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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.

I. 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

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(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 : 2×5=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.

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(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 :

10×2=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.

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	
Bank Overdraft	1,60,000		Inventories	2,40,000	72,800
Trade Payable	94,200	34,800	Trade receivables	1,19,600	80,000
	18,48,600	7,98,800	Cash	29,000	16,000
				18,48,600	7,98,800

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.