

2022

CORPORATE ACCOUNTING — HONOURS

Paper : DSE-5.2AH

Full Marks : 80

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Pearson Ltd. issued to public 30,000 ordinary shares of ₹ 100 each at par.

Amount payable on each share is as follows : ₹ 25 on application, ₹ 40 on allotment, ₹ 20 on first call and balance on final call. The company received from the public applications for 20,000 shares. Mr. Soham, holding 200 shares failed to pay first and final call money and Mr. Debjit, holding 400 shares could not pay final call. As a consequence, these 600 shares were forfeited after final call.

Show the journal entry for forfeiture of shares. Also pass the entry for re-issue of forfeited shares in the following independent cases (Narration not required) :

Case (a): 500 shares out of those forfeited (including all those of Mr. Soham) were re-issued to Mr. Joy at ₹ 90 per share, as fully paid-up.

Case (b): All forfeited shares were re-issued to Mr. Joy at ₹ 110 per share as fully called-up and paid-up. 10

2. Big Ltd. granted options for 5,000 shares (FV ₹ 10) on 01.04.2019 to its employees at ₹ 70 each. On the date of grant market price was ₹ 120 each. Vesting period is 2½ years and the exercise period is 3 months. 300 and 500 options were lapsed on 01.06.2019 and on 15.02.2020 respectively.

Within 31.12.2021 employees exercised options for 4,000 shares and the balance options were lapsed. Market value of shares as on 31.12.2021 (the date of acceptance of option) was ₹ 190.

Show necessary journal entries (narration not required) for the years 2019-20, 2020-21 and 2021-22. 10

Or,

Sunny Ltd. issued 4,00,000 shares of ₹ 10 each at a premium of ₹ 20. The entire issue was underwritten as follows :

Divya : 1,20,000 shares (Firm underwriting 9,000) Mou : 60,000 shares (Firm underwriting 6,000)

Rohan : 1,80,000 shares (Firm underwriting 12,000) Sneha : 40,000 shares (Firm underwriting 3,000)

Total subscriptions received by the company (excluding firm underwriting) were 3,60,000 shares.

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The marked applications (excluding firm underwriting) were as follows :

Divya : 75,000; Mou : 47,000; Rohan : 1,25,000 and Sneha : 43,000

Also, the underwriting contract provides that credit of marked applications and benefit of firm underwriting is given to individual underwriters. Determine the liability of each underwriter (in number of shares).

10

3. Given below are the extracts of Balance Sheet of Adri Limited as on 31st March, 2022 :

Particulars	Amount in ₹
12% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that :

- Preference Shares are of ₹ 100 each fully-called, due for immediate redemption at a premium of 5%.
- Calls-in-arrears are on account of final call on 1000 shares held by four members whose whereabouts are not known.
- Balance of General Reserve and Securities Premium to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at per.
- The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries (narration not required) to give effect to the above redemption.

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Or,

The following balances are extracted from the books of BB Ltd. :

Equity shares : 40,000 of ₹ 10 each, fully paid	
Securities Premium	₹ 3,00,000
General Reserve	₹ 2,00,000
Statement of Profit and Loss (cr.)	₹ 3,20,000
Total Debt :	₹ 2,00,000

The company decided to buy-back 25% of its equity shares at the maximum possible price.

You are required to calculate the maximum possible price that can be paid and pass necessary journal entries (narrations not required) assuming that the shares were bought back at that price.

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4. The following balances appeared in the books of Prayash Ltd. on 01.04.2021 :

Sinking Fund Account	₹	50,000
Sinking Fund Investment Account	₹	48,000
(10% Government Securities : Nominal Value ₹ 45,000)		
12% Debentures	₹	1,00,000

On 01.04.2021, the company sold ₹ 30,000 Government securities at 110% and utilised the amount to redeem part of the debentures at a premium of 10%.

Show Debentures Account, Sinking Fund Account and Sinking Fund Investment Account. 10

5. From the following information, compute the value of Goodwill using 'Capitalisation of Average Profit' : 10

- (a) Capital Employed as per Balance Sheet ₹ 14,50,000.
 (b) Revaluation of assets showed an increase of ₹ 1,00,000
 (c) Normal rate of profit 12.5%
 (d) Profit after tax @ 25% :

Year ended	31.03.2019	31.03.2020	31.03.2021
PAT (₹)	1,95,000	2,25,000	2,40,000

- (e) Non-trading income of ₹ 10,000 is included in the profit of each of the above years and debenture interest of ₹ 30,000 and ₹ 20,000 were included in the statement of Profit and Loss for the year ended 31.03.2019 and 31.03.2020 respectively.
 (f) Use weighted average profit. Weights to be taken are 1, 2, 3 for the year 2018-2019, 2019-2020 and 2020-2021 respectively.

Or,

The following particulars relate to Hyundai Ltd. as on 31.03.2022 :

	₹		₹
(a) Paid up share capital :		(b) Reserve and surplus :	
20,000 Equity shares of ₹ 10 each fully paid-up	2,00,000	General Reserves	90,000
10,000 Equity shares of ₹ 10 each, ₹ 7 paid-up	70,000	(c) Trade Payables	46,000
2,000, 10% Preference share of ₹ 100 each fully paid-up	2,00,000		

Beside the above, the following further information are available as on 31.03.2022 :

- (i) Value of fixed assets to be raised by ₹ 60,000, whereas inventory value to be reduced by ₹ 24,000.
 (ii) Liability for expenses ₹ 12,000 is yet to be recorded in the books of accounts.

Calculate value per Equity share and Preference share of Hyundai Ltd. when preference share are participating. Ratio of participation in surplus assets between equity and preference shareholders is 2 : 1. 10

Please Turn Over

Group - B

6. The following is the Trial Balance of Atul Ltd. as on 31st March, 2022 :

Debit Balances	₹	Credit Balances	₹
Purchases	82,95,000	Sales	1,25,87,000
Wages and Salaries	12,72,000	Commission	72,500
Rent	2,20,000	Equity Share Capital	10,00,000
Rates and Taxes	50,000	General Reserve	10,00,000
Selling and Distribution Expenses	4,36,000	Surplus (P & L A/c) on 01.04.2021	8,75,500
Directors Fees	32,000	Securities Premium	2,50,000
Bad Debts	38,500	Term Loan from Public Sector Bank	1,02,00,000
Interest on Term Loan	8,05,000	Trade Payables	55,08,875
Land	24,00,000	Provision for Depreciation :	
Factory Building	36,80,000	On Plant	9,37,500
Plant and Machinery	62,50,000	On Furniture and Fittings	82,500
Furniture and Fittings	8,25,000	On Factory Building	1,84,000
Trade Receivables	64,75,000	Provision for Doubtful Debts	25,000
Advance Income Tax Paid	37,500	Bills Payable	1,25,000
Stock (1st April, 2021)	9,25,000		
Bank Balances	9,75,000		
Cash on hand	1,31,875		
Total	3,28,47,875	Total	3,28,47,875

Following information is provided :

- The Authorized Share Capital of the Company is 4,00,000 Equity Shares of ₹ 10 each. The Company has issued 1,00,000 Equity Shares of ₹ 10 each.
- Provide Depreciation @ 10% per annum on Plant and Machinery, 10% on Furniture and Fittings and 5% on Factory Building on written down value basis.
- Closing Stock as on 31st March, 2022 is ₹ 11,37,500.
- Make a provision for Doubtful Debts @ 5% on Debtors.
- Make a provision of 30% for Corporate Income Tax.
- Trade Receivables of ₹ 85,600 are outstanding for more than six months.
- The Board declared a dividend @12.5% on Paid up Share Capital on 10th April, 2022.

You are required to prepare Balance Sheet as on 31st March, 2022 and Statement of Profit and Loss with Note to Accounts for the year ending 31st March, 2022 as per schedule III of the Companies Act, 2013. Ignore previous years' figures.

7. M. Ltd. agreed to acquire the business of N Ltd. as on 31.03.22. The summarised Balance Sheet as on that date was as follows :

Equity and Liabilities	(₹)
Equity Share Capital (₹ 10 each fully paid)	3,00,000
General Reserve	1,00,000
Balance of Profit and Loss Statement	40,000
12% Debentures	50,000
Trade Payable (Creditors)	20,000
Total	5,10,000
Assets	
Land and Building	1,00,000
Plant and Machinery	2,20,000
Goodwill	50,000
Trade Receivables (Debtors)	30,000
Inventories	80,000
Cash and Cash equivalent	30,000
Total	5,10,000

The consideration payable by M Ltd. was agreed as follows :

- (i) a cash payment equal to ₹ 5.00 for each equity share.
- (ii) the issue of 45,000, ₹ 10 fully paid share of M Ltd. having an agreed value of ₹ 12.50 per share.
- (iii) Debenture holders of N Ltd. to be issued 5,000 equity shares in M. Ltd. of ₹ 10 each at 25% premium.

While computing the agreed consideration, M Ltd. valued the assets of N Ltd. as : Land and Building at ₹ 1,68,000, Plant and Machinery at ₹ 4,50,000, Stock in Trade at ₹ 70,000 and Debtors at face value subject to an allowance of 4% to cover doubtful debts. Realisation expenses ₹ 14,000 were paid by N. Ltd.

You are required to :

- (a) Calculate the purchase consideration.
- (b) Show necessary Realisation Account and Shareholders Account in the books of N Ltd.
- (c) Give journal entries to be passed in the books of M Ltd. (narrations not required). 3+7+5

Or,

Happy Ltd. had decided to reconstruct the Balance Sheet since it had huge accumulated losses and overvalued Plant and Machinery. The following is the Balance Sheet of the company as at 31.03.2022 before reconstruction :

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Equity and Liabilities	(₹)
Equity Share Capital (₹ 10 each fully paid)	6,00,000
12% Preference Share Capital (₹ 100 each fully paid)	4,00,000
Balance of Profit and Loss Statement	(1,65,000)
10% Debentures	2,50,000
Accrued Debenture Interest	25,000
Bank Overdraft	1,75,000
Trade Payables	45,500
Total	13,30,500
Assets	
Land and Building	5,00,000
Plant and Machinery	2,75,000
Furniture	32,500
Goodwill	1,50,000
Trade Receivables	46,000
Inventories	2,63,000
Cash and Cash equivalent	64,000
Total	13,30,500

Note : The preference dividend are in arrear for 3 years.

The scheme of reconstruction is submitted as follows :

- (i) Equity shares are to be reduced to shares of ₹ 5 each, fully paid.
- (ii) Against every preference share 1 new 15% Preference Share of ₹ 50 each fully paid and 5 Equity Shares of ₹ 5 each, fully paid is to be issued.
- (iii) 1,00,000 Equity Shares of ₹ 5 each fully paid are to be issued at par in cash.
- (iv) 1/3rd of the arrear dividend on preference share to be paid in cash in full settlement of their arrear dividend.
- (v) Debentures (along with their unrecorded interest of ₹ 25,000) are to be settled by the issue of 12% new Debentures of ₹ 2,00,000.
- (vi) Losses and intangibles are to be written off in full and overvalued assets are to be written down.

Expenses in connection with the reconstruction amounted to ₹ 7,000.

You are required to :

- (a) Show necessary journal entries (narrations not required) in the books of Happy Ltd.; and
- (b) the new Balance Sheet of the company after the reconstruction.