



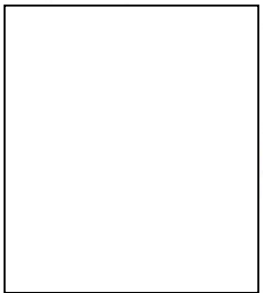
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IV Semester B.B.A. Examination, September/October 2022
(Fresh) (CBCS) (2021 – 22 Onwards)
BUSINESS ADMINISTRATION
Paper – 4.6 : Advanced Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answers should be written in **English** only.

SECTION – A

1. Answer **any five** of the following sub-questions. **Each** sub-question carries **two** marks. **(5×2=10)**
- a) What is external reconstruction ?
 - b) State the various types of underwriting.
 - c) What are the different forms of internal reconstruction ?
 - d) What is meant by purchase consideration ?
 - e) What is statement of affairs ? How is it prepared ?
 - f) Define forensic accounting.
 - g) State any four objectives of amalgamation of companies.
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SECTION – B

Answer **any three** of the following questions. **Each** question carries **five** marks. **(3×5=15)**

- 2. Explain the need for human resource accounting.
- 3. Distinguish between internal reconstruction and external reconstruction.
- 4. A company issued 30,000 shares of ₹ 10 each. These shares were underwritten as follows :
 - A – 18,000 shares
 - B – 7,500 shares
 - C – 4,500 shares



In addition, there was a firm underwriting as follows :

A – 2,400 shares

B – 900 shares

C – 3,000 shares

Total subscriptions received by the company (excluding firm underwriting and market applications) were 4,500 shares.

Marked applications were A – 3,000 shares, B – 6,000 shares and C – 1,500 shares.

Determine the liability of underwriters.

5. Small Co. Ltd. was agreed to be absorbed by Big Co. Ltd. on 30-6-2020. On this date, the Balance Sheet of Small Co. Ltd. was as follows.

Liabilities	Amount	Assets	Amount
45,000 shares of ₹ 10 each		Land and Buildings	3,50,000
General Reserve	4,50,000	Furniture	30,000
P & L A/c	3,00,000	Machinery	5,60,000
5% debentures	1,40,000	Stock on hand	80,000
Creditors	1,10,000	Debtors	36,000
Dividend equalisation fund	20,000	Cash	4,000
	40,000		
	10,60,000		10,60,000

Big Co. Ltd. having decided to acquire all the Assets and Liabilities of Small Co. Ltd. valued the assets as follows :

Big Co. Ltd. decided to acquire current assets at book value and fixed assets as under :

	₹
Land and Buildings	4,00,000
Furniture	20,000
Machineries	6,00,000
Goodwill	60,000

The purchase consideration is payable one half in shares and the balance in cash.

The absorption expenses of ₹ 5,000 was paid by Small Co. Ltd in addition to purchase consideration.

Calculate Purchase Consideration.



6. On the reconstruction of a company, the following terms were agreed upon :

The shareholders to receive in lieu of their present holding (50,000 shares of ₹ 10 each) the following :

- a) Fully paid equity shares equal to $\frac{2}{5}$ of their holdings.
- b) 5% preference shares fully paid to the extent of $\frac{1}{5}$ of the above new equity shares.
- c) ₹ 60,000, 6% second debentures an issue of ₹ 50,000, 5% first debentures was made and allotted payment for the same having received in cash.

Goodwill, which stood at ₹ 3,00,000 was written down to ₹ 1,50,000.

The plant and machinery, which stood at ₹ 1,00,000 were written down to ₹ 35,000.

The freehold and lease hold premises, which stood at ₹ 1,50,000 were written down to ₹ 1,25,000.

Pass Journal entries in the books of the company.

7. The following particulars relate to a limited company which has gone into voluntary liquidation.

Prepare the liquidator's final account allowing for his remuneration at 2% on the amount realised, 2% on the amount distributed to unsecured creditors other than preferential creditors.

	₹
Preferential creditors	10,000
Unsecured creditors	32,000
Debentures	10,000
Assets realised as under :	
Land and buildings	20,000
Plant and machinery	18,650
Furniture	1,000
Liquidation expenses amounted to	1,000



SECTION – C

Answer **any three** of the following questions. **Each** question carries **twelve** marks.

(12×3=36)

8. Ram Ltd. issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share.

The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3,000, 2,000, 1,000 and 1,000 shares respectively. The underwriters were entitled to a commission of 2.5% on issue price of shares.

The company received applications for 70000 shares form public, out of which applications for 19000, 10000, 21000 and 8000 shares were marked in favour of A, B, C and D respectively.

Calculate the net liability of the underwriters if firm applications are treated as unmarked forms.

9. What do you mean by Forensic Accounting ? List out the activities of Forensic Accountant.
10. A Ltd. and B Ltd. agreed to amalgamate and form a new company, C Ltd. which will take over all the assets and liabilities of two companies on the basis of amalgamation in the nature of purchase.

In the case of A Ltd. Assets and Liabilities are to be taken over at book value for shares in C Ltd. at the rate of 5 shares in C Ltd. at ₹ 11 per share (premium of 10%) for every four shares in A Ltd. in case of B Ltd.

- i) The debentures of B Ltd. would be paid off by the issue of an equal number of debentures in C Ltd. at a discount of 10%.
- ii) The holders of 10% preference shares of B Ltd. would be allotted four 12% preference shares of ₹ 100 each in C Ltd. for every five preference shares in B Ltd.
- iii) The equity shareholders would be allotted sufficient shares in C Ltd. to cover the balance on their accounts after adjusting asset values by reducing plant and machinery by 10% and providing 5% on sundry debtors.

**B/S of A Co. and B Co. prior to amalgamation**

Liabilities	A Co.	B Co.	Assets	A Co.	B Co.
Equity share capital of ₹ 10 each	4,00,000	5,00,000	P & M	8,00,000	8,00,000
10% pref. shares of ₹ 100 each	—	3,00,000	Stock	65,000	60,000
14% debentures	—	2,00,000	Debtors	95,000	50,000
P & L A/c	5,00,000	—	P & L A/c	—	1,40,000
Contingency Reserve	50,000		Bank	65,000	40,000
Creditors	75,000	90,000			
	10,25,000	10,90,000		10,25,000	10,90,000

Pass opening journal entries and balance sheet in the books of C Ltd.

11. The Balance Sheet of XYZ Co. Ltd. as on 31st March 2020 was as follows :

Liabilities	₹	Assets	₹
Share capital :		Leasehold premises	1,30,800
Authorised capital :		Plant and machinery	42,200
10,000 pref. shares of ₹ 100	10,00,000	Patents at cost	8,50,000
10,000 equity shares of ₹ 100	10,00,000	S. Debtors	76,500
		Stocks in trade	55,000
		Cash in hand	500
	20,00,000	Discount on issue of shares	18,000
Subscribed capital :			
7,500 pref. shares of ₹ 100 each fully paid	7,50,000	Preliminary expenses	12,000
5,000 equity shares of ₹ 100 each fully paid	5,00,000	Profit and Loss A/c	1,15,000
S. creditors	30,000		
Bank overdraft	20,000		
	13,00,000		13,00,000



The company suffered heavy losses and was not getting on well. The following scheme of reconstruction was adopted :

- a) The preference shares be reduced to an equal number of fully paid shares of ₹ 50 each.
- b) The equity shares be reduced to an equal number of shares of ₹ 25 each.
- c) The amount so made available be used to write off ₹ 30,800 of the leasehold premises, 15,000 of stock, 20% of plant and machinery and s/debtors and balance available to write off patents.

Journalise the transactions and prepare the Balance Sheet after reconstruction.

12. The following is the Balance Sheet of X Ltd. as on 31st March 2020.

Liabilities	₹	Assets	₹
4,000, 6% preference shares of ₹ 100 each	4,00,000	Land	2,00,000
2,000 equity shares of ₹ 100 each, 75% paid up	1,50,000	Plant	5,00,000
6,000 equity shares of 100 each, ₹ 60 per share paid up	3,60,000	Patents	80,000
5% debentures	2,00,000	Stock	1,10,000
Outstanding debentures interest	10,000	Debtors	2,20,000
Creditors	2,90,000	Cash	60,000
		Profit and Loss A/c	2,40,000
	14,10,000		14,10,000

On the date of Balance Sheet the company went into liquidation. The dividends on preference shares are in arrears for 2 years. The arrears are payable on liquidation as per articles of association. The debentures have a floating charge on the assets of the company.

Creditors include a loan of ₹ 1,00,000 secured by mortgage of land.



Assets realised as under :

Land – 2,40,000, Plant – 4,00,000, Patents – 6,000, Stock – ₹ 1,20,000,
Debtors – 1,60,000.

Liquidation expenses amounted to ₹ 21,800 the liquidator is entitled to a commission of 3% on all assets realised including cash and commission at 2% on the amount distributed to unsecured creditors. Preferential creditors amounted to ₹ 30,000.

Prepare the Liquidator's statement of account.

SECTION – D

Answer **any one** of the following, question carries **nine** marks.

(9×1=9)

13. Write a note on accounting procedure to be adopted for amalgamation of companies.

OR

Set out the format of a Social Balance Sheet.
