

Unique Paper Code : 52414403
Name of the Paper : Corporate Accounting
Name of the Course : B.Com (CBCS)
Semester : IV

Duration: 3 Hours

Maximum Marks :75

Instructions for Candidates

1. Attempt *ANY FOUR* Questions. ALL QUESTIONS CARRY EQUAL MARKS.
2. Simple Calculators are allowed to be used.
3. Working Notes should form part of the answer.

1. **PRITHVI Ltd** had 19,200 12% Debentures of 100 each outstanding as on 1st April, 2019, redeemable on 31st March, 2020. On that day, Debenture Redemption Reserve was ₹ 17,97,600 represented by 2,400 own debentures purchased at the average price of ₹ 99 ex and 9% Govt. Bonds (face value ₹ 15,84,000). The annual installment was ₹ 68,160. On 31st March, 2020, the investments were realized at 98% and the debentures were redeemed. **Pass the necessary journal entries and Prepare 12% Debentures Account and Debenture Redemption Reserve Account.** [18.75]

2. From the following extracts from the Balance Sheets of **JAL Ltd.**, Calculate Net Cash Inflow from Operating Activities after Tax to be disclosed in the Cash Flow Statement as per AS-3 issued by ICAI.

Particulars	31.3.2020 (₹)	31.3.2019 (₹)
Equity Share Capital	10,92,000	6,00,000
General Reserve	2,52,000	3,00,000
Profit & Loss A/c	11,40,000	48,000
Securities Premium	60,000	--
Capital Redemption Reserve	--	1,20,000
Capital Grant	9,60,000	Nil
Convertible Debentures (into equity shares at 25% premium)	--	2,40,000
Trade Payables	1,26,000	1,20,000
Goodwill	18,000	--
Plant & Machinery	9,18,000	6,00,000
Inventories	1,14,768	6,48,000
Trade Receivables	9,00,000	7,50,000
Less: Provision for Doubtful Debts	(2,28,000)	(1,80,000)
Voluntary Separation Payments	1,50,000	78,000

Additional Information:

- (a) Depreciation on Plant & Machinery written off @ 15%.
- (b) It was decided to value Inventories at cost whereas previously the practice was to value Inventories at cost less 10%. However the closing stock on 31.03.2020 was correctly valued at cost.
- (c) On 31st March 2020, the business of Y Ltd. was purchased for ₹72,000 payable in fully paid equity shares of ₹ 10 each at a premium of 20%. The assets included Inventories ₹ 31,968, Trade Receivables ₹ 12,000, and Machine ₹ 22,032. In addition Trade Payables of ₹ 18,000 were taken over.
- (d) Debtors of ₹2,76,000 were written off against the Provision for Doubtful Debts A/c during the year. Grant of ₹ 12,00,000 amortised in P&L A/c. Compensation received in a suit filed by the company ₹ 1,08,000. Voluntary Separation Payments ₹ 60,000 adjusted against General Reserve.

[18.75]

3. From the following information, calculate the Fair Value of an Equity Share of **AGNI Ltd.**:

- 4,80,000 Equity Shares of ₹ 10 each, ₹ 8 paid up
- 8,40,000 Equity Shares of ₹ 5 each fully called up (Calls-in-arrears @ ₹ 2 on 2,40,000 shares)
- 12,000 9% Preference Shares of ₹100 each fully paid up
- Reserves & Surplus ₹ 88,51,200
- Tangible Fixed Assets ₹ 3,60,000. 50% of Total Tangible Fixed Assets are found undervalued by 50% of market value and 50% of the remaining are found overvalued by 50% of market value. 10% Investments: [Face Value ₹ 96,000] ₹ 1,20,000. Of the Investments 10% is trade and the balance non-trade. All trade Investments are to be valued at 10% below cost.
- External Liabilities ₹ 12,00,000
- Expected Future Maintainable Profits before tax ₹ 30,70,800
- Rate of Tax—30%, (Ignore Corporate Dividend Tax)
- Normal Rate of Earnings—9%

[18.75]

4. Given below are the extracts from the Balance Sheet of **VAYU Ltd.** as at March 31, 2020:

Particulars	(₹ in lakhs)
Equity Shares of ₹ 10 each	600
6% Cum- Pref. Shares of ₹ 100 each	120
Capital Reserve	7.2
Workmen's Compensation Fund: (Pune)	2.4
Workmen's Compensation Fund: (Bombay)	1.2
10% First Debentures	72
10% Second Debentures	120
Debentures Interest outstanding	19.2
Trade Creditors	198
Provision for Tax	12
Goodwill	12
Patents & Copy Rights	6
Plant & Machinery	863.52
10% Government Loan Earmarked Against Workmen's Compensation Fund	3.6
Investments in Shares in Q Ltd.	38.88
Stock	72
Debtors	12
Cash at Bank	124.8
Discount on issue of Debentures	1.2
Profit and Loss Account (debit balance)	18

Note: Dividend on Preference Shares are in arrears for three years.

The following scheme of internal reconstruction was approved by the Court and implemented:

- All the equity shares be converted into the same number of equity shares of ₹ 5 each, ₹ 2.50 paid up.
- The preference shares are converted from 6% to 15% but revalued in a manner in which the total return on them remains unaffected. Four equity shares of ₹ 5 each, ₹ 2.50 paid up to be issued for each ₹ 100 of arrears of preference dividend.
- Mr. A holds 10% first debentures for ₹ 48 lacs and 10% second debentures for ₹ 72 lacs. He is also a creditor for ₹ 12 lacs. Mr. 'A' is to cancel ₹ 72 lacs of his total debt and to pay ₹ 12 lacs to the company and to receive new 12% Debentures for

the balance amount. Mr. B holds the remaining 10% first debentures and 10% second debentures and is also a creditor for ₹ 6 lacs. Mr. 'B' is to cancel ₹ 36 lacs of his total debt and to accept new 12% Debentures for the balance amount.

- (d) Trade Creditors (other than A and B) are given the option of either to accept equity shares of ₹ 5, ₹ 2.50 paid up each, for the amount due to them *or* to accept 80% of the amount due in cash. 40% Creditors accepted equity shares whereas the balance accepted cash in full settlement.
- (e) There were capital commitments totalling ₹ 360 lacs. These contracts are to be cancelled on payment of 5% of the contract price as a penalty. The Directors refund ₹ 13.2 lacs of the fees previously received by them. The taxation liability of the company is settled at ₹ 10.656 lacs and the same is paid immediately.
- (f) Workmen's Compensation Fund (Bombay) disclosed the fact that actually there was a liability of ₹ 24,000 only. As a result the relevant fund amount balance was to be brought down to the required amount. Investments were realised at 10% above the book value.
- (g) Investment in Shares of Q Ltd. is to be valued at ₹ 37.5 lacs. Stock is to be valued at 114% of book value. 80% of Debtors are considered as Bad and 20% of the balance Debtors are considered as Doubtful. Any surplus after writing off the various losses should be utilized in writing down the value of plant & machinery. A dissentient shareholder transferred his 100 shares to a director.

Required: Prepare the Reconstruction Account.

[18.75]

5.AAKASH Ltd. provides you the following relevant information as at 31st March, 2020:

	₹ in Lacs
10% Redeemable Pref. shares of ₹ 10 each fully paid up	120
Equity Shares of ₹ 10 each fully paid up	360
Securities Premium	60
General Reserve	300
Profit & Loss Account	360
Capital Redemption Reserve	24
Plant Revaluation Reserve	600
Capital Reserve	720
Export Reserve (Statutory Reserve)	840
Debenture Redemption Reserve	30.6
Long term Secured Loans from Bank	1,100.4
12% Convertible Debentures (of ₹ 100 each)	99.6
Long term Unsecured Loans	768
Current Liabilities	120
General Investments [Face Value ₹ 240 lacs]	480
Investments in 19,800 Own Debentures	36
Debenture Redemption Reserve Investments[Face Value ₹ 18 lacs]	24

On 1st April, 2020, the company decided: (a) To buy back ₹ 24 lacs equity shares at 25% over the Market Price. Market Price per share is ₹ 40. For this purpose, sufficient Investments were realized at market price which was 125% of the face value. (b) To redeem the Pref. shares at a premium of 10%. (c) To cancel Investments in Own Debentures. (d) To redeem the Debentures at a

premium of 5% and also confer option to the debenture holders to convert 50% of their holding into equity shares at a predetermined price of ₹ 15 per share and balance payment to be made in cash.

Holders of 36,000 debentures opted to get their debentures redeemed in cash only while the rest opted for getting the same converted into equity shares as per the terms of issue. Debenture Redemption Reserve Investment realized 120%.

Later on the company issued one fully paid up Equity Share of ₹ 10 each by way of bonus shares for every four equity shares held. **Required:** Prepare Cash at Bank A/c, General Reserve A/c, Capital Redemption Reserve A/c, Equity Share Capital A/c and Securities Premium A/c. [18.75]

6. Given below are the extracts from the Balance Sheets of H Ltd. and S Ltd. as at 31st March, 2020:

Particulars	H Ltd. ₹	S Ltd. ₹
Equity Shares of ₹ 10 each	12,00,000	6,00,000
Profit & Loss A/c	3,00,000	3,52,800
Loan from S Ltd. (including interest)	57,000	—
Trade Creditors	5,55,000	9,44,400
Plant & Machinery	7,20,000	4,80,000
Non-Current Investments	7,26,240	66,000
18% Loan to H Ltd. (given on 01.06.2019)	--	60,000
Inventories	1,20,000	3,60,000
Trade Debtors	2,40,000	12,12,000
Bank	2,88,000	30,000

Additional Information

- H Ltd. acquired 36,000 equity shares in S Ltd. on 1.7.2019 at a cost of ₹ 6,00,000. The credit balance of Profit and Loss Account of S Ltd. as on 1.4.2019 was ₹ 2,40,000.
- On 30.9.2019, S Ltd. declared dividend @ 20% on equity shares for the year 2018–2019. H Ltd. credited the receipt of dividend to its Profit and Loss A/c.
- H Ltd. and S Ltd. agreed that with effect from 1st July 2019, for services rendered, H Ltd. should charge ₹ 600 p.m. No accounting effect has yet been given. During June 2019, goods costing ₹ 7,200 were destroyed against which the insurer paid only ₹ 2,400 to S Ltd.
- H Ltd. owed S Ltd. ₹ 3,60,000 for the purchase of stock from S Ltd. which made a profit of 20% on cost. 20% of such goods are lying unsold on 31.3.2020. On 31.3.2020, H Ltd. transferred a machinery to S Ltd. for ₹ 1,20,000. The book value of the machinery to H Ltd. was ₹ 1,08,000. H Ltd. remitted a cheque of ₹ 12,000 to S Ltd. on 31st March, 2019 towards repayment of loan, which was received by S Ltd. on 2nd April, 2020.

Required: Calculate the Minority Interest, Cost of Control and the Balance of Consolidated P& L Account to be taken to the Consolidated Balance Sheet of H Ltd. and its subsidiary, as at 31st March, 2020. [18.75]