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63/2 (SEM-4) MCO 405(A,B,C)

2023

COMMERCE

(Theory Paper)

Paper Code : MCO 405 (A)

(Advanced Corporate Accounting)

Full Marks – 80

Pass Marks – 32

Time – Three hours

The figures in the margin indicate full marks
for the questions.

1. Answer the following Multiple-Choice questions :

1×6=6

(a) Excess of paid up value of shares over
actual cost of investment in Subsidiary
company is treated by Holding company as

(i) Goodwill (ii) Minority Interest

(iii) Capital Reserve (iv) None of these

[Turn over

- (b) Accounting Standard AS-14 deals with the
- (i) Valuation of Share
 - (ii) Holding Company
 - (iii) Amalgamation
 - (iv) Liquidation of Companies
- (c) If the Transferee company paid the liquidation expenses it is debited to
- (i) Goodwill Account
 - (ii) Capital Reserve Account
 - (iii) General Reserve Account
 - (iv) Realisation Account
- (d) Statement prepared by the Liquidator, in case of Voluntary winding up is called
- (i) Winding up Statement
 - (ii) Liquidator's Statement of Account
 - (iii) Official Financial Statement
 - (iv) Liquidator Account

- (e) In order of payment by the liquidator, which of the following has to be paid first ?
- (i) Legal expenses
 - (ii) Liquidator's remuneration
 - (iii) Liquidation expenses
 - (iv) Preference shareholders
- (f) In the Balance Sheet of the company, shares are appeared at
- (i) Paid up value
 - (ii) Market value
 - (iii) Both (i) and (ii)
 - (iv) None of the above

2. Answer the following questions : $2 \times 5 = 10$

- (a) What is Pre-acquisition profit in Holding company accounting ?
- (b) What do you mean by secured creditors in liquidation of company ?
- (c) State any two characteristics of Goodwill.

(d) What is Purchase consideration ?

(e) What is Intrinsic value of share ?

3. Answer any *five* of the following questions :

6×5=30

(a) Differentiate between the 'Amalgamation in the nature of Merger' and 'Amalgamation in the nature of Purchase'. 6

(b) Explain some of the advantages of amalgamation. 6

(c) What is Consolidated financial statement and what are its components ? 2+4=6

(d) What is 'Minority interest' in Holding company accounting ? 6

(e) Explain the Voluntary Winding up of the company. 6

(f) Who is a Liquidator and what are his functions in liquidation of company ? 2+4=6

(g) What are the advantages of Holding company ? 6

(h) Following is the Balance Sheet of Gupta & Co. Ltd. as on 31-12-2021 :

Particulars	Amounts ₹
Liabilities :	
800 10% Pref. shares of ₹ 100 each	80,000
12,000 Equity shares of ₹ 10 each	1,20,000
Bills Payable	10,000
Creditors	30,000
	2,40,000
Assets :	
Fixed Assets	1,44,000
Current Assets	96,000
	2,40,000

Market value of fixed assets is estimated to be 15% more than its Book value and the Market value of current assets is estimated to be 10% less than Book value. There is an unrecorded liability of ₹ 2,000. Find the value of each Equity share under Net assets method of valuation of share.

4. Answer any two of the following questions :

$$10 \times 2 = 20$$

(a) When valuation of share is required ?
Explain the Yield based method of valuation of share.

$$5 + 5 = 10$$

(b) Boro Company Ltd. went into voluntary liquidation on 31-3-2022. On the same date dividend on preference shares were in arrear for 3 years. Following are the information related to the company :

Share Capital :

12,000 Equity shares of ₹ 100 each, ₹ 50 per share paid up ₹ 6,00,000, 6,000, 6% Preference shares of Rs 100 each fully paid up ₹ 6,00,000.

Liabilities :

Secured Loan against machinery ₹ 60,000

Unsecured creditors ₹ 1,40,000

Bills Payable ₹ 80,000

Preferential creditors ₹ 16,200

Assets realised :

Machinery ₹ 1,40,000

Other Assets ₹ 6,88,000.

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Liquidation expenses ₹ 6,000 and legal expenses ₹ 2,000. Liquidator is entitled to remuneration of ₹ 24,000. The liquidator is also entitled to the commission at 5% on the total amount paid to the Preference shareholders as capital and dividend, and 5% on the amount of assets realized and the amount collected from the Equity shareholders.

(c) Narzary Ltd. agrees to take over the business of Boro Ltd. as on 31-12-2021. The Balance sheet of Boro Ltd. as on 31-12-2021 was as follows :

Boro Ltd.

Balance Sheet as at 31-3-2021

Liabilities	Amount (₹)
Equity Share Capital (30,000 Equity shares of ₹10 each)	3,00,000
Statutory Reserves 60,000	
General Reserves 25,000	85,000
6% Debentures	50,000
Creditors	15,000
	4,50,000

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Assets		Amount (₹)
Land & Building		2,75,000
Stock	₹ 1,20,000	
Debtors	50,000	
Cash	5,000	1,75,000
		4,50,000

Additional Informations :

- (i) The consideration is discharged by Narzary Ltd. by a cash payments of ₹ 1 per share in Boro Ltd. and issue of 45,000 shares of ₹ 10 each fully paid, in Narzary Ltd. at a premium of ₹ 5 each.
- (ii) 6% Debentures of Boro Ltd. were discharged at 5% premium by the issue of 5% Debentures in Narzary Ltd. at par.
- (iii) Narzary Ltd. revalued the Land and Building at ₹ 3,25,000, debtors at ₹ 47,500 and other assets at book values.

6
Give journal entries in the books of Narzary Ltd. and also show the Balance Sheet after amalgamation.

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5. Answer any *one* of the following questions :

14×1=14

- (a) What is Goodwill ? What are the factors that affect the Value of goodwill ? Explain the methods of valuation of goodwill.

2+4+8=14

- (b) X Ltd. acquires 3,200 ordinary shares of ₹ 10 each of Y Ltd. on July 1, 2020. On December 31, 2020 the summarized Balance sheet of the two companies were as follows :

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
	₹	₹		₹	₹
Share Capital (Shares of ₹ 100 each fully paid up)	10,00,000	4,00,000	Land & Buildings	3,00,000	3,60,000
Reserves	4,80,000	2,00,000	Plant & Machinery	4,80,000	2,70,000
Profit & Loss A/c	1,14,400	1,64,000	Investment in Y Ltd. at cost	6,80,000	
			Inventories	2,40,000	72,800
Bank Overdraft	1,60,000		Trade receivables	1,19,600	80,000
Trade Payable	94,200	34,800	Cash	29,000	16,000
	18,48,600	7,98,800		18,48,600	7,98,800

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The Profit & Loss Account of Y Ltd. shows a credit balance of ₹ 60,000 on 1st January, 2020 out of which a dividend of 10% was paid on 1st July ; A Ltd. has credited the dividend received to its Profit and Loss Account. The Plant & Machinery which stood at ₹ 3,00,000 on 1st January 2020 was considered as worth ₹ 3,60,000 on 1st July, 2020; These figures are to be considered while consolidating the Balance sheets. The rate of depreciation on Plant and Machinery is 10%.

Prepare a Consolidated Balance sheet as on December 31, 2020.