



**WEST BENGAL STATE UNIVERSITY**  
B.Com. Honours 5th Semester Examination, 2020, held in 2021

**FACADSE02T-B.COM. (DSE1/2)**  
**CORPORATE ACCOUNTING**

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.*  
*Candidates should answer in their own words and adhere to the word limit as practicable.*

**GROUP-A**

**Answer any two questions from the following**

10×2 = 20

1. V. Ltd. issued 20,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows: 10

On application Rs. 5; on allotment Rs. 5 (including premium); on call Rs. 2.  
Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and shares were allotted to all other applicants. Mr. A, the holder of 150 shares, failed to pay the allotment money. On his subsequent failure to pay the call money, all the shares were forfeited.

Show the Journal entries in the books of V. Ltd.

2. The following balances have been extracted from the books of Grand Company Ltd. as at 31st March, 2020 10

Particulars	Dr. (Rs.)	Cr. (Rs.)
Equity Shares Capital (Rs. 10 each fully called up)		1,60,000
8% Preference Shares Capital (Rs. 100 each fully paid)		80,000
Machineries	1,28,000	
Land and Buildings	5,28,000	
Calls-in-arrear (on Equity Shares @ Rs. 5 each)	3,200	
Depreciation on machinery	12,800	
Purchases (net)	3,28,000	
Closing Stock	1,20,000	
Wages	96,000	
Salaries	64,000	
Sales		8,00,000
Bank Overdraft		1,60,000
10% Debentures		80,000

The Board of Directors have resolved:

- (i) To declare a Dividend @ 10% on Equity Share Capital paid up and to pay dividend on the Preference Shares in full.
- (ii) To transfer Rs. 20,000 to General Reserve.

You are required to prepare the statement of Profit and Loss for the year ended 31st March, 2020 and the Balance Sheet of the Company as at that date.

3. Delight Ltd. decided to buy back 60,000 of its Equity Shares of Rs. 10 each at a premium of 25%. For this, it will issue 5,000, 7.5% Preference Shares of Rs. 100 each at par. The company has Rs. 90,000 in General Reserve, Rs. 80,000 in Profit and Loss Account (Cr.) Rs. 1,20,000 in Capital Reserve and Rs. 1,00,000 in Security Premium. It decided to utilize profits and reserve, if necessary. 10

Give Journal Entries assuming that the transactions have been duly carried out.

4. AB Ltd. went into liquidation with the following liabilities: 10  
 Secured Creditors Rs. 40,000 (Securities realised Rs. 50,000);  
 Preferential Creditors Rs. 1,200;  
 Unsecured Creditors Rs. 61,000; Liquidation Expenses Rs. 500.  
 The liquidator is entitled to a remuneration of 3 % on the amount realised (including securities in the hands of secured creditors) and 1.5% on the amount distributed to unsecured creditors. The various assets (excluding the securities in hand of the Secured Creditors) realised are Rs. 52,000.

Prepare the Liquidator's Statement of Account showing the payment made to the Unsecured Creditors.

5. The following balances were extracted from the books of IGL Ltd.: 10

	<b>Rs.</b>
8% Redeemable Cumulative Preference Shares:	
1000 shares of Rs.100 each fully called up	1,00,000
Less: Calls unpaid at Rs. 25 per share	500
	99,500
Paid up Capital	99,500
Securities Premium Account	14,000
General Reserve	34,000
Capital Reserve	50,000
Cash at Bank	75,000

The directors redeemed the preference shares at a premium of 10% and for that purpose made. A fresh issue of equity shares of Rs. 10 each at par for such an amount as was necessary for the said purpose after utilizing the available retained sources to the maximum extent.

Give journal entries for recording the above transactions.

6. PQR Ltd. intends to purchase the business of EF Ltd. Goodwill for this purpose is agreed to be valued at 3 years' purchase of the weighted average profits of the past 4 years. 10

The following information were available:

Year	Weights	Profit (Rs.)
2017	1	3,09,000
2018	2	4,54,000
2019	3	3,57,000
2020	4	4,80,000

- (i) On 1.9.2018 a repair was made in respect of a Plant at a cost of Rs. 80,000 and this was charged to revenue. The said sum is agreed to be capitalized for goodwill valuation.
- (ii) The closing stock for the year 2019 was overvalued by Rs. 30,000.
- (iii) To cover the management expenses as an annual charge of Rs. 1,00,000 should be made for the purpose of Goodwill valuation.

Compute the value of Goodwill of the company.

### GROUP-B

Answer any *two* questions from the following

15×2 = 30

7. Pioneers Ltd. issued for public subscription 60,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share payable as – on application Rs. 2 per share; on allotment Rs. 5 per share (including premium); on 1st call Rs. 2 per share; on final call Rs. 3 per share. 15

Applications were received for 90,000 shares. Allotment was made pro-rata to applicants for 72,000 shares, the remaining applications being refused and to be refunded. Tarak to whom 2,400 shares were allotted failed to pay the allotment and both the call money. His shares were forfeited after the 2nd and Final Call were made and due. Nimai to whom 3,000 shares were allotted failed to pay the two calls. His shares were also forfeited. Subsequently, out of these forfeited shares 3,900 shares (including all shares of Tarak as forfeited) were re-issued to Pravin at Rs. 8 per share as fully paid up.

Show the necessary journal entries and the Cash Book. Also show the Balance Sheet as it would appear after re-issue.

8. The following is the Balance Sheet of Srabanti Co. Ltd. as at 31<sup>st</sup> March, 2020: 15

Particulars	Note No.	31.03.2020 Rs.
<b>I. Equity and Liability</b>		
1. Shareholder's Funds		
(a) Share Capital	1	15,00,000
(b) Reserves and Surplus	2	10,50,000
		3,50,000
2. Current Liabilities		
<b>Total</b>		<b>29,00,00</b>
<b>II. Assets</b>		
1. Non-Current Assets		
(a) Fixed Assets	3	15,00,000

(b) Non-current Investments (at cost) [Market Value Rs. 2,80,000]		3,00,000
<b>2. Current Assets</b>		
(a) Inventories in Stock		4,70,000
(b) Trade Receivables	4	4,00,000
(c) Cash and Cash Equivalents	5	2,30,000
<b>Total</b>		<b>29,00,000</b>

**Notes to Accounts:**

Particular	Rs.	Rs.
<b>1. Share Capital</b>		
Issued, Subscribed & Paid-up		
5,000 7.5% Preference Shares of Rs.10 each	5,00,000	
1,00,000 Equity Shares of Rs.10 each	10,00,000	15,00,000
<b>2. Reserve and Surplus</b>		
Securities Premium Reserve	1,00,000	
General Reserve	7,50,000	
Balance in Statement of Profit and Loss	2,00,000	10,50,000
<b>3. Fixed Assets-Tangible</b>		
Land and Buildings	8,00,000	
Plant and Machinery	6,00,000	
Furniture and Fittings	1,00,000	15,00,000
<b>4. Trade Receivable</b>		
Debtors	2,00,000	
Bills Receivable	2,00,000	4,00,000
<b>5. Cash and Cash Equivalents</b>		
Cash at Bank	1,75,000	
Cash in Hand	55,000	2,30,000

On 1.4.2020 it was decided to redeem the Preference Share Capital at a premium of 5%.

To finance the redemption, all the investments were sold at market price, 10,000 Equity Shares of Rs. 10 each at Rs.9 per share as fully paid up and 1000 6% Debentures of Rs. 100 each at par were issued. On 1.4.2020 the company made a bonus issue of one equity share of Rs.10 each for every two shares held on that date. It was also decided to use General Reserves as minimum as possible.

Pass the Journal entries including Cash Book entries to give effect to the above decisions and also prepare a Balance Sheet.

**OR**

Explain the Sinking Fund method of redemption of debentures and other long-term liabilities.

9. (a) The following particulars are available in relation to a Joint Stock Company:

5+10

(i) Capital: 3,500 7%, Preference Shares of Rs. 100 each fully paid; 83000 Equity Shares of Rs. 10 each fully paid;

- (ii) External Liabilities: Rs. 4,75,000
- (iii) Reserve and Surplus: Rs. 3,35,000
- (iv) The average annual profit (after taxation) earned every year by the company, Rs. 1,54,250.
- (v) The normal profit earned on the market value of equity shares, fully paid of the same type of companies is 9.5%.

Calculate the value of each equity share by:

- (I) Asset- Backing method (assuming total assets includes fictitious assets worth Rs. 27,000);
  - (II) The Earning-Capacity method.
- (b) From the following information calculate the value of goodwill as on 31st March, 2020:

Equity Shares Capital (Shares of Rs.10 each)	Rs. 5,00,000
10% Preference Shares Capital	Rs. 2,00,000
Reserve and Surplus	Rs. 70,000
9% Debentures	Rs. 1,00,000
Depreciation Fund	Rs. 60,000
Creditors	Rs. 50,000
Balance Sheet includes Unrealised Assets	Rs. 20,000

Market Value of Assets is Rs. 70,000 more than the book values.

Profits for the last three years (after 40% of income tax) were Rs. 75,000; Rs. 84,000; Rs. 1,14,000 respectively. Normal return on capital employed in this type of business to be estimated at 10%.

You are required to calculate the value of goodwill by capitalisation of Super Profit.

10. Rema Ltd. was registered with an authorised capital of Rs.10,00,000 divided into Equity Shares of Rs.10 each, of which 40,000 shares had been issued and fully paid up.

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The following is the Trial Balance extracted on 31st March, 2020

Particulars	Dr. (Rs.)	Cr. (Rs)
Stock on 1st April,2019	1,86,420	
Purchase and Sales	7,18,210	11,69,900
Goods Return	12,680	9,850
Manufacturing Wages	1,09,740	
Sundry Manufacturing Expenses	19,240	
Carriage Inwards	4,910	
18% Bank Loan (Secured)		50,000
Interest on Bank loan	4,500	
Office Salaries and Expenses	17,870	
Auditor's Fees	8,600	
Director's Remuneration	32,250	
Freehold Premises	1,64,210	
Plant and Machinery	1,28,400	
Furniture	5,000	
Patents	20,000	
Debtors and Creditors	1,05,400	62,220
Cash in hand	19,530	
Cash at Bank	89,360	

Advance Income Tax	84,290	
P&L A/c on 1st April, 2019		38,640
Share Capital		4,00,000
<b>Total</b>	<b>17,30,610</b>	<b>17,30,610</b>

You are required to prepare the Statement of Profit and Loss for the year ended 31st March 2020 and a Balance Sheet as on that date as per Revised Schedule VI after taking into consideration the following adjustments:

- (i) On 31.03.2020, outstanding manufacturing wages and outstanding office salaries stood at Rs. 1,890 and Rs. 1,200 respectively. On the same date, stock was valued at Rs.1,24,840.
- (ii) Make provision for interest on Bank loan for 6 months.
- (iii) Depreciation is to be provided on Plant & Machinery @15% p.a. and on Office Furniture @10% p.a.
- (iv) Make a Provision for Taxation @33%
- (v) The directors recommended a dividend @15% for the current year after transfer of 5% of net profit to General Reserve.
- (vi) Dividend Distribution Tax may be provided @16.995%.

11. The Balance Sheet of Star and Moon Ltd. as on 31.03.2020 are as follows:

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Particulars	Star Ltd. Rs.	Moon Ltd. Rs.
<b>Equity and Liabilities</b>		
<b>1. Shareholder's Funds</b>		
<b>(a) Share Capital</b>		
<i>Subscribed and Paid up</i>		
Equity Shares of Rs.10 each	10,00,000	8,00,000
6% Preference Shares of Rs. 100 each	10,00,000	2,00,000
<b>2. Non-Current Liabilities</b>		
<b>(a) Long-term Borrowings</b>		
7% Debentures of Rs. 100 each	2,80,000	4,00,000
Loan from Star Ltd.	---	60,000
<b>3. Current Liabilities</b>	5,00,000	1,40,000
<b>Total</b>	<b>27,80,000</b>	<b>16,00,000</b>
<b>Assets</b>		
<b>1. Non-Current Assets</b>		
<b>(a) Fixed Assets</b>		
(i) Tangible Assets	16,00,000	12,00,000
(b) Non-Current Investments		
10,000 Equity shares of Moon Ltd.	1,20,000	---
Loan to Moon Ltd.	60,000	
<b>2. Current Assets</b>	10,00,000	4,00,000
<b>Total</b>	<b>27,80,000</b>	<b>16,00,000</b>

Star Limited decided to take over Moon Limited on the following terms:

- (i) Star Ltd. will issue seven (7) Equity Shares of Rs. 10 each at a premium of 20% and pay Rs. 5 in cash for every five (5) Equity Shares of Moon Ltd.
- (ii) Each Preference Shareholders of Moon Ltd. be issued 6% Preference Share of Rs. 100 each in Star Ltd. at a premium of 5%.
- (iii) 7% Debentures of Moon Ltd. be redeemed at 8% premium by issue of 7% Debentures of Star Ltd. at 10% discount.

(iv) Liquidation expenses amounting to Rs. 20,000 are to be born by Star Ltd.

(v) The Fixed Assets of Moon Ltd. are revalued at Rs. 16,00,000 on takeover.

Pass journal entries in the books of Star Ltd. and prepare the Balance Sheet after the takeover following the related Accounting Standards.

12. The Balance Sheet of D Ltd. as on 31<sup>st</sup> March, 2020 was as follows:

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Particulars	Amount
<b>Equity and Liabilities</b>	
<b>1. Share Capital</b>	
<b>(a) Equity Share:</b>	
<i>Subscribed and fully Paid up:</i>	
20,000 Equity Shares of Rs. 10 each	2,00,000
<b>(b) Other Capital:</b>	
15,000 7% Preference Shares of Rs. 10 each fully paid up	1,50,000
<i>Subscribed and partly Paid up:</i>	
13,000 6% Preference Shares of Rs. 5 each fully paid up	65,000
<b>2. Non-Current Liabilities</b>	
(b) Long-term borrowings	
5% Debentures	1,50,000
4% Debentures [of Rs. 100 each]	3,00,000
<b>3. Current Liabilities</b>	
(a) Trade Payable-Creditors	2,74,500
(b) Other Current Liabilities:	
Interest due on Debentures	19,500
<b>Total</b>	<b>11,59,000</b>
<b>Assets</b>	
<b>1. Non-Current Assets</b>	
<b>(a) Fixed Assets</b>	
<b>(i) Tangible Assets</b>	1,75,000
Land and Building	3,25,000
Plant and Machinery	15,000
Furniture and Fittings	
<b>(ii) Intangible Assets</b>	80,000
Goodwill	54,000
Patents and Designs	
<b>(b) Non-Current Investments</b>	75,000
<b>2. Current Assets</b>	
(a) Trade Receivables-Sundry Debtors	4,15,000
(b) Cash and cash Equivalents- Cash at Bank	20,000
<b>Total</b>	<b>11,59,000</b>

Note: arrear Preference Dividend Rs. 28,800

The following scheme of reconstruction / capital reduction was submitted and approved by the Court:

- (i) Equity Shares of Rs. 10 each fully paid were reduced to Equity Shares of Rs. 5 each, Rs. 5 per share paid.
- (ii) 7% Preference Shares of Rs. 10 each fully paid were reduced to 6.5% Preference shares of Rs. 10 each, Rs. 6 per Share paid.
- (iii) 6% Preference Shares of Rs. 10 each, Rs. 5 per Share paid, were reduced to 4.5% Preference Shares of Rs. 10 each, Rs. 3 per share paid.
- (iv) Debenture holders agreed to forgo their debenture interest.
- (v) Preference Shareholders also agreed to forgo the arrear dividend.
- (vi) The company recovered as damages a sum of Rs. 50,000 from a third party and decided to utilise this sum towards writing off capital losses.
- (vii) The expenses of reconstruction were Rs. 2, 250.

Show that necessary Journal Entries recording the transactions and draw up the Balance Sheet after reconstruction/reduction.

**OR**

Write short notes on:

5×3=15

- (i) Deficiency Account
- (ii) Capital Redemption Reserve Account
- (iii) Amalgamation in the nature of merger.

**N.B. :** *Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.*

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