

St. Joseph College of Arts and Science(Autonomous)

Cuddalore

PG and Research Department of Commerce

Question Bank

CORPORATE ACCOUNTING-II (CM408P) B.COM

Name of the Staff: P. Vaitinadane & D. Prabakaran

Section - A (2 Marks)

1. Define 'goodwill'.
2. Write a short note on the 'goodwill valuation'.
3. What is 'Super Profits' method of evaluating goodwill of a joint stock company?
4. What is average profit?
5. What is the nature of 'goodwill'?
6. How do you calculate 'Average Capital employed'?
7. What is 'Normal rate of Return'?
8. Write a note on 'Intrinsic Value' of shares.
9. What is 'Yield Value' of shares?
10. How do you determine 'Fair Value' of shares?
11. Explain 'Capital reduction'.
12. Explain internal reconstruction.
13. What do you understand by 'Alteration of share capital'?
14. What do you understand by 'Consolidation' and 'Sub division' of shares?
15. How will you treat the following in the context of internal reconstruction:
 - a) Increase in Assets value
 - b) Decrease in Assets value.
16. Write a short note on 'Scheme' of capital reduction.
17. Write a short note on Surrendered shares.
18. Write a short note on Capital Reduction Account.
19. Explain External reconstruction.
20. Explain 'Subdivision' of shares?
21. Explain Amalgamation.
22. What are the various reasons for Amalgamation of existing companies?
23. Write a note on 'Purchase consideration'.

24. How purchase consideration is determined?
25. What are the 'Salient Features of consideration' under AS-14?
26. Write a note on 'Net Assets'?
27. What do you mean by Amalgamations in the nature of (a) Merger and (b) Purchase?
28. What is a term of Absorption?
29. What is mean by Accumulated profits?
30. What are the methods of Accounting for Amalgamation?
31. Define a 'Holding Company'.
32. Give the meaning of 'Subsidiary Company'.
33. What is mean by 'Post acquisition profits' in the context of Holding company Accounts?
34. What do you understand by 'Capital profits' or Pre acquisition profits?
35. Write a short note on 'Minority Interest'.
36. Explain 'Cost of control'?
37. How do you Calculate cost of control?
38. What is 'Mutual Obligation'? Give examples.
39. What is a 'Consolidated Balance sheet'?
40. Explain Contingent Liabilities?
41. What is "Rebate on Bills discounted"?
42. How is interest on doubtful debts treated in Bank Accounts?
43. Explain the meaning of Non-Performing Assets.
44. Write a note on 'Non-Banking Assets'.
45. What is 'Statutory Reserve'?
46. State the different items shown under 'Other liabilities and provisions'.
47. Briefly explain the classification of banks advances for the purpose of 'provisioning'.
48. Briefly explain the major kinds of deposits usually accepted by banks and shown under schedule 3.
49. Explain Payment of Dividend.
50. Explain about Miscellaneous income?

Section - B (5 Marks)

51. Describe the various factors affecting goodwill.
52. Amudha company decided to purchase a business. Its profit for the last 5 years are: 2003-Rs. 25,000; 2004- Rs. 35,000; 2005- Rs.31,000; 2006- Rs. 37,000; 2007- Rs. 2,000. The reasonable remuneration of the proprietor of the business is Rs. 6,000p.a; but it has not been taken into account for calculation of above mentioned profit. Calculate goodwill on the basis of three years purchase of the average profit.

53. SAN company Ltd. Passed resolution and received sanction of the court for the reduction of share capital Rs. 2,50,000. After the arrangement, the credit balance of capital reduction account was Rs. 2,50,000. The amount available was utilized for write off profit and loss a/c (Dr) 1,05,000, reducing the value of plant and machinery Rs.45,000 Goodwill Rs. 20,000, investments Rs. 40,000. The balance available would be transferred to Capital Reserve. Pass journal entry.
54. The company B takes over the business of company A. The value agreed for various assets is goodwill Rs. 22,000, Land and Building Rs. 25,000, plant and machinery Rs. 24,000, stock Rs. 13000, Debtors Rs. 8,000. B company does not take over cash but agree to assume the liability of sundry creditors at Rs. 5,000. Calculate Purchase consideration.
55. The profits of Thilaga Ltd. For the last 5 years were as follows:
1994-Rs.15,000; 1995-Rs.18,000; 1996-Rs.22,000;1997-Rs.25,000; 1998-Rs.27,000.
Compute the value of goodwill of Thilaga Ltd. On the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits.
56. As per the capital reduction scheme adopted by a company 5,000,7% debentures of Rs.100 each are to be reduced to Rs. 80each and the trade creditors have agreed to reduce their claims by Rs. 50,000. Pass the journal entry.
57. Calculate the yield value per share from the information given below:
40,000Equity shares of Rs.10 fully paid
Normal rate of return:8%
Expected rate of return:12%
58. Distinguish between 'Intrinsic' and 'market' values of shares.
59. Ratan Ltd., having a share capital of Rs. 3,00,000 dividend into 3,000 shares of Rs. 100 each, resolve to sub-divide the shares into 30,000 shares of Rs.10 each. Pass the necessary journal entry.
60. Bee Ltd., has 60,000 equity shares of Rs.100 each, Rs.80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 shares to Rs.60 shares fully paid up by cancelling the unpaid amount. Give journal entries.
61. Explain the different kinds of 'Alteration of share capital' which do not require approval of a court of law.
62. B Ltd., agreed to absorb A Ltd. Upon the following terms:
(A) Shares of A Ltd., are to be considered as worth Rs. 12 each (of which shareholders are to be paid one Quarter in cash and the balance in Rs. 100 shares of B Ltd. Which are to be issued at 25% premium. Total shares were: 10,000 in B Ltd. And 20,000 in A Ltd. Ascertain the number of shares to be issued by B Ltd.
63. On the reconstruction of a company, the following terms were agreed upon:
The shareholders to receive in lieu of their present holding (viz., 50,000 shares of Rs.10) each the following:

Fully paid Equity Shares equal to 2/5th of their holdings

- a. 6% Preference shares fully paid, to the extent of 1/5th of the above new Equity shares
- b. Rs.60,000/- 5% Second Debentures

An issue of Rs.50,000/- 5% First Debentures was made and allotted payment for the same having been received in cash.

The Goodwill which stood at Rs.3,00,000/- was written down to Rs.1,50,000.

The Plant and Machinery, which stood at Rs.1,00,000 were written down to Rs.75,000.

The Freehold and Leasehold Premises, which stood at Rs.1,50,000 were written down to Rs.1,25,000.

Pass the Journal Entries in the books of the company necessitated by the above reconstruction.

64. Bring out the differences between Amalgamation and External Reconstruction.
65. Explain the various circumstances under which a company would have to go in for the legal formalities of winding up.
66. Luckless limited went into voluntary liquidation on 31/12/2001 when the sale of affairs was as below:
Unsecured creditors was Rs.4,00,000 including Rs. 50,000 preferential claim.
Secured creditors, secured on plant and machinery, stood at Rs. 2,00,000. Cash in hand was Rs.10,000.
The liquidator realized plant and machinery for Rs.1,50,000 and the other assets realized Rs.1,00,000/- The liquidation expenses came to Rs.10,000 and the liquidator's remuneration was fixed at 4% of the amount realized including cash balance and 2% of the amount distributed to unsecured creditors including preferential creditors.
67. PRR Bank Ltd., discounted a bill of the face value of Rs.4,00,000 for Rs.3,90,000 on Jan.23,2001. Of the discount, Rs.1600 was for the year 2001-02. Pass journal entries at the time of discounting the bill, closing of accounts on 31-3-01 and opening entry for the next year 2001-02.
68. From the information given below, you are required to calculate the amount of provision for tax to be created by Nanda Bank Ltd:

Interest earned	-15,64,000
Other incomes	- 16,400
Interest expended	- 7,70,000
Operating expenses	- 1,64,400
Bad debts	- 80,000
Provision for tax to be made-	55%

69. The following are the ledger balances extracted from the books of a Banking company as on 31-3-2002.

Advances	Rs.15,00,000
Bad debts	Rs. 10,000

The profit before charging bad debts was Rs.40,000. Create a provision for bad debts of Rs. 15,000 and provision for taxation at 60% of net profits.

Show how the above items will appear in the banking company's profits & loss A/c and balance sheet.

70. Write a short notes on (a) Rebate on Bills discounted. (b) NPA (c) Standard Assets.
71. Describe the method of preparing 'Consolidated Profit and Loss account'.
72. X ltd. Purchased 60% shares of Y ltd. On 1-1-02 when the balance on the their P&L a/c and general reserve were Rs.1,50,000 and Rs. 1,60,000 respectively. On 31-12-02, the Balance sheet of Y ltd, showed P&La/c balance of Rs. 4,00,000 and general reserve Rs. 3,00,000. Calculate Capital profits and Revenue Profits.
73. What is a 'Holding Company'? When does a company become a 'Holding Company'?
74. A cheque of Rs. 10,000 sent by the subsidiary Co. on 28th December was not yet Received by the Holding Co. on 31st Dec.2003. How will you show this adjusted in Consolidated Balance sheet?
75. On 1.7.01, X Ltd., acquired 60% shares of Y Ltd. (with a total capital of Rs.5,00,000) for Rs. 3,80,000. The balance sheet of Y Ltd., Showed P&L a/c balanced on 1.1.01. Rs. 1,20,000 and profits for the year 2001 Rs. 1,00,000. Calculate the value of goodwill or capital reserve.

Section - C (10 Marks)

76. Give the list of different items which are included under Preferential Creditors.
77. Determine the fair value of 200 shares held by Mr. Arul in Abbas Co. Ltd. To be transferred to Mr. Balu on the basis of majority and minority holdings. The Balance sheet of Abbas Co. Ltd. As on 30th June 1998 is as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	20,000
40,000 Equity		Buildings	1,50,000
shares if Rs.10		Machinery	1,80,000
each fully paid up	4,00,000	Debtors	2,00,000
General reserve	1,30,000	Stock	80,000
Profit & Loss A/C	80,000	Cash at bank	10,000
Sundry Creditors	40,000	Preliminary expenses	10,000
	6,50,000		6,50,000

Debtors are estimated to be 10% below book value and goodwill is valued at its book value. Profit & Loss Account shows the net profits of the year after transfer to general reserve and payment of income tax. Dividend was paid for the last 3 years at the rate of 14%; 18% and 16% respectively. Normal expected returns is 12%.

78. The following is the Balance sheet of weak & co. as on 31.3.1999 scheme of capital reduction way:

Liabilities	Rs.	Assets	Rs.
1,00,000 equity shares of Rs.10 each	10,00,000	Lands	1,00,000
Sundry creditors	1,73,000	Plant & Machinery	2,30,000
		Furniture Fittings	68,000
		Stock	1,50,000
		Debtors	70,000
		Cash at Bank	5,000
		P&L a/c	5,50,000
	11,73,000		11,73,000

Scheme of capital reduction way:

- a) The equity shares to be reduced to Rs. 4 per share.
- b) Plant & machinery to be written down to Rs. 1,50,000.
- c) Stock to be revalued at Rs. 1,40,000
- d) The Provision on debtors for doubtful debts to be created Rs. 2000
- e) Land to be revalued at Rs. 1,42,000.

Pass the journal entries to give effect to the above arrangement and also prepare reconstruction a/c.

79. Draft Balance sheet of a Banking Company in prescribed form as Per Schedule III of Banking Companies Act and Give Various Schedules.

80. Briefly explain the methods of consolidating the balance sheets of a Holding company and its Subsidiaries.

81. Briefly explain the methods of valuation of shares.

82. The balance sheet of james company ltd. As on 31st December 1998 was as follows:

Liabilities	Rs.	Assets	Rs.
Rs.20,000 shares of 10 each	2,00,000	Land & Buildings	1,68,000
Profit & Loss A/C	40,000	Plant & Machinery	1,20,000
Debentures	30,000	Furniture & Fittings	10,000
Trade creditors	40,000	5% (Tax free)	
Provision for taxation	18,000	Government bonds	40,000
Proposed dividend	30,000	Stocks	4,000
		Book debts	12,000
		Cash	4,000
	3,58,000		3,58,000

The net profits of the company after charging depreciation and taxes were as follows:
1994-Rs.34,000; 1995-Rs.38,000; 1996-Rs.36,000; 1997-Rs.40,000; 1998- Rs.38,000 On 1st
December 1998 Land & Buildings were revalued at Rs.1,90,000; Plant & machinery at Rs.1,42,000;
and furniture and fittings at Rs. 8,000. 10% represents a fair commercial rate of return on investments
in the company. Find the value of eighty share under a) Net asset method yield method.

83. Enumerate the the factors should be considered in valuation goodwill. Briefly explain their importance in this regard.

84. Stick Ltd. Had the following balance sheet as on 31.3.2007

Liabilities	Rs.	Assets	Rs.
6% preference share of Rs. 100 each	2,00,000	Goodwill	60,000
Equity shares of Rs. 100 each	4,00,000	Fixed assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Sundry creditors	150,000	Debtors	60,000
		Discount on debentures	10,000
		Bank	1,000
		Profit & Loss a/c	2,69,000
	8,50,000		8,50,000

The following reconstruction scheme was approved:

- Preference shares be reduced to 8% preference shares of Rs. 60 each.
- Equity shares to be reduced by Rs. 80 each

(c) The amount thus made available to be utilized to write off fictitious assets including goodwill and Rs. 50,000 from fixed assets.

Give the entries for the reconstruction and the final balance sheet.

85. The following is the Balance sheet of NSC Ltd. As on 31st Dec. 1998.

Liabilities	Rs.	Assets	Rs.
4,000 10% Pref. shares of Rs.100 each	4,00,000	Sundry assets at book value	12,00,000
60,000 equity shares of Rs.10 each	6,00,000		
Bills payable	50,000		
Creditors	1,50,000		
	12,00,000		12,00,000

The market value of 60 % of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than book value. There is an unrecorded liability of Rs. 10,000. Find the value of each equity share (it to be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital).

86. On 31st March, 1996 the balance sheet of H Ltd. And its subsidiary S Ltd. Stood as

Follows:

Liabilities	H. Ltd (Rs.)	S Ltd (Rs.)	Assets	H Ltd (Rs.)	S Ltd (Rs.)
Equity share capital	8,00,000	2,00,000	Fixed assets	5,50,000	1,00,000
General reserve	1,50,000	70,000	75% shares in S Ltd. (at cost)	2,80,000	-
Profit & Loss	90,000	55,000	Stock	1,05,000	1,77,000
Creditors	1,20,000	80,000	Other current assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	4,05,000

Draw a consolidated Balance sheet as at 31st March, 1996 after taking into consideration the following information:

- i) H Ltd. Acquired the shares on 31st July, 1995
- ii) S Ltd. earned profit of Rs. 45,000 for the year ended 31st March 1996.

iii) In January 1996 S Ltd. Sold to H Ltd. Goods costing Rs. 15,000 for Rs. 20,000.

On 31st march, 1996 half of these goods were lying as unsold in the godown of H Ltd. Give your working notes.

87. Babu Ltd. Is to absorb sobha Ltd. The purchase consideration is the issue of 5 shares of Rs. 10 each at 10 % premium for every 4 shares held in sobha Ltd. The Balance sheets on the date of absorption were as under.

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Share capital (Rs. 10 each)	20,00,000	12,00,000	Fixed Assets	16,00,000	8,00,000
Reserves	2,00,000	1,60,000	Investments:		
Creditors	4,00,000	2,40,000	24,000 shares in sobha Ltd.	3,20,000	-
			20,000 shares in Babu Ltd.	-	2,40,000
			Current Assets	6,80,000	5,60,000
	26,00,000	16,00,000		26,00,000	16,00,000

Prepare Ledger Accounts in the books of sobha Ltd. And Journal entries in the books of Babu Ltd. Along with Balance sheet after absorption.

88. Distinguish between 'Net Assets' and 'Net payments' as basis for computation of purchase consideration.

89. On 31.12.1993, the following balances stood in the books of Asian Bank Ltd.

issued 80,000 shares of Rs. 100 each, Rs. 50 paid	4,000	(Rs.) Share capital-
Reserve fund		6,200
Fixed deposits		42,600
Savings bank deposits		19,000
Current account		23,200
Money at call and short notice		1,800
Government securities		9,000
Other investments		16,000

Profit and loss account (Cr) balance (1.1.93)	1,350
Dividend for 1992	400
Premises (after depreciation upto 31.12.93, Rs.45,000)	2,950
Cash in hand	380
Cash with RBI	10,000
Cash with other banks	6,000
Bills discounted	51,000
Loans and overdrafts	4,136
Drafts payable	70
Unclaimed dividends	60
Rebate on bills discounted	50
Short loans (Cr)	4,750
Furniture (after depreciation upto 31.12.93, Rs. 1,36,000)	1,164
Net profit for 1993	1,550

Prepare the balance sheet as per the banking regulation Act.

90. Explain the various schedules to be prepared by a commercial Bank.

91. TV Ltd absorbed the business of Radio Ltd as a going concern on 31st March, 2011. The Balance sheets of the two companies, on that date being as under:

Liabilities	TV Ltd. Rs.	Radio Ltd. Rs.	Assets	TV Ltd. Rs.	Radio Ltd. Rs.
Share Capital	20,00,000	6,00,000	Goodwill	-	1,00,000
Paid up share capital	10,00,000	6,00,000	Buildings	5,00,000	-
Reserves	1,20,000	-	Stock	1,40,000	2,60,000
Creditors	20,000	1,00,000	Debtors	2,80,000	2,00,000
Bank overdraft	-	1,00,000	Investments	1,20,000	-
			Bank	1,00,000	-
			Profit & Loss A/C	-	2,40,000
	11,40,000	8,00,000		11,40,000	8,00,000

The purchase consideration was agreed upon at Rs. 4,00,000 payable as to Rs.2,00,000 in cash and the balance by issue of 16,000 equity shares of Rs. 10 each fully paid in TV Ltd at an agreed value of Rs. 12.50 per share. The sale was completed and Radio Ltd then went into liquidation. Pass journal entries in the books of TV Ltd and Prepare the balance sheet of Tv Ltd.

92. Explain the treatment of the following while consolidating the accounts of holding company and its subsidiary company.

(a) Bonus shares issued from Pre acquisition profits.

(b) Profits /Loss on revaluation of fixed assets.

93. The following is the summarized Balance sheet of Kanmani Ltd. As on 31-12-2000.

Liabilities	Rs.	Assets	Rs.
Share Capital		Land and building	3,00,000
Rs.5,000 Equity shares of Rs. 100 each	5,00,000	Plant	2,60,000
1000 pref. shares of Rs. 50 each	50,000	Goodwill	90,000
6% Debentures	1,50,000	Debtors	1,40,000
Loans	2,00,000	Preliminary expenses	60,000
Sundry creditors	1,00,000	P & L	1,50,000
	10,00,000		10,00,000

Following reconstruction scheme is approved:

a) Equity shares are to be reduced to Rs. 75; Pref., shares to Rs. 25.

b) Land and building and plant and machinery is appreciated by Rs. 1,00,000 and Rs. 40,000.

c) The 6% Debenture holders are to taken the debtors in full satisfaction of all amount due to him.

d) The amount so available is to be applied for writing off goodwill, Preliminary expenses and P and L A/C. Prepare Capital Reduction Account and revised Balance sheet.

94. The following is the balance sheet of Xavier Ltd.

Liabilities	Rs.	Assets	Rs.
Share Capital: Rs. 50,000 shares of Rs. 10 each	5,00,000	Goodwill	50,000
Profit and loss A/C	1,00,000	Fixed assets	4,20,000
10% Debentures	1,00,000	Current assets	2,80,000
creditors	50,000		
	7,50,000		7,50,000

Yamini Ltd agreed to absorb the above company on the following terms.

- i) The assets of Xavier Ltd are to be considered as worth Rs. 8,00,000.
- ii) The purchase price is to be paid one quarter in cash and the balance in shares of Rs. 10 each.
- iii) Yamini Ltd agree to take over all assets and liabilities. You required to prepare ledger accounts in the books of Xavier Ltd and opening journal entries in the books of Yamini Ltd.

95. What is capital reduction? What are the provisions of the companies act in regard to the reduction of share capital?