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**4 (Sem-3) ADCA**

**2021**

**(Held in 2022)**

**ADVANCED CORPORATE ACCOUNTING**

**(Accountancy Major)**

Paper : 3.6

Full Marks : 80

Time : Three hours

***The figures in the margin indicate  
full marks for the questions.***

1. Answer the following questions as directed :  $1 \times 10 = 10$

(i) Profits earned by public limited company after getting certificate of incorporation.

***(State True or False)***

(ii) Under yield method of valuing share yield may be Earning yield or Dividend yield.

***(State True or False)***

Contd.

(iii) A company must pass an ordinary resolution or reduction of capital.

(State True **or** False)

(iv) Reduction of capital is unlawful except when \_\_\_\_\_. (Fill in the blank)

(v) The liquidation caused by inability to pay debt is known as \_\_\_\_\_ liquidation. (Fill in the blank)

(vi) Pre-acquisition profits are treated as \_\_\_\_\_ profits.

(Fill in the blank)

(vii) A subsidiary company cannot buy shares of the holding company after it has become its subsidiary.

(State True **or** False)

(viii) The remuneration payable to liquidator in case of compulsory liquidation is fixed by the National Company Law Tribunal.

(State True **or** False)

(ix) What is meant by Minority interest ?

(x) A company can be voluntarily wound up by members if —

(a) the directors give a declaration of solvency

(b) the auditor gives a declaration of solvency

(c) the creditors give consent

(d) None of the above

(Choose the correct alternative)

2. Answer the following questions in brief:

2×5=10

(a) State the meaning of reconstruction of companies.

(b) Mention the different forms of holding company.

(c) Explain *any two* situations which warrant the valuation of shares.

(d) What is voluntary winding-up of companies ?

(e) Write a short note on Yield method of Valuation of shares.

3. Answer the following questions : 5×4=20

- (a) Mention the basis of apportionment of the following expenses between pre-incorporation and post-incorporation period :

Publicity, Discount allowed, Rent, Sales Commission, Salaries, Depreciation, Insurance.

- (b) Anand Co. Ltd. went into liquidation with the following liabilities :

- (i) Secured creditors Rs. 20,000  
(Securities realised Rs. 25,000)
- (ii) Preferential creditors Rs. 6,000;  
and
- (iii) Unsecured creditors Rs. 30,500.  
Liquidators out of pocket expenses amounted to Rs. 252.

Liquidator is entitled to remuneration of 3% on the amounts realised and 1½ on the amount distributed to unsecured creditors (excluding preferential creditors). The various assets (excluding securities in the hands of fully secured creditors) realised Rs. 26,000.

You are required to prepare the Liquidator's Account showing the amount paid to the unsecured creditors.

State the procedure of determining the liquidator's remuneration on the liquidation of a company.

- (c) Distinguish between holding company and subsidiary company.
- (d) IM Ltd. passed a resolution on 30.06.2021 to convert its 80,000 fully paid Equity share of Rs. 10 each into Rs. 7 per share fully paid up and to return Rs. 3 per share to Equity share holders.

Pass necessary journal entries in the books of the company.

**Or**

Briefly explain the different forms of internal reconstruction of companies.

4. Answer **any four** questions :  $10 \times 4 = 40$

(a) The following particulars are available in relation to Goodluck Ltd.

(i) Capital 450, 6% preference shares of Rs.100 each fully paid. 4,500 Equity shares of Rs. 10 each fully paid.

(ii) External liabilities Rs. 7,500.

(iii) Reserves and surplus Rs. 3,500.

(iv) The average profit (after taxation) earned every year by the company Rs. 8,505.

(v) The normal profit earned on the market value of Equity shares fully paid of the same type of companies is 9%.

(vi) 10% of the profit after tax each year is transferred to reserves.

Calculate the intrinsic value per Equity share, yield value per Equity share and fair value of Equity share assuming that out of total assets, assets worth Rs. 350 are fictitious.

**Or**

Explain the different methods of valuation of shares.

(b) Following was the Balance Sheet of Gloria Ltd. as on 31st March, 2021:

**Balance Sheet as on 31-03-2021**

Particulars	Amount (in Rs.)
1. Equity and Liabilities :	
(i) Shareholder's Funds :	
(a) Share capital :	
15,000 Equity shares of Rs. 10 each	1,50,000
15,000, 7% preference share of Rs. 10 each	1,50,000
(b) Reserve and surplus :	
Surplus (Debit balance of Profit and Loss Account)	(60,000)
2. Current Liabilities :	
(a) Trade payables :	
Creditors	40,000
<b>Total</b>	<b>2,80,000</b>
(ii) Assets :	
1. Non-current Assets :	
(a) Tangible Assets Machinery	1,60,000
(b) Intangible Assets (goodwill)	25,000
2. Current Assets :	
(a) Stock	33,000
(b) Trade Receivable :	
Debtors	62,000
<b>Total</b>	<b>2,80,000</b>

*In the General meeting, it was resolved that :*

1. Equity shares of Rs. 10 each be reduced to shares of Rs. 6 each fully paid and 7% Preference shares of Rs. 10 each be reduced to 8% Preference share of Rs 7 each fully paid up. The number of shares in each case was to remain the same.
2. The amounts so available be used for writing off :
  - (i) Fictitious and intangible assets
  - (ii) Machinery to the extent possible;

You are required to —

- (a) show the necessary Journal entries in the books of the company.
- (b) prepare the Balance Sheet after the above entries.

**Or**

What is meant by “consolidation of shares” and “sub-division of shares” in the context of internal reconstruction of a company ?

- (c) Describe the meaning of liquidation of Companies. Narrate the different modes of winding up of a company. Prepare the Proforma of Liquidation's Final Statement of account.

**Or**

Explain the Procedure of compulsory winding up of a company.

- (d) H. Ltd acquired 4,000 shares of S. Ltd. on 1st Jan., 2021. Their Balance Sheets as on 31st Dec., 2021 were as follows :

Particulars	Amount (in Rs.)	
	H. Ltd	S. Ltd
1. Equity and Liabilities :		
(i) Shareholder's Funds :		
(a) Share capital :		
20,000 Equity shares of Rs. 10 each fully paid	2,00,000	
6,000, Equity shares of Rs. 20 each fully paid	—	1,20,000
(b) Reserves and surplus :		
General Reserve (1-1-2021)	78,000	66,000
Surplus (Balance of statement Profit and Loss)	1,00,000	39,000
2. Current Liabilities		
Trade Payables :		
Sundry creditors	86,000	83,000
Total	4,64,000	3,08,000
(ii) Assets :		
(i) Non-current Assets :		
(a) Tangible Assets	2,28,000	2,44,000
(b) Non-Current investments		
40,000 Equity shares in S.Ltd. at par	80,000	
(ii) Current Assets :	1,56,000	64,000
Total	4,64,000	3,08,000

Surplus of S. Ltd., includes Rs. 12,000 profit earned in the year 2021. You are asked to prepare a consolidated Balance Sheet as on 31st December 2021. Briefly highlight the requirement of Indian Accounting standards as regards preparation of consolidated financial statements.