SE – 462

IV Semester B.Com. Examination, June/July 2026
(SEP 2024 – 25)
COMMERCE
COM – 4.1 : Advanced Corporate Accounting

Time : 3 Hours

Max. Marks : 80

***Instruction** : Answers should be written in **English** or **Kannada**.*

SECTION – A

Answer **any seven** sub-questions. **Each** sub-question carries **two** marks. **(7×2=14)**

1. a) Name the two objectives of amalgamation of companies.

   b) What is 'Lump-sum' method of Purchase Consideration ?

   c) Define Capital Reduction Account.

   d) Give the meaning of 'Internal Reconstruction'.

   e) Give the meaning of 'Ex-interest' in debentures.

   f) Who are 'Unsecured Creditors' ?

   g) What is 'Pre-acquisition Profit' ?

   h) What is 'Goodwill' in holding company accounts ?

   i) Mention any two preferential payments in liquidation.

   j) State the meaning of 'Consolidated Balance Sheet'.

P.T.O.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks. **(3×8=24)**

2. Calculate purchase consideration and pass opening journal entries in the books of purchasing company.

Total assets at book value	₹ 40,00,000
Assets taken at agreed value	₹ 34,00,000
Total liabilities	₹ 16,00,000
Liabilities not taken over	₹ 4,00,000

Purchase consideration to be discharged in equity shares of ₹ 10 each.

3. The following scheme of reconstruction is carried out in VL Ltd.
   a) The present equity shareholders holding 4,00,000 equity shares of ₹ 10 each will receive in lieu thereof
      i) New fully paid equity shares of ₹ 10 each equal to 2/5 of their holdings.
      ii) 10% preference shares of ₹ 10 each fully paid equal to 1/5 of their holdings.
   b) Goodwill worth ₹ 5,60,000 totally written off. Plant and machinery stood ₹ 8,00,000 written down to ₹ 4,00,000 and freehold property worth ₹ 2,00,000 written off.
   c) New 10% debentures worth ₹ 4,00,000 issued for providing additional working capital.

   Pass required Journal Entries to the above effect.

4. Bright Co. Ltd. went into voluntary liquidation with the following liabilities.
   Secured creditors ₹ 80,000 (Security realised by the liquidator ₹ 1,00,000)

Preferential creditors	₹ 24,000
Unsecured creditors	₹ 1,22,000
Liquidation expenses	₹ 1,000

The liquidator is entitled to a remuneration of 3% on amount realised and 1½% on amount paid to unsecured creditors other than preferential creditors. The remaining assets ₹ 54,000. Prepare Liquidators' Statement of Account.

5. On 1-1-2022, KK Ltd. issued 4000, 8% Debentures of ₹ 1,000 each at a discount of 5%. These debentures were redeemed at a premium of 10% at the end of three years.

   Pass Journal Entries in the books of KK Ltd.

6. Calculate cost of control from the following :

   'H' Ltd. acquired 75% of equity shares in 'S' Ltd. on 1-7-2025 at 50% premium. The following balances are extracted from the Balance Sheet of 'S' Ltd. as on 31-12-2025.

   1) Share capital – 50000 equity shares of ₹ 10 each.
   2) Balance as on 1-1-2025 : General Reserve ₹ 1,00,000, P and L A/c ₹ 20,000.
   3) Net profit for the year 2025 ₹ 1,60,000.

SECTION – C

Answer **any three** questions. **Each** question carries **fourteen** marks. **(3×14=42)**

7. KV Ltd., and CK Ltd., agreed to amalgamate and form a new company called KVC Ltd. The purchase consideration is agreed at ₹ 24,00,000 for KV Ltd. and ₹ 28,80,000 for CK Ltd. to be settled by the issue of equity shares at a premium of 20%. The assets and liabilities taken over by KVC Ltd. is as under :

Particulars	**KV Ltd., (₹)**	**CK Ltd., (₹)**
Land and Buildings	16,00,000	12,00,000
Plant and Machinery	10,00,000	11,00,000
Furniture and fixtures	6,00,000	10,00,000
Debtors	4,00,000	5,00,000
Cash and Bank	2,00,000	3,00,000
Bank overdraft	1,00,000	2,00,000
Creditors	3,00,000	6,00,000

Bank Loan	3,00,000	3,00,000
15% Debentures	8,00,000	6,00,000

You are required to pass Journal Entries and prepare opening Balance Sheet in the books of KVC Ltd., under the assumption that the amalgamation is in the nature of merger (pooling of interest).

8. Given below is the Balance Sheet of 'Heavy Debt. Ltd.' as on 31-3-2026.

Particulars	**Amount (₹)**
I) **Equity and Liabilities**	
1) Shareholder's Funds	
a) Share Capital	
20,000, 8% Preference Shares of ₹ 10 each	2,00,000
20,000 Equity Shares of ₹ 10 each	2,00,000
b) Reserves and Surplus	
Profit and Loss A/c (Debit Balance/Loss)	(10,000)
2) Current Liabilities	
a) Short-term Borrowings	
Bank Overdraft	80,000
b) Trade Payables	
Creditors	72,000
Total	**5,42,000**
II) **Assets**	
1) Non-Current Assets	
a) Property, Plant and Equipment and Intangible Assets	
i) Property, Plant and Equipment	
Buildings	16,000
Plant	20,000
ii) Intangible Assets	
Goodwill	4,00,000

2) Current Assets	
a) Inventories	
Stock	88,000
b) Trade Receivables	
Debtors	4,800
c) Cash and Cash Equivalents	
Cash	1,200
d) Other Current Assets	
Preliminary Expenses	12,000
Total	**5,42,000**

The following scheme of reconstruction was adopted.

a) ₹ 10 preference shares were to be reduced to an equal number of fully paid shares of ₹ 8 each.

b) ₹ 10 equity shares were to be reduced to an equal number of fully paid shares of ₹ 5 each.

c) Creditors agreed to forego ₹ 32,000.

d) The amount thus available was to be utilised first write off Profit and Loss A/c (Debit Balance) and Preliminary Expenses and the balance if any, to be written off Goodwill.

Pass necessary journal entries and prepare Capital Reduction A/c and Reconstructed Balance Sheet.

9. Omega Ltd., went into voluntary liquidation on 31-03-2026. As at this date, its Balance Sheet was as under :

Particulars	**Amount (₹)**
I) Equity and Liabilities	
1) Shareholder's Funds	
a) Share Capital	
12% Preference Shares of ₹ 100 each	4,00,000
78,000 Equity Shares of ₹ 10 each, fully paid	7,80,000
b) Reserves and Surplus	
Debit balance of P and L A/c	(1,50,000)

2) Current Liabilities	
a) Trade Payables	
Secured Creditors	60,000
Preferential Creditors	15,000
Other Creditors	1,45,000
Total	**12,50,000**
II) Assets	
1) Non-Current Assets	
a) Property, Plant and Equipment	
Freehold Property	5,80,000
Plant and Machinery	2,90,000
Motor Vehicles	60,000
2) Current Assets	
a) Inventories	
Stock	1,90,000
b) Trade Receivables	
Debtors	1,00,000
c) Cash and Cash Equivalents	
Cash in Hand	30,000
Total	**12,50,000**

Additional information :

1) The preference dividend is in arrear for 2 years and is payable on liquidation.
2) The liquidator realizes the assets as follows : Freehold Property ₹ 7,00,000; Plant and Machinery ₹ 2,50,000; Motor Vehicles ₹ 40,000; Stock ₹ 1,75,000; Debtors ₹ 80,000.
3) The liquidation expenses amounted to ₹ 5,000 and the liquidator is entitled to a remuneration of 3% on assets realized (excluding cash) and 2% on the amount paid to unsecured creditors including preferential creditors.

You are required to prepare Liquidators' Final Statement of account.

10. From the following Balance Sheet of H Limited and its subsidiary S Limited. Prepare Consolidated Balance Sheet as on 31-3-2026.

Particulars	H Ltd. (₹)	S Ltd.(₹)
I) Equity and Liabilities		
1) Shareholder's Funds		
a) Share Capital		
Equity Shares of ₹ 5 each	20,00,000	4,00,000
b) Reserves and Surplus		
General Reserve	2,00,000	80,000
Surplus (Profit and Loss A/c balance)	1,00,000	1,28,000
2) Current Liabilities		
a) Trade Payables		
Creditors	1,80,000	48,000
Bills Payable	1,20,000	24,000
Total	**26,00,000**	**6,80,000**
II) Assets		
1) Non-Current Assets		
a) Property, Plant and Equipment and Intangible Assets		
i) Property, Plant and Equipment		
Building	4,00,000	1,40,000
Machinery	12,00,000	2,40,000
ii) Intangible Assets		
Goodwill	–	40,000
b) Non-Current Investments		
Shares in S Ltd.	3,40,000	–

2) Current Assets		
a) Inventories		
Stock	4,00,000	1,20,000
b) Trade Receivables		
Debtors	2,40,000	48,000
Bills Receivable (B/R)	–	72,000
c) Cash and Cash Equivalents		
Cash in hand	20,000	20,000
Total	**26,00,000**	**6,80,000**

The H Ltd. purchased 60,000 shares in S Ltd. on 30-9-2025. The Balance in general reserve and P and L A/c of S Ltd. stood at Rs. 24,000 and Rs. 16,000 respectively, on 1-4-2025. The B/R of S Ltd. Rs. 36,000 is accepted by H Ltd. The debtors of S Ltd. Rs. 8,000 due from H Ltd. The stock of S Ltd. includes goods purchased from H Ltd. for Rs. 40,000 which are invoiced by H Ltd. at a profit of 25% on cost.

11. TVC Ltd. issued 2,200, 5% debentures of ₹ 100 each on 1st January, 2022 redeemable at par. The company decided to set aside every year a sum of ₹ 69,786 to be invested @ 5% outside the business. The investments were sold at ₹ 1,43,160 at the end of the third year and the debentures were redeemed. Give journal entries. Also prepare Sinking Fund Account and Sinking Fund Investments Account.