Sheet as at that date.

(20 Marks)

OR

Q3. The following information is obtained from the books of TL Ltd. for the year 2019-2020. Prepare a cash flow statement for the entity and compute the amount of cash and cash equivalent available to the entity at the end of the year.

TL Ltd. Cash Flow Statement 2019-2020		
		₹ (Amount in Crores)
S.NO	Particulars	Amount
1	Net Profit for the year after tax	32,447
2	Cash and Cash Equivalent in the Beginning	7,627

3	Bad debts and advances written off during the year	144
4	Bank Deposits made	7,663
5	Buy Back of Equity Shares	37,634
6	Buy out of Equity of Non-Controlling Interest or Minority Interest	227
7	Decrease in Inventories during the year	5
8	Depreciation and amortisation expense	3,529
9	Dividend Income for the year	10
10	Dividend Paid	60
11	Dividend Received	8
12	Expenses for Buy Back of Equity Shares	8
13	Finance Cost during the year	924
14	Increase in Deferred Revenue Collected	375
15	Increase in other current assets	3,492
16	Increase in other liabilities and provisions	596
17	Increase in short term financial liabilities	1,208
18	Increase in Trade Payables	446
19	Increase in Trade Receivables	3,295
20	Increase in Unbilled receivables or receivables from work in progress projects	508
21	Increases in Advances	2
22	Inter -corporate deposits made during the year	14,904
23	Interest Income for the year	3,562
24	Interest Paid on debentures and loans	924
25	Interest Received	3,729
26	Net gain on disposal of property, plant and equipment	46
27	Net gain on investments	214
28	Net gain on non operating lease modification	14
29	Proceeds from Bank Deposits	11,965
30	Proceeds from Inter Corporate Deposits	14,432
31	Proceeds from sale of investments	84,089
32	Proceeds from sale of property plant and equipment	161
33	Provision for Tax provided out of Profit	9,801
34	Purchase of Intangible Assets	192
35	Purchase of Investment	80,002
36	Purchase of Property , Plant and Equipment	2,538
37	Purchase of Right-of-use assets	519
38	Repayment of Loans	1,062
39	Tax Paid for the year	5,846
40	Unrealised foreign exchange gain	117

(20 Marks)

Q4. (a) Differentiate between external reconstruction and internal reconstruction of a company.

(5 Marks)

(b) Following is the Balance Sheet of S Ltd. as on 31st March 2020

PARTICULARS	Amount (₹)
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EQUITY AND LIABILITIES	
Shareholders' Funds	4,00,000
4000 Equity Shares of ₹100 each	50,000
General Reserve	5600
Surplus	24,000
Dividend Equalisation Funds	
NON CURRENT LIABILITIES	2,50,000
11% Debentures	
CURRENT LIABILITIES	2,28,700
Trade Payables	9,58,300
TOTAL	
ASSETS	
NON CURRENT ASSETS	2,70,000
Buildings	3,00,000
Plant and Machinery	15,000
Patents	50,600
Investments	
CURRENT ASSETS	
Inventories	65,700
Trade Receivables	2,40,500
Cash and Cash Equivalents	16,500
TOTAL	9,58,300

S Ltd. was absorbed by B Ltd. on the above date on the following terms and conditions

- Assume all liabilities and to acquire all assets except Investments which were sold by S Ltd. for ₹45,500.
- Discharge the debenture debt at a discount of 5% by issue of 13% debentures in B Ltd.
- Patents were found to have no value.
- Issue two shares of ₹60 each in B Ltd. at ₹65 per share and also pay ₹2 in cash to the shareholders of S Ltd. in exchange for one share in S Ltd.
- Pay the liquidation expenses ₹1500
- With the consent of the shareholders, the liquidator of S Ltd. sold off in the open market, one-fourth of the shares received from B Ltd. at an average price of ₹63. This is to be accounted for during liquidation

Prepare the following

- Statement of Purchase consideration
- Realisation Account in the books of S Ltd.
- Shareholder's Account in the books of S Ltd.
- Bank A/c in the books of S Ltd.
- Opening journal entries in the books of B Ltd.

(15 Marks)

OR

Q4. Following is the balance sheet of Downfall Ltd. as on 31st March, 2020.

Particulars	Note No.	Rs.
I. Equities and Liabilities		
1. Shareholder's Funds		8,00,000
(a) Share Capital	1	(3,00,000)
(b) Reserve and Surplus	2	
2. Non-Current Liabilities		3,00,000
(a) Long-term borrowings		
3. Current Liabilities	3	
(a) Trade Payables		39,00,000
(b) Short-term Provisions		3,00,000
Total	4	50,00,000
II. Assets		
1. Non-current Assets		
(a) Property, Plant and Equipments		15,00,000
(b) Tangible Assets		
2. Current Assets		
(a) Inventories		2,00,000
(b) Trade Receivables		28,00,000
(c) Cash and Cash Equivalents (Bank)		5,00,000
Total		50,00,000

Notes to Accounts	Rs.
1. Share Capital	
1,000 13% Preference Shares of Rs. 100 each	1,00,000
70,000 Equity Shares of Rs. 10 each	7,00,000
2. Reserve and Surplus	
Surplus/(Deficit) in the Statement of profit and loss	(3,00,000)
3. Long-term Borrowings	
8% Debentures	3,00,000
4. Short-term provisions	
Provision for taxation	3,00,000

The following scheme of reorganisation is sanctioned:

- Tangible assets are to be written down by 33.33%
- Trade receivables are to be revalued at Rs. 20,00,000
- Preference shareholders decide to forgo their right to arrears of dividend which are in arrears for three years.
- The taxation liability of the company is settled at Rs. 4,00,000 and the same is paid immediately.
- One of the trade creditors of the company, to whom the company owe Rs. 25,00,000, decides to forgo 50% of his claim. He is allotted 1,00,000 equity shares of Rs. 5 each in part satisfaction of the balance of his claim.
- The rate of interest on debentures is increased to 11%. The debenture holders surrender their debentures of Rs. 100 each and exchange the same number of fresh debentures of Rs. 75 each.
- The nominal and paid-up value of existing equity and preference shares are reduced to Rs. 5 and Rs. 75 each respectively.

Pass necessary Journal Entries and prepare the Balance Sheet as at 1-4-2021 as per the Schedule III. (20 Marks)

Q5. Define a holding and subsidiary relationship and explain why group accounts are to be prepared and presented?

H Ltd. acquired 15,000 shares in S Ltd. for ₹155,000 on 1st July 2019. The balance sheet of two companies on 31st March 2020 were as follows

	Particulars	H Ltd. (Amount ₹)	S Ltd. (Amount ₹)
I.	ASSETS		
	Property, Plant and Equipment	8,00,000	2,20,000
	Investment in Equity Shares of S Ltd.	1,55,000	0
	Inventories	1,00,000	50,000
	Trade Debtors	60,000	35,000
	Bills Receivables	25,000	20,000
	Cash and Cash Equivalents	90,000	40,000
	TOTAL	12,30,000	3,65,000
II	EQUITY AND LIABILITIES		
	Equity Share Capital (Fully Paid shares of ₹10 each)		
	General Reserve	9,00,000	2,50,000
	Surplus i.e. Balance in Statement of Profit and Loss	1,60,000	40,000
	Bills Payable	80,000	25,000
	Trade Creditors	40,000	20,000
	TOTAL	12,30,000	3,65,000

The following additional information is provided to you:

(1) The opening balance of General Reserve for S Ltd. was ₹40,000 which remained unchanged during the year.

(2) The opening balance of the Profit & Loss Account of S Ltd. was ₹5,000

(3) H Ltd. sold goods to S Ltd. costing ₹8,000 for ₹10,000. 25% of these goods remained unsold with S Ltd. on March 31, 2020. Creditors of S Ltd. include ₹4000 due to H Ltd. on account of these goods. Creditors of S Ltd. include ₹4000 due to H Ltd. on account of these goods

(4) Out of bills payable issued by S Ltd. ₹15,000 are those which have been accepted in favour of H Ltd. Out of these, H Ltd. had endorsed by March 31, 2020. ₹8000 worth of bills receivables in favour of its creditors

You are required to draw a consolidated Balance Sheet as on March 31, 2020.

(20 Marks)

OR

25. Ratio analysis from financial statements is a tool to determine the liquidity, solvency and profitability of the company. Comment

The following ratios are made available for two companies from the same industry. Comment on the relative performance of the two companies in relation to their liquidity, solvency, profitability and operational efficiency using the ratios.

FINANCIAL RATIOS FOR THE YEAR		
	Telecom Company 1	Telecom Company 2
Current Ratio	1.77	2.44
Quick Ratio	1.47	2.08
Average Collection Period	61 Days	50 Days
Inventory Turnover	6.25	6.01
Fixed Asset Turnover	4.37	1.58
Total Asset Turnover	0.86	0.61
Debt Ratio	0.64	0.34
Debt to Equity	1.77	0.52
Gross Profit Margin	32.76%	37.49%
Net Profit Margin	-9.31%	-3.00%
Return on Investment	-7.98%	-1.82%
Return on Equity	-22.11%	-2.78%

The following balance sheet is given for XYZ Ltd. along with additional information.

Compute:

- Return on Total Assets Ratio
- Return on Capital Employed
- Return on Equity

EQUITY AND LIABILITIES		Amount (₹)
Equity Share Capita (₹10 each)		8,00,000
Reserves and Surplus		2,00,000
Long Term Borrowings		
14% Debentures		2,00,000
Current Liabilities		
Creditors		1,60,000
TOTAL		13,60,000
ASSETS		Amount (₹)
PROPERTY PLANT AD EQUIPMENT		10,00,000
CURRENT ASSETS		3,60,000
TOTAL		13,60,000

PARTICULARS		Amount (₹)
1. Profit after tax		2,80,000
2. Tax rate		50%

3. Dividend Declared

1,20,000

(20 Marks)