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IV Semester B.Com./(R)/A&F/B.D.A/T.T.M/L.S.C.M/Fintech Degree Examination, June/July - 2026

COMMERCE

Advanced Corporate Accounting

(SEP Scheme)

Time : 3 Hours **Maximum Marks : 80**

Instructions to Candidates:

Answers should be written in English only.

SECTION - A

Answer any FIVE of the following sub-questions. Each sub-question carries 2 marks.
(5×2=10)

1. a) What is capital redemption reserve?

   b) Mention the different methods of redemption of debentures.

   c) How do you treat liabilities not taken by the transferee company under amalgamation in the nature of purchase?

   d) Write the journal entry if preference shares are redeemed from fresh issue at discount.

   e) State the different methods to calculate purchase consideration.

   f) Write the two forms of internal reconstruction.

   g) What is order of payment in liquidation?

   h) Write any two circumstances for compulsory winding up.

SECTION - B

Answer any FOUR of the following questions. Each question carries 5 marks.
(4×5=20)

2. What are the differences between pooling of interest and purchase method?

3. Bindu Ltd., redeemed its 10,000 preference shares of Rs. 100 each at a premium of 10%. Though the company had sufficient balance in the general reserve, it decides to make fresh issue of 6,000 equity shares of Rs.100 each at a premium of 25% for this purpose. Pass necessary journal entries.

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4. A company issued 10,000 debentures of Rs. 100 each at par on 1/1/2020 redeemable at par on 31/12/2024. A sinking fund was established for the purpose. At the end of the fifth year the debentures were paid off.

Prepare debentures account and debentures holders account.

5. Calculate purchase consideration to be discharged by Y Ltd., to X Ltd., from the following information:

The assets of X Ltd., are valued at Rs. 4,00,000.

The liabilities of X Ltd.,are valued at Rs.1,60,000.

Rs. 80,000 cash paid to the shareholders of X Ltd.,.

The balance of purchase consideration is discharged by issue of shares Rs. 10 each at Rs. 20 per share.

6. On the reconstruction of a company, the following terms were agreed upon:

The shareholders to receive in lieu of their present holding (50,000 shares of Rs. 10 each) the following.

a) Fully paid equity shares equal to 2/5th of their holdings.

b) 5% preference shares fully paid, to the extent of 1/5th of the above new equity Shares.

c) Rs. 60,000, 6% 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.

Write the journal entries in the books of the company necessitated by the above reconstruction.

7. The following particulars relates to a limited company which has gone into voluntary liquidation. You are required to prepare the liquidator's final account allowing for his remuneration at 2% on the amount realized, 2% on the amount distributed to unsecured creditors other than preferential creditors.

Particulars	Amount
Preferential Creditors	10,000
Unsecured Creditors	32,000
Debentures	10,000

The assets realized the following sums:

Land and buildings	20,000
Plant and machinery	18,650
Fixtures and fittings	1,000

The liquidation expenses amounted to Rs. 1,000.

SECTION - C

Answer any THREE of the following questions. Each question carries 15 marks. **(3×15=45)**

8. Seema Ltd., redeems its fully paid preference shares at a premium of 20%. For this purpose, it makes fresh issue of 5,000 equity shares of Rs. 10 each at par and sells its investments at loss of 5%. On the date of redemption of preference shares, the company's balance sheet stood as under:

Liabilities	Amount	Assets	Amount
Equity share capital (Rs. 10 each)	8,00,000	Fixed assets	21,00,000
Redeemable preference share capital (Rs. 100 each fully paid up)	4,00,000	Investments	4,00,000
Preference share capital (Rs. 100 each partly paid up)	2,00,000	Bank and cash	2,00,000
Capital redemption reserve	2,00,000	Other current assets	3,00,000
Securities premium	10,000		
Profit and Loss account	5,90,000		
Current liabilities	8,00,000		
Total	**30,00,000**	**Total**	**30,00,000**

Pass the necessary journal entries and prepare Balance Sheet after redemption.

9. On 1st January 2020, Manasa. Ltd., issued debentures for Rs. 2,00,000 redeemable at par at the end of 5 years and it was resolved that sinking fund should be formed and invested in government securities. Show the ledger accounts for 5 years, assuming that the interest rate was 5% and investments were realized at a loss of Rs. 600 at the end of 5 years . The sinking fund table shows that Re 0.180975 invested at the end of each year at 5%. Compound interest will produce Re. 1 at the end of 5 years.

10. Given below are the Balance Sheets of two companies as on 31.03.2024.

Liabilities	R.Ltd.,	K Ltd.,	Assets	R Ltd.,	K Ltd.,
Equity share capital					
(Rs.10 each fully paid)	15,00,000	3,90,000	Goodwill	1,50,000	50,000
Share premium	4,500	-	Freehold		
General Reserve	1,00,000	-	Property	4,00,000	1,80,000
Profit and loss a/c	1,65,650	-	Machinery	3,50,000	1,00,000
8% debentures	3,50,000	70,000	Stock	6,82,000	1,62,000
Development Rebate			Debtors	2,58,500	95,000
Reserve	27,850	57,000	Bank	3,37,500	-
Sundry Creditors	30,000	2,00,000	Profit and		
Bank Overdraft	-	6,000	Loss A/c	-	1,36,000
Total	**21,78,000**	**7,23,000**	**Total**	**21,78,000**	**7,23,000**

The two companies decided to amalgamate their business on the date of balance sheet and a new company called RK Ltd., was formed with an authorized capital of Rs. 25,00,000 in shares of Rs. 10 each. The terms of amalgamation were:

R Ltd.,

a) Six shares of Rs.10 each fully paid in the new company in exchange for every 5 shares in R Ltd., and Rs. 10,000 in cash.

b) The debentures holders were to be allotted such debentures in new company bearing interest at 7% p.a. as would bring the same amount of interest.

K Ltd.,

a) One share of Rs.10 each fully paid in the new company in exchange for every 3 shares in K Ltd., and Rs. 5,000 in cash.

b) The debentures holders were to be allotted such debentures in new company bearing interest at 7% per annum as would bring the same amount of interest.

The new company took over all the assets and liabilities of the two companies. Development rebate reserve is to be maintained for 2 more years.

Draw the opening entries and balance sheet after the amalgamation in the books of Transferee Company, under amalgamation in the nature of purchase method.

11. The following is the Balance Sheet of bright Ltd., as on 31.03.2024.

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Authorized Capital:		Leasehold premises	1,30,800
10,000 preference shares of Rs. 100 each	10,00,000	Plant and machinery	42,200
10,000 equity shares of Rs. 100 each	10,00,000	Patents at cost	8,50,000
	20,00,000	Sundary debtors	76,500
Subscribed Capital:		Stock in trade	55,000
7,500 preference shares of Rs. 100 each fully paid	7,50,000	Cash in hand	500
5,000 equity shares of Rs. 100 each fully paid	5,00,000	Discount on issue of shares	18,000
Sundry creditors	30,000	Preliminary expenses	12,000
Bank overdraft	20,000	Profit and Loss Account	1,15,000
Total	**13,00,000**	**Total**	**13,00,000**

The company suffered heavy losses and was not getting on well. The following scheme of reconstruction was adopted:

* The preference shares be reduced to an equal number of fully paid shares of Rs. 50 each.
* The equity shares are reduced to an equal number of shares of Rs. 25 each.
* The amount so made available be used to write off Rs. 30,800 of the leasehold premises; Rs. 15,000 off stock; 20% of plant and machinery and sundry debtors and balance available off patents.

Journalize the transactions and prepare the balance sheet after the reconstruction.

12. Isha Ltd., is to be liquidated. Prepare liquidator's final statement of account from the following balance sheet as on 31-03-2024.

Liabilities	Amount	Assets	Amount
5,000, 10% preference shares, Rs. 100 fully paid up	5,00,000	Land and building	2,50,000
12,500 equity shares of Rs. 100 each, Rs. 75 paid up	1,87,500	Plant and Machinery	6,25,000
7,500 equity shares of Rs. 100 each, Rs. 60 paid up	4,50,000	Stock	2,37,500
15% debentures having a floating charges on all the assets	2,50,000	Debtors	2,75,000
Trade creditors	3,18,750	Cash at bank	75,000
Outstanding interest on Debentures	37,500	Profit and Loss account	2,81,250
Total	**17,43,750**	**Total**	**17,43,750**

Assets realized as follows:

Plant and machinery Rs. 5,00,000.

Land and building Rs. 3,00,000.

Stock Rs. 2,25,000.

Debtors Rs. 2,00,000.

The preference shares were in arrears from past 2 years, which were paid at the time of liquidation. creditors include preferential creditors of Rs. 38,000. Expenses of liquidation amounted to Rs. 27,250. Liquidator is entitled to a remuneration of 3% on all assets realized excluding cash.

Assuming the final payment including those on debentures is made on 30-09-2023.

SECTION - D

Answer the following question. **(1×5=5)**

13. List out legal provisions in respect of redemption of preference shares.
