IV Semester B.Com. (AF&FA) Degree Examination, June/July - 2026

(SEP Scheme)

COMMERCE

Advanced Corporate Accounting

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

Instructions :

Answers should be written in English only.

SECTION - A

Answer any Five sub-questions. Each sub-question carries 2 marks. (5×2=10)

1. a) State the types of Good will.

   b) What is meant by normal rate of return?

   c) Mention any 2 circumstances for need of valuation of shares?

   d) What do you mean by Insolvency and Bankruptcy?

   e) What is liquidation of company?

   f) State the different types of Amalgamation.

   g) State the methods of calculation of purchase consideration.

SECTION - B

Answer any Three questions out of Five questions. Each question carries 6 marks. (3×6=18)

2. Rohith purchased a business from Varun on April 1, 2025. Profits earned by varun for the preceding years were

   Profit : 2022 - 23 Rs. 50,00,000

   2023-24 Rs. 60,00,000

   2024-25 Rs. 54,00,000

   a) Profit of 2024-25 is reduced by Rs.3,00,000 due to stock destroyed by fire and profit of 2023-24 included non - recurring income Rs. 2,00,000.

b) The stock is not insured and it is thought prudent to in sure the stock in future.

c) The insura nce premium is estimated @ Rs. 50,000 P.A.

d) Rohith at time of purchase of the business was employed as a manager with Ananya Ltd. At a monthly salary of Rs. 1,00,000. He tends to replace the manager of the business who is at present paid salary of Rs. 75,000 per month. The goodwill is estimated at 2 years purchase of the average profits. Calculate value of good will.

3. From the following particulars calculate the value of an equity share under yield method.

5,000, 9% preference shares of Rs.100 each Rs. 5,00,000

1,25,000 equity shares of Rs. 10 each, 8 per share paid Rs. 10,00,000

Expected profits before tax Rs. 5,45,000 Rate of tax is 40%.

Transfer to general reserve every year 20% of profit

Normal rate of earnings from this type of business is 15%.

4. Arun Ltd., went into voluntary liquidation It's assets realised by Rs. 2,10,000 excluding the amount realized by the sale of securities held by secured creditor. From the following prepare liquidators final statement of account.

Secured creditors 17,500 (security realized Rs. 20,000), preferential creditors Rs. 3,000, unsecured creditors Rs. 1,00,000, Debentures (having floating charges on assets) Rs. 1,25,000, Liquidation Expenses Rs. 2,500. Liquidator remuneration is 3% on amount paid to unsecured creditors.

5. Following is the balance sheet of C Ltd., and D Ltd., as at 31-3-2026

Liabilities	**C Ltd.,**	**D Ltd.,**	**Assets**	**C Ltd.,**	**D Ltd.,**
Equity share capital	1,50,000	1,50,000	Land and Building	1,00,000	1,50,000
Reserve and surplus	50,000	1,00,000	Plant and Machinery	1,50,000	1,25,000
12% Debentures	1,00,000	1,00,000	Stock	75,000	75,000
Creditors	60,000	60,000	Debtors	25,000	50,000
			Cash	10,000	10,000
	3,60,000	**4,10,000**		**3,60,000**	**4,10,000**

Above companies amalgamate their business and form a new company called DC Ltd. The assets of both the companies are valued as follows :

Fixed assets 25% more

Stock 15% less and

Debtors 10% less

The purchase consideration is discharged by the issue to both the companies sufficient number of equity shares of Rs.10 each in DC Ltd. at an agreed value of Rs.12.50 per shares.

Calculate purchase consideration and number of shares to be issued to each companies.

6. Discuss the differences between pooling of interest and purchase method.

SECTION - C

Answer any Three questions out of five questions. Each question carries 14 marks. (3×14=42)

7. Balance sheet of Boss Co. Ltd. as on 31-3-2025 is as under

Liabilities	Rs.	Assets	Rs.
10,000 equity shares of		Fixed Assets	10,00,000
Rs. 100 each	10,00,000	Stock	3,50,000
6,000, 15% preference		Debtors	4,50,000
shares of Rs. 100 each	6,00,000	Cash and Bank	2,00,000
General Reserve	80,000		
P & L A/c	1,60,000		
Sundry Creditors	1,60,000		
	20,00,000		**20,00,000**

The profits of the company (before providing for taxation at 40%) and the rate of dividend declared in respect of the past 5 Financial years are as under.

Financial year	Profits (Rs.)	Rate of Dividend
2020-21	3,70,000	8%
2021-22	4,10,000	10%

2022-23	4,40,000	12%
2023-24	4,30,000	15%
2024-25	4,60,000	15%

You are required to find out the value of Good will at 5 years purchase of the super profits of the company.

8. Balance sheet of star Ltd., as on 31-03-2025.

Liabilities	Rs.	Assets	Rs.
Share capital :		Land and Building	1,10,000
Issues, subscribed and paid up:		Plant and Machinery	1,30,000
2000 shares of Rs.100 each	2,00,000	Patents and trade marks	20,000
General reserve	40,000	Stock	48,000
Profit and loss a/c	32,000	Debtors	88,000
Sundry creditors	1,28,000	Bank	52,000
Income tax reserve	60,000	Preliminary Expenses	12,000
	4,60,000		**4,60,000**

The Expert values valued the Land and Buildings at Rs. 2,40,000, Good will at Rs. 1,60,000 and plant and machinery Rs.1,20,000 out of the total debtors. It is found that debtors of Rs. 8,000 are bad. The profits of the company have been as follows :

2022- 23 Rs. 90,000

2023-24 Rs. 80,000

2024-25 Rs. 1,06,000

The company follows the practice of transforming 25% of profits to general reserve. Similar type of companies each at 10% of the value of their shares.

Ascertain the value of shares of the company under :

i. Intrinsic value method

ii. Yield value method

iii. Fair value method.

9. The following is the balance sheet of Sathya Ltd as on 31st March 2025.

Liabilities	Rs.	Assets	Rs.
Paid up capital :		Fixed assets :	
1,000,6% preference shares of Rs. 100 each	1,00,000	Land and building	2,00,000
		Plant and machinery	2,20,000
2,000, equity shares of Rs. 100 each fully paid	2,00,000	Current assets :	
		Stock	1,00,000
3,000 equity shares of Rs.100 each Rs. 50 paid	1,50,000	Debtors	1,00,000
		Cash at Bank	30,000
Secured loan :		Miscellaneous Expenditure profit & loss Account	1,00,000
6% debentures (floating charge on all assets)	1,00,000		
Others : (Mortgage on Land & building)	1,00,000		
Current and liabilities			
sundry creditors	90,000		
Income tax	10,000		
	7,50,000		**7,50,000**

The company went into liquidation on 1-4-2025

The preference dividends were in arrears for 3 years. The arrears are payable on liquidation.

The assets were realised as follows

Land and building Rs. 2,40,000

Plant and machinery Rs. 1,80,000

Stock Rs. 70,000

Debtors Rs. 60,000

The Expenses of liquidation amounted to Rs. 8,000

The liquidator is entitled to a commission at 2% on all assets realised excluding cash at bank and 3% on amounts distributed to unsecured creditors.

All payments were made on 30th Sept 2025.

Prepare liquidators statement of Accounts.

10. ABC Ltd., sells its business to XYZ Ltd., on 31-3-2025 on that date, its Balance Sheet was.

Balance Sheet

Liabilities	Rs.	Assets	Rs.
2,000 shares of Rs. 100 each	2,00,000	Good will	50,000
Debentures	1,00,000	Premises	1,50,000
Trade Creditors	30,000	Plant	83,000
Reserve Fund	50,000	Stock	39,500
Profit and Loss A/c	20,000	Debtors	27,500
		Cash	50,000
	4,00,000		**4,00,000**

XYZ Ltd agreed to take over the assets excluding cash and Goodwill at 10% less than the book values, to pay Rs. 75,000 for goodwill and to take over debentures.

The purchase consideration was to be discharged by the allotment of 1,500 shares of Rs.100 each at a premium of Rs.10 per share and the balance in cash. Cost of liquidation amounted to Rs. 3,000 met by ABC Ltd. Show the necessary accounts in the books of ABC Ltd.,

Pass journal entries in the books of XYZ Ltd.

11. Pink Ltd., and Rose Ltd., decided to amalgamate their businesses and form a new company called Rose pink Ltd. Their balance sheets as on the date of amalgamation were as follows.

Liabilities	Pink Ltd.,	Rose Ltd.,	Assets	Pink Ltd.,	Rose Ltd.,
Equity share Capital (shares of Rs. 10)	6,00,000	2,00,000	Land and Buildings	3,00,000	-
General Reserve	4,00,000	2,00,000	Plant and Machinery	5,00,000	3,00,000
Secured Loans	6,00,000	1,00,000	Furnitures	1,00,000	-
Creditors	6,00,000	4,00,000	Stock	8,00,000	4,00,000
			Debtors	4,00,000	1,00,000
			Cash at bank	1,00,000	1,00,000
	22,00,000	**9,00,000**		**22,00,000**	**9,00,000**

The terms and conditions of amalgamation were follows.

a) Rose Pink Ltd. agreed to take over all assets and liabilities of both the companies at book values.

b) The liquidation expenses in case of pink ltd. was Rs, 6,000 and Rose ltd. Was Rs. 7,500 which were met by Rose Pink Ltd.

c) Rose pink Ltd. agreed to pay the purchase consideration to both the companies in equity shares of Rs. 10 each fully paid and also Rs. 20,000 each as additional amount in cash.

d) The authorised capital of Rose pink Ltd. was Rs. 20,00,000 in equity shares of Rs. 10 each

Show the opening entries in the books of Rose pink Ltd., and balance sheet.

SECTION - D

Answer the following questions out of Two sub questions. It carries 10 marks. (1×10=10)

12. a) Following is the balance sheet of A company as on 31-3-2025

Balance Sheet

Liabilities	Rs.	Assets	Rs.
1,20,000 shares of Rs. 10 each	12,00,000	Buildings	7,50,000
		Machinery	3,64,500
Reserve Fund	6,00,000	Stock	4,55,750

Development Rebate		Debtors	3,82,500
Reserve	12,500	Bank	1,25,030
Creditors	2,00,000		
Profit and loss A/c	65,280		
	20,77,780		**20,77,780**

The concern is acquired by B company. The purchase consideration being the payment of Rs. 10,00,000 in cash and allotment of two fully paid shares of Rs.10 each at an agreed price of Rs.12.50 in Exchange for every 3 shares of A company. the liquidation expenses of the vendor company is Rs.15,000. Show the necessary journal entries to record the above in the books of B" Company (transferee company).

Assume that development Rebate Reserve will continue for 3 more years in transferee company.

(OR)

b) Explain the order of disbursement to be made by a liquidator during the process of liquidation.