D3BHC2304 (PAGES: 4) **Reg. No.............................**

Name: ....

THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2024

(Regular/Improvement/Supplementary)

B.Com. Honours

GBCH3B13T: CORPORATE ACCOUNTING – 2

Time: 3 Hours **Maximum Marks: 80**

Part A. Answer *all* the questions. Each carries *one* mark.

Choose the correct answer.

1. As per the provision of the Companies Act, 2013, in case of debentures underwritten, the commission paid or agreed to be paid does not exceed:

   A) 2% of the face value. B) 2.5% of the issue price.

   C) 5% of the issue price. D) 2% of the issue price.

2. If there is a loss prior to incorporation, it will be debited to:

   A) General reserve A/c. B) Profit and loss A/c.

   C) Capital reserve A/c. D) None of these account.

3. Capital reduction must be authorised by its:

   A) Articles of association. B) Memorandum of association.

   C) Prospectus. D) None of the above.

4. During the liquidation company's assets are:

   A) distributed among shareholders. B) sold to pay off debts.

   C) transfer to new company. D) retained by liquidator.

5. The excess of purchase price over the fair value of net asset acquired is:

   A) Bargain purchase. B) Goodwill.

   C) NCI. D) None of the above.

Fill in the Blanks.

6. A merchant banker can act as an underwriter provided he holds a certificate granted by_____________.
7. Profit after incorporation is transferred to ____________.
8. The main objective of internal reconstruction is to improve the ______ position of the company.
9. The process of liquidation involves the realisation of company's _______.
10. IFRS….. or Ind AS....... govern the accounting of business combinations.

(10 x 1 = 10 Marks)

(PTO)

Part B. Answer any *eight* questions. Each carries *two* marks.

11. What do you understand by "firm" underwriting?
12. What is marked application?
13. What do you mean by profit prior to incorporation?
14. What is sales ratio?
15. Comment on capital reduction account.
16. What is consolidation of shares?
17. Who is liquidator?
18. Write a short note on preferential creditors.
19. What is takeover?
20. Define business combination.

(8 x 2 = 16 Marks)

Part C. Answer any *six* questions. Each carries *four* marks.

21. Describe the different types of underwriting.
22. Discuss the different forms of purchase considerations.
23. Explain various ways to alteration of share capital.
24. Explain the accounting treatment of pre and post incorporation profit or loss.
25. A Ltd. issued 1,00,000 equity shares. The whole of the issue was underwritten as: X - 40%; Y - 30%; and Z -30%. Applications for 80,000 shares were received in all, out of which applications for 20,000 shares had the stamp of X; those for 10,000 shares had that of Y; and 20,000 shares had that of Z. The remaining applications for 30,000 shares did not bear any stamp. Show the liability of the underwriters.
26. A firm which was carrying on business from 1st January, 2023 gets itself incorporated as a company on 1st May, 2023. The first accounts are drawn up to 30th September, 2023. The gross profit for the period is Rs. 56,000. The general expenses are Rs. 14,220; directors' fees Rs. 12,000 p.a.; formation expenses Rs. 1,500. Rent up to 30th June is Rs. 1,200 p.a., after which it is increased to Rs. 3,000 p.a. Salary of the manager, who upon incorporation of the company was made a director, is Rs. 6,000 p.a. His remuneration thereafter is included in the above figure of fees to directors. Give Profit and Loss Account showing pre-and post-incorporation profits. The net sales are Rs. 8,20,000, the monthly average of which for the first four months of 2023 is one half of that of the remaining period. The company earned a uniform profit. The Interest and tax may be ignored.

27. A.G. Ltd. went into liquidation with the following liabilities: (a) Secured creditors Rs. 20,000 (securities realised Rs. 25,000). (b) Preferential creditors Rs. 600. (c) Unrealised creditors Rs. 30,500. Liquidator's out of pocket expenses amount to Rs. 252. The liquidator is entitled to a remuneration of 3% on the amounts realised and 1.5% on the amount distributed to unsecured creditors. The various assets (excluding securities in the hand of creditors) fully realised for Rs. 26,000. You are required to prepare Liquidator's Statement of Account.

28. X Ltd acquired 80% equity shares of Y Ltd on 31-03-2023 for Rs.7,80,000. At this date the net asset of Y Ltd were Rs. 8,50,000.The fair value of NCI on the acquisition date is Rs. 1,90,000. Calculate goodwill arise on acquisition.

(6 x 4 = 24 Marks)

Part D. Answer any *two* questions. Each carries *fifteen* marks.

29. On April 2023, the balance sheet of Weak Ltd. was under:

8000 equity shares of Rs. 50 each	4,00,000	Good will	1,00,000
3000, 6% preference shares of Rs. 25 each	75,000	Sundry asset	2,50,000
6% Debentures	50,000	Cash	10,000
Creditors	25,000	Profit & loss a/c	1,90,000
	5,50,000		5,50,000

A scheme of reconstruction agreed upon was as under:

a. A new company to be formed called strong Ltd.
b. One equity shares of Rs. 100 each is fully paid in the strong company to be issued in exchange of 3 preference shares in the weak Co. Ltd.
c. One equity share of Rs. 100 is fully paid in the strong company to be exchanged for 4 equity shares in the weak company.
d. Debenture holders of weak company is to receive 500 equity shares in the strong company as fully paid.
e. Strong company is to issue 1500 shares to the public.
f. Strong company to take over weak company's asset, subject to the revaluation of sundry asset at Rs. 2,65,000.

Give journal entries in the books of weak Ltd. and strong Ltd.

(PTO)

30. The TVM company limited went into voluntary liquidation on 3rd January 2023. The liquidator's remuneration is 3 % on realization of assets and 2% on amount distribution to shareholders. The following is the position of company as on 31st December 2023:

Cash on realization of assets	5,00,000
Expenses of liquidation	7,000
Unsecured creditors	68,000
5000 6 % preference shares of Rs. 30 each fully paid	1,50,000
10000 equity shares of Rs. 10 each ,Rs 8% paid up.	80,000
Deferred shares	10,000

Prepare liquidators final account.

31. A company's position on June 30th 2023 was as follows:

20,000 equity shares of Rs. 100 each	20,00,000
1000, 6% debentures of Rs. 1000 each	10,00,000
Interest on above debentures	1,20,000
Total asset on that date	9,60,000

The following arrangement is made for reconstruction:

a. The shares were sub divided in to shares of Rs 5 each and 90% of the shares were surrendered.
b. The total claim of debenture holders was reduced to Rs. 4,90,000 and in consideration of this they were allotted shares (out of surrendered shares) amounting to Rs. 2,50,000.
c. The shares surrendered but not re-issued were cancelled.

Pass journal entries and prepare balance sheet of the company after reconstruction.

(2 x 15 = 30 Marks)