

6. What is Minority Interest ? How is it calculated in case of Holding company ?
7. What do you mean by forfeiture of shares ? What journal entries are passed for the forfeiture of shares and their re-issue ?
8. What is meant by goodwill ? What factors generally affect the goodwill of a business ?
9. What is meant by Double Account System ? How does it differ from Double Entry System ?
10. What do you mean by Absorption of Companies ? Discuss the main objects of Absorption.



2017

Time : 3 hours

Full Marks : 100 70

Candidates are required to give their answers in their own words as far as practicable.

The questions are of equal value.

Answer any five questions.

1. Neelam Company Ltd. issued 50,000 shares of Rs. 10 each payable as follows :
Rs. 2 on application, Rs. 2.50 on allotment, Rs. 3 on first call and Rs. 2.50 on final call. The applications were received from the public for 90,000 shares. The allotment was made as follows on 1st August, 2013 :
To the applicants of 45,000 shares full
To the applicants of 20,000 shares 25%
To the applicants of remaining shares nil

The first call was made on 1st November, 2013 and the second call on 1st February, 2014. According to the terms of issue, the surplus application money could be kept by the directors against money due on allotment and against subsequent calls. One shareholder to whom 5,000 shares were allotted paid on allotment the full amount due on shares. On 1st February, 2014, interest on calls in advance was paid @ 5% per annum. According to the Articles of Association, no interest is paid on excess of application money. Give journal entries in the Books of Neelam Company Ltd. Assuming that all money were duly received by it. Prepare calls in Advance Account also. Shares have been permitted to be dealt in on the Stock Exchange.

2. Pass the necessary journal entries in the Books of B. Ltd. in the following cases :
- (a) 3,500, 8% debentures of Rs. 100 each have been issued at par and are redeemable at par

You are required to pass the necessary journal entries in the book of both the companies when the amalgamation is in the nature of purchase.

5. On 31st December, 2010 the Balance Sheet of a Limited company disclosed the following position :

| | Rs. | | Rs. |
|---------------------|---------------------|----------------|---------------------|
| Issued Capital in | | Fixed Assets | 4,00,000 |
| Rs. 10 per share | 4,00,000 | Current Assets | 2,00,000 |
| Reserve | 90,000 | Good Will | 40,000 |
| Profit & loss A/c | 20,000 | | |
| Current Liabilities | 1,30,000 | | |
| | Rs. 6,40,000 | | Rs. 6,40,000 |

The net profits for three years were: 2008 Rs. 61,600, 2009 Rs. 62,000 and 2010 Rs. 71,650 of which 20% was placed to Reserve. This proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 12%. Compute the value of Company's share by yield method.

| Liabilities | B. Ltd. | Assets | B. Ltd. |
|-------------------------------|-----------------|--------------|-----------------|
| Share Capital of Rs. | Rs. | | Rs. |
| 10 each fully paid | 3,50,000 | Building | 2,00,000 |
| P & LA/C | 75,000 | Furniture | 50,000 |
| 10% Debentures of Rs. 10 each | — | Goodwill | 1,75,000 |
| Sundry Creditors | 1,00,000 | Stock | 50,000 |
| | | Cash at Bank | 50,000 |
| | | PILA/c | — |
| | 5,25,000 | | 5,25,000 |

On 1st April, 2008 B. Ltd. agreed to purchase the business of A. Ltd. on the following terms :

- 'A' Ltd. is to be wound up and its share is to be considered Rs. 8 each and the share of 'B' Ltd. is to be considered as worth Rs. 12.50.
- Consideration charged in the form of 90% in equity shares and 10% in cash.
- 10% Debentures of 'A' Ltd. would be converted into equal number of 13% Debentures of B Ltd. of Rs. 10 each.

(b) 4,500, 8% debentures of Rs. 100 each are issued at par and are redeemable at 5% premium

(c) 3,000, 8% debentures of Rs. 100 each have been issued at 5% discount and are redeemable at par

(d) 2,500, 8% debentures of Rs. 100 each are issued at 5% discount and are redeemable at 4% premium

(e) 3,000, 8% debentures of Rs. 100 each are issued at 5% premium and are redeemable at par.

3. The undermentioned balances appeared in the books of the Golden Flour Mills Ltd. as on 31st December, 2013 :

| | Rs | Rs | |
|--------------------|----------|---------------------|----------|
| Purchases | 5,00,903 | General Reserve | 2,50,000 |
| Sales | 9,83,947 | Unclaimed dividends | 6,526 |
| Manufacturing Exp. | 3,59,000 | Trade Creditors | 36,858 |

| | Rs | | Rs |
|------------------|----------|----------------------|----------|
| Opening stock | 1,72,058 | Buildings | 1,00,000 |
| Establishment | | | |
| Exp. | 26,814 | Machinery | 2,00,000 |
| General | | | |
| charges | 31,078 | Motor Vehicles | 15,000 |
| Directors Fees | 1,800 | Furniture | 5,000 |
| Interim Dividend | 15,000 | Debtors | 1,57,380 |
| Interest (Cr.) | 8,544 | Investments | 2,88,950 |
| Share capital | | Cash Balances | 67,240 |
| (Authorised | | Profit and Loss A/C | |
| and issued) | | 1st July, 2013 (Cr.) | 16,848 |
| 60,000 shares of | | | |
| Rs. 10 each | 6,00,000 | Staff Provident | |
| | | Fund | 37,500 |

From these balances and the following information, prepare for the half year ending at 31st Dec.2013 the Company's Balance Sheet and its Profit and Loss Account in Horizontal form :

- (a) The stocks of wheat and flour on 31st Dec. 2013 were valued at Rs. 1, 48,680

- (b) Provide Rs. 10,000 for Depreciation of Building, Rs. 6,500 for Managing Agent's Commission and Rs. 1,500 for the company's Contribution to the Provident Fund
- (c) Interest accrued on investments amount to Rs. 2,750
- (d) A claim of Rs. 2,500 for Workmen's compensation is being disputed by the company.

You can make necessary assumptions for preparing the Balance sheet and profit and loss account of Golden Flour Mills Ltd.

4. The Balance Sheets of two companies as on 31st March, 2008 are as follows :

| Liabilities | A. Ltd. | Assets | A. Ltd. |
|-----------------------------|-----------------|--------------|-----------------|
| Share Capital of Rs. | Rs. | | Rs. |
| 10 each fully paid | 2,50,000 | Building | 1,00,000 |
| P & L A/C | — | Furniture | 50,000 |
| 10% Debentures of | | Goodwill | 50,000 |
| Rs. 10 each | 50,000 | Stock | 1,50,000 |
| Sundry Creditors | 1,50,000 | Cash at Bank | 25,000 |
| | | PILA/c | 75,000 |
| | 4,50,000 | | 4,50,000 |