

(2 ½ Hours)

[Total Marks: 75]

Please check whether you have got the right question paper.

Note:

- All questions are compulsory.
- Each question carries 15 marks.
- Figures to the right indicate full marks.
- Use simple calculator.
- Working should form part of answer.

Q1. A Select the correct alternative and rewrite the sentence. (Any 8) [8]

1. Preparation of consolidated Balance Sheet of Holding Co. and its subsidiary company as per
 - a. As 11
 - b. AS – 22
 - c. AS 21
2. According to AS 14, Amalgamation fall into two categories
 - a. Amalgamation and absorption
 - b. Merger and purchase
 - c. Amalgamation and external reconstruction
3. Profit earned before acquisition of share is treated as
 - a. Capital profit
 - b. Revenue profit
 - c. General Reserve
4. If there is any balance in the capital reduction account after writing off all the accumulated losses, then the same is transferred to —
 - a. Share capital account
 - b. Capital reserve account
 - c. General reserve account.
5. Pre-acquisition profit in subsidiary company is considered as :
 - a. Revenue profit
 - b. Capital profit
 - c. Goodwill
6. Under purchase method the difference between the purchase consideration and share capital of the transferee company should be adjusted to:
 - a. Amalgamation adjustment account
 - b. Goodwill or capital reserve
 - c. None of the above

7. Amount sacrificed by shareholders are credited to:
 - a. Capital reduction account
 - b. Shares surrendered account
 - c. Capital reserve account
8. A Ltd. and B Ltd. go into liquidation and a new company X Ltd. is formed. It is a case of:
 - a. Absorption
 - b. External reconstruction
 - c. Amalgamation
9. Minority Interest includes :
 - a. Share in Capital profit
 - b. Share in Revenue profit
 - c. All of the above
10. When the expenses of liquidation are to be borne by the vendor company, then the vendor company debits:
 - a. Realisation account
 - b. Bank account
 - c. Goodwill account

Q1. B State whether the statements are true or false. (Any 7) [7]

1. Goodwill is the excess of the share in equity of the subsidiary over and above the price paid for the investment.
2. Every holding company is required to prepare consolidated balance sheet and profit and loss account under the Companies Act, 1956.
3. Minority interest = Paid-up value of share hold by outsiders.
4. Goodwill or capital reserve arises only when the amalgamation is in the nature of merger.
5. Absorption take place when an existing company takes over two or more companies.
6. Takeover of Santoshkumari Ltd. by Santoshkumar Ltd. a new company is external reconstruction.
7. In case of internal reconstruction the exiting company has to be liquidated.
8. Cancellation of unissued capital is also a case of capital reduction.
9. A company must pass a special resolution for reduction of capital.
10. In calculating purchase consideration under net assets method, all assets including fictitious assets should be considered.

Q.2 A. Parag Ltd. and Chirag Ltd. agreed to amalgamate and form a new company namely Anurag Ltd. which will take over all the assets and liabilities of both the companies. Following are the summary Balance Sheet of Parag Ltd. and Chirag Ltd. as on 31st March, 2018. [15]

Liabilities	Amount	Amount	Assets	Amount	Amount
Equity Shares of Rs. 10/- each fully paid	4,00,000	5,00,000	Plant & Machinery	8,00,000	8,00,000
6% Preference Shares of Rs. 100/- each fully paid	-	3,00,000	Stock	65,000	60,000
9% Debentures of Rs. 100/- each	-	2,00,000	Debtors	95,000	50,000
Profit & Loss A/c	5,00,000	-	Profit & Loss A/c	-	1,40,000
Statutory 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

Terms of Amalgamation:

In case of Parag Ltd.: assets and liabilities are to be taken over at book values. For every 4 equity shares in Parag Ltd. 5 equity shares of Rs. 10/- each in Anurag Ltd. shall be issued at 10% premium.

In case of Chirag Ltd.:

- 6% Preference shareholders of Chirag Ltd. would be allotted 4, 7% Preference shares of Rs. 100 each in Anurag Ltd. for every 5, 6% Preference shares in Chirag Ltd.
- 9% Debenture holders would be discharged at par by issue of an equal number of 10% Debentures of Rs. 100 each in Anurag Ltd. at par.
- Plant & Machinery and stock shall be appreciated by 10%.
- Balance of Purchase consideration would be discharged by issue of Equity shares of Rs. 10 each in Anurag Ltd. issue at 10% Premium.
- Sundry Debtors of Chirag Ltd. includes Rs. 5,000 due from Parag Ltd.

You are required to:

- Compute Purchase Consideration
- Give necessary Journal Entries in the books of Anurag Ltd.
- Balance Sheet of Anurag Ltd. after Amalgamation.

OR

Q2. B Tom Ltd. agreed to acquire business of Jerry Ltd. as on 31st March, 2013. The summarized Balance Sheet of Jerry Ltd. as on 31st March, 2013 was as follows: [15]

Liabilities	Amount	Assets	Amount
12,000 Equity of Rs. 10 each fully paid up	1,20,000	Goodwill	20,000
General Reserve	34,000	Building	60,000
Profit & Loss A/c	22,000	Machinery	68,000
6% Debentures	20,000	Closing Stock	33,600
Creditors	4,000	Debtors	7,200
		I.C.I.C.I Bank A/c	11,200
	2,00,000		2,00,000

The consideration payable was as follow:

- Cash payment equal to Rs. 2.5 per share in Jerry Ltd.
- Issue of 18,000 Equity shares of Rs. 10 each of Tom Ltd. having an agreed value of Rs. 15 per share.
- Issue of such an amount of fully paid 9% Debentures of Tom Ltd. at Rs. 96 each as is sufficient to discharge 6% Debentures of Jerry at 20% premium.
- While calculating the consideration the assets were revalued as follows:

Building and Machinery at Rs. 1,20,000 each, Stock at Rs. 28,400 and Debtors subject to 5% provision for discount.

- Liquidation expenses agreed to be paid by Jerry Ltd. was Rs. 1,000.

Prepare:

- Statement of Purchase Consideration
- Necessary Ledger Account
- Opening Journal Entries in the books of Tom Ltd.

Q3. A Following is the summarized Balance Sheet of Aayushi Ltd. as on 31.3.2018: [15]

Liabilities	Rs.	Assets	Rs.
10% Preference Shares of Rs. 100 each	8,00,000	Patents	30,000
Equity Shares of Rs. 10 each	20,00,000	Goodwill	50,000
12% Debentures	15,00,000	Furniture	70,000
Bank Overdraft	1,00,000	Land & Building	13,00,000
Bills Payable	70,000	Plant & Machinery	12,00,000
Creditors	2,80,000	Closing Stock	1,60,000
		Bills Receivable	30,000
		Debtors	1,80,000
		Profit & Loss A/c (Dr.)	16,40,000
		Preliminary Expenses	90,000
	47,50,000		47,50,000

Note: Preference dividend is in arrears for four years.

The following scheme of Capital Reduction was sanctioned by the court and agreed by the shareholders:

- The preference shares are to be reduced to Rs. 50 each and equity shares to Rs. 2 each both being fully paid.
- Of the preference dividend in arrears, three-fourth to be waived and remaining to be paid immediately.
- The debenture holders to take over plant & machinery at Rs. 13,00,000 in part satisfaction of their claim. The remaining claim should be converted into 15% debentures.
- Bill payable to be settled immediately. Creditors forego their claim of Rs. 40,000.
- The Assets are to be revalued as under:

Furniture	Rs.	50,000
Stock	Rs.	1,36,000
Land & Building	Rs.	11,60,000
Debtors	Rs.	1,60,000

- f) A secured loan of Rs. 3,00,000 at 12% interest p.a. to be obtained by mortgaging Land & Building for repayment of Bank overdraft and payment of bills payable and reconstruction expenses of Rs. 30,000.
- g) Write off goodwill, patents, profit / loss A/c (Dr. Balance) and preliminary expenses entirely.

Pass necessary Journal entries in the books of Aayushi Ltd. and also prepare Capital Reduction Account.

OR

Q3. B The following is the Summary Balance Sheet of Motu Ltd. [15]

Liabilities	Amount	Assets	Amount
Issued & Paid-up Equity Share		Intangible Assets	50,000
Capital	5,00,000	Fixed Assets	4,20,000
Statutory Reserve (to be maintained for 3 more years)	10,000	Current Assets	1,10,000
Debentures	1,00,000	Profit & Loss A/c	80,000
Creditors	50,000		
	6,60,000		6,60,000

Patlu Ltd. agreed to absorb Motu Ltd. on the following terms:

- (1) Patlu Ltd. agreed to take over all the assets & Liabilities.
- (2) The assets of Motu Ltd. are to be considered to be worth Rs. 5,00,000.
- (3) The Purchase price is to be paid one-quarter in cash and the balance in shares which are issued at the market price.
- (4) Liquidation expenses amounted to Rs. 300 agreed to be paid by Motu Ltd.
- (5) Market value of share of Rs. 10 each of Patlu Ltd. is Rs. 12 per share.
- (6) Debentures of Motu Ltd. were paid.
- (7) The amalgamation is in the nature of purchase.

You are required to show:

- (a) Purchase Consideration
- (b) Ledger Accounts in the books of Motu Ltd.
- (c) Opening Entires in the books of Patlu Ltd.

Q4. A The following are the Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31st December 2012. **[15]**

Summary Balance Sheet as at 31st December, 2012

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Share Capital of Rs. 1/- per share	10,000	8,000	Building	4,000	-
Reserves	4,000	3,000	Plant	1,000	6,000
Bill Payable	2,000	1,000	Stock	4,000	6,000
Creditors	5,000	4,000	Shares in S Ltd.	6,000	-
Profit & Loss A/c	4,000	2,000	Debtors	5,000	3,000
			Bills Receivable	3,000	2,000
			Cash	2,000	1,000
	25,000	18,000		25,000	18,000

Debtors of H Ltd. include Rs. 2,000 due from S Ltd. and Bills payable of H Ltd. included a bill of Rs. 500 accepted I favour of S Ltd. A loan of Rs. 1,000 given by H Ltd. to S Ltd. was also included in the items of Debtors and Creditors respectively. Rs. 500 was transferred by S Ltd. from Profit & Loss Account to Reserve out of Current Year's profit. Shares were purchased on 30th June 2012 at par.

Prepare Consolidated Balance Sheet.

OR

Q4. B

[15]

From the following data, determine in each case:

1. Minority interest at the date of acquisition and at the date of consolidation.
2. Goodwill or Capital Reserve

Case	Subsidiary Company	% Shares owned	Cost	Date of acquisition		Date of acquisition	
				1.1.20X1		31.12.20X1	
				Share Capital	Profit & Loss Account	Share Capital	Profit & Loss Account
				Rs.	Rs.	Rs.	Rs.
Case 1	A	90%	1,40,000	1,00,000	50,000	1,00,000	70,000
Case 2	B	85%	1,04,000	1,00,000	30,000	1,00,000	20,000
Case 3	C	80%	56,000	50,000	20,000	50,000	20,000
Case 4	D	100%	1,00,000	50,000	40,000	50,000	55,000

Q5. A List the types of Amalgamation and methods of preparation of purchase consideration. **[7]**

B Explain the objective of Consolidation of Financial Statement. **[8]**

OR

Q5. C Write short notes (Any 3)

[15]

1. External Reconstruction
2. Internal Reconstruction
3. Purchase consideration
4. Realization Account
5. Minority Interest