

Seat No. : _____

AJ-107

April-2025

Int. M.B.A., (NEP), Sem.-IV

Advanced Corporate Accounting

Time : 2:00 Hours]

[Max. Marks : 50

1. The following is the Balance Sheet of Downhill Ltd. as at 31st March, 2024 :

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| Particulars | Note No. | ₹ |
|--|----------|------------------|
| I. Equity and Liabilities | | |
| 1. Shareholders' Funds | | |
| Share Capital | 1 | 20,00,000 |
| Reserves and Surplus | 2 | (19,55,000) |
| 2. Non-current Liabilities | | |
| Long-term Borrowings (12% Debentures) | | 5,00,000 |
| 3. Current Liabilities | | |
| Short-term Borrowings (Bank Loan) | | 55,000 |
| Trade Payables (Trade creditors) | | 3,00,000 |
| Other Current Liabilities (Outstanding debenture interest) | | 1,20,000 |
| Total | | 10,20,000 |
| II. Assets | | |
| 1. Non-current Assets | | |
| Property, Plant and Equipment : | | |
| Tangible Assets | 3 | 5,30,000 |
| Intangible Assets | 4 | 50,000 |
| Other Non-current Assets | 5 | 20,000 |
| 2. Current Assets | | |
| Inventories (Stock-in-trade) | | 3,50,000 |
| Trade receivables (Trade debtors) | | 60,000 |
| Cash and Cash Equivalents (Cash at Bank) | | 10,000 |
| Total | | 10,20,000 |

Notes to Accounts :

| Particulars | ₹ | ₹ |
|--|--------------------------------|-------------|
| 1. Share Capital 20,000 Equity shares of ₹ 100 each | | 20,00,000 |
| 2. Reserves and Surplus Profit prior to Incorporation Surplus/(Deficit) in the statement of profit and loss | 25,000 (19,80,000) | (19,55,000) |
| 3. Tangible Assets Land and Building Plant and Machinery Furniture | 1,50,000 3,00,000 80,000 | 5,30,000 |
| 4. Intangible Assets Goodwill | | 50,000 |
| 5. Other Non-current Assets Discount on Issue of Debentures | | 20,000 |

The following scheme of reconstruction was executed :

- (i) Equity shares are reduced to ₹ 5 per share. They are then consolidated into 10,000 equity shares of ₹ 10 each.
- (ii) Debenture holders agree to forego outstanding Debenture Interest. As a compensation 12% Debentures are converted into 14% debentures.
- (iii) Trade creditors are given the option to either accept 50% of their claims in cash in full settlement or to convert their claims into equity shares of ₹ 10 each. Creditors for ₹ 2,00,000 opt for shares in satisfaction of their claims.
- (iv) To make payment to trade creditors opting for cash payment, to repay bank loan and to augment working capital the company issues 50,000 equity shares of ₹ 10 each at par, the entire amount being payable along with application. The issue was fully subscribed.
- (v) Land and Buildings are revalued at ₹ 2,25,000 whereas Plant and Machinery is written down to ₹ 1,85,000. A provision amounting to ₹ 5,000 is to be made for doubtful debts.

Pass necessary Journal entries in the books of Downhill Ltd.

OR

1. Following is the Balance Sheet of Pawan Cements Ltd., as on 31st March, 2025 : 10

| Particulars | Note No. | ₹ |
|---|----------|------------------|
| I. Equity and Liabilities | | |
| Shareholders' funds | | |
| Share Capital | 1 | 10,96,000 |
| Reserves and Surplus | 2 | 3,30,000 |
| Current Liabilities | | |
| Trade Payables (Trade Creditors) | | 54,000 |
| Total | | 14,80,000 |
| II. Assets | | |
| Non-Current Assets | | |
| Property, Plant and Equipment (Tangible Assets) | | 12,00,000 |
| Non-current Investment | | 1,00,000 |
| Current Assets | | |
| Cash and cash equivalent | | 1,80,000 |
| Total | | 14,80,000 |

Notes to Accounts :

| Particulars | ₹ | ₹ |
|--|----------|----------|
| 1. Share Capital | | |
| <i>Subscribed and Fully Paid up</i> | | |
| 60,000 Equity Shares of ₹ 10 each | | 6,00,000 |
| <i>Subscribed but not fully paid up</i> | | |
| 5,000 Preference shares of ₹ 100 each | 5,00,000 | |
| Less : Calls-in-arrears on 200 shares @ 20 per share | (4,000) | 4,96,000 |
| 2. Reserves and Surplus | | |
| Securities Premium | | 30,000 |
| Profit and Loss Account | | 3,00,000 |

On April 1, 2025, the Board of Directors decided to redeem the preference shares at 10% and to sell the investment at its market price of ₹ 80,000. They also decided to issue sufficient number of equity shares of ₹ 10 at a premium of ₹ 1 per share required after utilising the profit and loss account leaving a balance of ₹ 1,00,000. Premium on redemption is required to be set off against securities premium account. Repayments on redemption were made in full except to one shareholder holding 100 shares who left India.

2. Beacon Processing Ltd. went into voluntary liquidation on 31st December, 2024 when their Balance Sheet read as follows :

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| Liabilities | ₹ |
|--|------------------|
| Issued and subscribed capital : | |
| 5,000 10% cumulative preference shares of ₹ 100 each, fully paid | 5,00,000 |
| 2,500 equity shares of ₹ 100 each ₹ 75 paid | 1,87,500 |
| 7,500 equity shares of ₹ 100 each ₹ 60 paid | 4,50,000 |
| 15% Debentures secured by a floating charge | 2,50,000 |
| Interest outstanding on Debentures | 37,500 |
| Creditors | 3,18,750 |
| Total | 17,43,750 |
| Assets | |
| Land and Building | 2,50,000 |
| Machinery and Plant | 6,25,000 |
| Patents | 1,00,000 |
| Stock | 1,37,500 |
| Trade receivables | 2,75,000 |
| Cash at Bank | 75,000 |
| Profit and Loss A/c | 2,81,250 |
| Total | 17,43,750 |

Preference dividends were in arrears for 2 years and the creditors included Preferential creditors of ₹ 38,000. The assets realised as follows :

- Land and Building – ₹ 3,00,000
- Machinery and Plant – ₹ 5,00,000
- Patents – ₹ 75,000
- Stock – ₹ 1,50,000
- Trade receivables – ₹ 2,00,000

The expenses of liquidation amounted to ₹ 27,250. The liquidator is entitled to a commission of 3% on assets realised except cash.

Assuming the final payments including those on debentures is made on 30th June, 2025, show the Liquidator's Statement of Account.

3. The following are the balance sheet of A Ltd. and B Ltd. :

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| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|------------------------------------|------------------|------------------|---------------------|------------------|------------------|
| Equity Share Capital (100 each) | 30,00,000 | 20,00,000 | Land and Building | 15,00,000 | 12,00,000 |
| General Reserve | 7,00,000 | 6,00,000 | Plant and Machinery | 10,00,000 | 8,00,000 |
| Profit and Loss A/c | 3,00,000 | 2,00,000 | Furniture | 8,00,000 | 5,00,000 |
| Sundry Creditors | 10,00,000 | 7,00,000 | Stock | 7,00,000 | 3,00,000 |
| | | | Sundry Debtors | 5,00,000 | 4,00,000 |
| | | | Cash and Bank | 5,00,000 | 3,00,000 |
| | 50,00,000 | 35,00,000 | | 50,00,000 | 35,00,000 |

A Ltd. purchases business of B Ltd. on following conditions :

- (1) All the fixed assets were valued at 20% above book value.
- (2) Book value of stock is over valued by 50%.
- (3) Debtors require 10% bad debt.
- (4) All the liabilities were taken over at book value.
- (5) Purchase consideration was paid as follow :
 - (i) 6 equity shares of A Ltd. for every 5 shares of B Ltd., at premium of 20%.
 - (ii) Amount was paid ₹ 9,00,000 in cash.

Prepare Balance Sheet in books of A Ltd. after the business is purchase.

4. A Ltd. and B Ltd. decided to amalgamate their business as on 1st April, 2024 by forming new company C Ltd.

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| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|-----------------------------------|--------------------|------------------|-------------------|--------------------|------------------|
| Equity share capital (10 each) | 60,00,000 | 16,00,000 | Land and building | 24,00,000 | – |
| 8% preference share capital | 20,00,000 | – | Plant | 62,00,000 | – |
| General Reserve | 32,00,000 | – | Furniture | – | 3,80,000 |
| Profit and loss A/c | 3,60,000 | 1,28,000 | Vehicles | – | 1,60,000 |
| Sundry Creditors | 2,00,000 | 84,000 | Patents | 8,00,000 | – |
| | | | Stock | 14,00,000 | 9,56,000 |
| | | | Debtors | 3,20,000 | 2,48,000 |
| | | | Bank Balance | 6,40,000 | 68,000 |
| | 1,17,60,000 | 18,12,000 | | 1,17,60,000 | 18,12,000 |

The following terms were agreed for amalgamation :

- (1) All the assets and liabilities of A Ltd. and B Ltd. will be taken over at book value.
- (2) C Ltd. will issue 11,00,000 equity share to A Ltd. and pay cash ₹ 20,90,000 as consideration.
- (3) C Ltd. will issue equity 1,60,000 share to B Ltd. and pay cash ₹ 24,000 as consideration.

Prepare balance sheet in the books of C Ltd. after amalgamation.

OR

4. The Balance Sheets of A Ltd. and B Ltd. as on 31-3-2024 are as under :

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| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|---------------------------------|------------------|------------------|---------------|------------------|------------------|
| Equity share capital | 32,00,000 | 12,00,000 | Fixed assets | 44,00,000 | 18,92,000 |
| 12% Preference share (100 each) | – | 4,00,000 | Stock | 10,00,000 | 3,88,000 |
| General Reserve | 18,44,000 | 3,92,000 | Debtors | 5,00,000 | 2,40,000 |
| Investment allowance reserve | 1,56,000 | 50,000 | Cash Bank | 1,00,000 | 1,60,000 |
| Profit and Loss A/c | 2,25,200 | 1,42,000 | | | |
| 12% Debentures | – | 1,00,000 | | | |
| Creditors | 4,00,000 | 2,80,000 | | | |
| Bills Payables | 1,74,800 | 1,16,000 | | | |
| | 60,00,000 | 26,80,000 | | 60,00,000 | 26,80,000 |

A Ltd. decided to absorb the business of B. Ltd. on 1-4-2024 with following conditions :

- (1) The equity shareholders of B Ltd. will be given fully paid up 140,000 equity shares of A Ltd. of ₹ 10 each.
- (2) The preference shareholders of B Ltd. will be given 12%, 2,200 preference share of A Ltd.
- (3) Debenture holders of B Ltd. will be given 15% new debentures of A Ltd. so that company can receive the same interest as per last year.

Prepare Balance Sheet after the Amalgamation. Amalgamation is in the nature of merger.

5. Multiple Choice Questions : (Any 10)

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- (1) A company can consolidate its shares :
 - (A) only if it is a private company.
 - (B) if authorized by its Articles of Association.
 - (C) without informing shareholders.
 - (D) only during merger.

- (2) Internal reconstruction helps in :
 - (A) Liquidation of company
 - (B) Overhauling company's financial structure
 - (C) Merging two companies
 - (D) Changing management

- (3) Premium on redemption of preference shares is adjusted against :
 - (A) Capital Redemption Reserve
 - (B) Securities Premium
 - (C) Revaluation Reserve
 - (D) General Reserve only

- (4) Subdivision of shares results in:
 - (A) reduction in the number of shares with reduced face value.
 - (B) increase in the number of shares with reduced face value.
 - (C) cancellation of shares.
 - (D) conversion of shares into debentures.

- (5) The order of payment in liquidation is:
 - (A) Shareholders → Creditors → Debenture holders
 - (B) Debenture holders → Creditors → Shareholders
 - (C) Preferential Creditors → Debenture holders → Shareholders
 - (D) Debenture holders → Shareholders → Creditors

- (6) Capital reduction is allowed only when it is:
 - (A) Approved by shareholders
 - (B) Approved by Tribunal
 - (C) Approved by Board of directors
 - (D) Approved by SEBI

- (7) Net Asset =
 - (A) Total Asset – Capital
 - (B) Total Assets – Current Assets
 - (C) Total Assets – Total Liabilities
 - (D) Total Assets – Fictitious Assets

- (8) Which of the following liabilities is not consider in calculation of net assets ?
- (A) Creditors (B) Bills Payables
(C) Debentures (D) Reserves
- (9) In Business Purchase when Purchase consideration is less than net asset, it is known as
- (A) Capital reserve (B) General reserve
(C) Goodwill (D) Surplus
- (10) When liquidation expenses is paid by new company, it is considered as
- (A) Goodwill (B) Capital reserves
(C) Net assets (D) Liabilities
- (11) In amalgamation all the assets are valued at
- (A) Book value (B) Market value
(C) Fair value (D) Expected value
- (12) Which of the following is limitation of business purchase ?
- (A) Increase in revenue (B) Decrease in cost
(C) Economics of scale (D) Conflict of interest
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