

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Corporate Accounting
Semester- II (Batch: 2022-27)

End Semester Examination: May 2023

Date: 10th May, 2023

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- Do not write anything on the question paper.
- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Use of simple calculator is permitted. Calculator in mobile phone or any other device/s, gadgets is not permitted.

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|-----|--|--------------|
| | | Marks |
| Q.1 | a) Discuss the difference between 'Amalgamation' as per AS-14 and 'Business Combinations' as per AS-103. Also explain the applicability of these Accounting Standards to the Companies in India. | (5x2=10) |
| | b) Discuss and explain the reasoning of the provisions of Section 55 (Issue and redemption of Preference Shares) of the Companies Act, 2013. | |

OR

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| | <p>a) A Charitable Organisation, registered under section 12 A (The Income Tax Act, 1961), received donation of Rs. 5, 00,000 for the construction of an orphanage during the financial year 2020-21 (Donation Year). The management invested Rs. 2, 00,000 out of that in Government of India Bonds, on which the interest of Rs. 14,000, 14,000 and Rs. 4,000 is received until the year 2022-23 (Current year). The charity spent Rs. 3, 00,000 for the construction during the previous years' itself and the balance in the current year.</p> <p>Assuming that the construction is completed in the current year 2022-23, you are required to show the effect of the accounting treatment of the transactions in the current year's balance sheet.</p> <p>b) Rifle Club has 300 members on its roll are paying an annual subscription of Rs. 500. On 31st march, 2022, subscriptions were in arrears from 12 members and received in advance from 7 members. Subscriptions are received during the year ended 31st March, 2023 from 240 member (including 20 members for the year 2023-24). Calculate the amount of subscription receivable and the number of members who are yet to pay their dues for the year ended 31st March, 2023.</p> | |
|--|--|--|
- | | | | | | | | | |
|-----------------------|--|----------------|--------|--------------|--------|-----------------------|--------|-----|
| Q.2 | <p>Millennial Limited issued 20,000 shares of Rs. 100 each. The amount was payable as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">On application</td> <td style="width: 40%; text-align: right;">Rs. 20</td> </tr> <tr> <td>On allotment</td> <td style="text-align: right;">Rs. 50</td> </tr> <tr> <td>On first & final call</td> <td style="text-align: right;">Rs. 30</td> </tr> </table> | On application | Rs. 20 | On allotment | Rs. 50 | On first & final call | Rs. 30 | (8) |
| On application | Rs. 20 | | | | | | | |
| On allotment | Rs. 50 | | | | | | | |
| On first & final call | Rs. 30 | | | | | | | |

The issue was subscribed **two times overall** and category –wise allotment of shares was made as follows:

| Category | Shares applied for | Shares allotted |
|----------|--------------------|-----------------|
| A | 5,000 | 4,000 |
| B | 10,000 | 3,000 |
| C | 25,000 | 13,000 |

All the shares were allotted pro-rata basis and excess application money was adjusted toward the sum due on allotment.

However, Mr. Devvrat, who belonged to 'category –A', and to whom 60 shares were allotted, failed to pay allotment money. His shares were forfeited immediately after allotment money was not received. Also, Mrs. Dutta who belonged to 'Category-C' applicants and who had been issued 25 shares, failed to pay the final call money and her shares were forfeited. The management resolved to re-issue these shares at discount of 10%.

You are required to record the transactions.

- Q.3 The following is the position statement of Indus hind Ltd., showing the state of affairs of the company as at 31.12.2022: (12)

| (Amount in Rs.) | | | |
|--|------------------|--|------------------|
| <i>Share Capital:</i> | | <i>Fixed Assets:</i> | |
| Authorized | | Plant & machinery | 12,00,000 |
| Issued and subscribed: | <u>30,00,000</u> | Furniture & fittings | 1,50,000 |
| 5,000, 14% preference shares of Rs. 100 each fully paid-up | 5,00,000 | Patents & trademarks | 50,000 |
| 1,00,000 equity shares of Rs. 10 each, fully paid up | 10,00,000 | | |
| <i>Reserves and Surplus:</i> | | <i>Current assets, loans and advances:</i> | |
| Capital reserve | 1,50,000 | Stock | 11,00,000 |
| Securities premium reserve | 1,00,000 | Debtors | 1,50,000 |
| General reserve | 7,50,000 | Cash in hand | 5,000 |
| P&L A/c. | 1,50,000 | Cash at bank | 3,15,000 |
| | | Bills of exchange | 70,000 |
| <i>Current liabilities & provisions:</i> | | | |
| Sundry creditors | 1,80,000 | | |
| Provisions for taxation | 2,10,000 | | |
| | 30,40,000 | | 30,40,000 |

The management wishes to purchase a machine for Rs. 1, 50,000 for which wishes to pay Rs. 50,000 by cheque and the balance by offering 12%; 1,250 preference shares of Rs. 100 each (partly paid up Rs.80) to the vendor.

The management also wishes to issue one bonus shares for every five shares held to its equity shareholders by utilizing its free reserves and also to redeem existing preference shares at a premium of 10%. For the redemption, the management proposes to issue 7 year; 13% debentures of Rs. 5, 00,000.

The management seeks your legal opinion, in the light of the relevant provisions pertaining to issue of bonus shares, issue of debentures and redemption of preference shares. Also prepare the balance sheet in consultation with the professional accountant of the company.

You are required to show necessary journal entries to effect the proposals mentioned above and draft a proposed balance sheet as on 31.12.2023 assuming other things remain constant.

- Q.4 Show, by means of journal entries, how will you record the following issues of debentures: (8)
- Rose Ltd. issued 6,000; 10% debentures of Rs. 100 each at a discount of 5%, redeemable after 5 years at par.
 - Tulip Ltd. issued 5,000; 13% debentures of Rs. 100 each at par, redeemable at the end of 5 years at a premium of 5%
 - Lilly Ltd. issues 80,000; 12% debentures of Rs. 100 each at a discount of 5% ; redeemable at the end of 5 years at a premium of 5%
 - Sunflower Ltd. issued 500; 13% debentures of Rs. 1000 each at a premium of 5%; redeemable at the end of 5 years at a premium of 5%
- Q.5 The following is the summarised Balance sheet of Pushpa Ltd. & Bahubali Ltd. At the end of the year 2023. (12)

| <i>Liabilities</i> | <i>Pushpa Ltd. Amt. Rs.</i> | <i>Bahubali Ltd. Amt. Rs.</i> | <i>Assets</i> | <i>Pushpa Ltd. Amt. Rs.</i> | <i>Bahubali Ltd. Amt. Rs.</i> |
|------------------------------|---------------------------------|-----------------------------------|-------------------|---------------------------------|-----------------------------------|
| Equity shares of Rs. 10 each | 1,50,000 | 1,00,000 | Plant & Machinery | 2,30,000 | 1,10,000 |
| 10% Debentures | 50,000 | - | Stock | 80,000 | 90,000 |
| 12% debentures | - | 1,00,000 | Debtors | 30,000 | 20,000 |
| P&L A/c. | 30,000 | 60,000 | Cash | 60,000 | 80,000 |
| Reserves | 70,000 | - | | | |
| Creditors | 1,00,000 | 40,000 | | | |
| | 4,00,000 | 3,00,000 | | 4,00,000 | 3,00,000 |

The directors of both the companies resolved to combine their businesses to synergise and become a giant in the industry. The companies agreed to amalgamate and form a new company Pushpabali Limited on the following terms:

- An exchange of 6 shares in Pushpabali Ltd. of Rs. 10 each at par for every 5 shares.
 - 90 % of the shareholders in both the companies gave consent for the amalgamation. The dissenting shareholders will be discharged by paying cash.
- You are required to pass necessary journal entries to effect the amalgamation and prepare balance sheet of Pushpabali Limited.
