

Advanced Accounting

Test No. 3

Topics : Amalgamation of Companies, Accounting for Liquidation of Companies

Total Marks : 35

Time: 2 Hours

Question 1

(12 Marks)

From the following particulars, prepare a Statement of Affairs and the Deficiency Account for submission to the official liquidator of the Equipment Ltd., which went into liquidation on December 31, 2016:

	Rs.	Rs.
3,000 equity shares of 100 each, Rs. 80 paid-up		2,40,000
6% 1,000 preference shares of Rs. 100 each fully paid-up	1,00,000	
Less: Calls in arrear	15,000)	95,000
5% Debentures having a floating charge on the assets (interest paid upto June 30, 2016)		1,00,000
Mortgage on Land & Buildings		80,000
Trade Creditors		2,65,500
Owing for wages		20,000
Secretary's salary (@ Rs. 500 p.m.) owing		3,000
Managing Director's salary (@ Rs. 1,500 p.m.) owing		6,000

Assets	Estimated produce	to	Book value
	Rs.		Rs.
Land & Building	1,30,000		1,20,000
Plant	1,30,000		2,00,000
Tools	4,000		20,000
Patents	30,000		50,000
Stock	74,000		87,000
Investments in the hands of a			
Bank for an overdraft of Rs. 1,90,000	1,70,000		1,80,000
Book Debts	60,000		90,000

On 31st December, 2011 the balance sheet of the company showed a general reserve of Rs. 40,000 accompanied by a debit balance of Rs. 25,000 in the Profit & Loss Account.

In 2012 the company made a profit of Rs. 40,000 and declared a dividend of 10% on equity shares. The company suffered a total loss of Rs. 1,09,000 besides loss of stock due to fire of Rs. 40,000 during 2013, 2014 and 2015. For 2016 accounts were not made.

The cost of winding up is expected to be Rs. 15,000.

Question 2**(16 Marks)**

The following are the summarized Balance Sheets of A Ltd. and B Ltd. as on 31st December, 2011:

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Share Capital			Fixed Assets	7,00,000	2,50,000
Equity Shares of Rs. 10 each	6,00,000	3,00,000	Current Assets:	2,40,000	3,20,000
10% Pref. Shares of Rs. 100 each	2,00,000	1,00,000	Inventory		
Reserves and Surplus	3,00,000	2,00,000	Trade Receivable	5,00,000	2,90,000
Secured Loans:			Cash at Bank	1,10,000	40,000
12% Debentures	2,00,000	1,50,000			
Current Liabilities:					
Trade Payable	2,50,000	1,50,000			
	15,50,000	9,00,000		15,50,000	9,00,000

Details of Trade receivables and trade payables are as under:

Trade payables	A Ltd.	B Ltd.
Sundry Creditors	2,20,000	1,25,000
Bills Payable	30,000	25,000
	2,50,000	1,50,000
Trade receivables		
Debtors	3,60,000	1,90,000
Bills Receivable	1,40,000	1,00,000
	5,00,000	2,90,000

Fixed Assets of both the companies are to be revalued at 15% above book value. Inventory in Trade and Debtors are taken over at 5% lesser than their book value. Both the companies are to pay 10% Equity dividend, Preference dividend having been already paid.

After the above transactions are given effect to, A Ltd. will absorb B Ltd. on the following terms:

- 8 Equity Shares of Rs. 10 each will be issued by A Ltd. at par against 6 shares of B Ltd.
- 10% Preference Shareholders of B Ltd. will be paid at 10% discount by issue of 10% Preference Shares of Rs. 100 each at par in A Ltd.
- 12% Debentureholders of B Ltd. are to be paid at 8% premium by 12% Debentures in A Ltd. issued at a discount of 10%.
- Rs. 30,000 is to be paid by A Ltd. to B Ltd. for Liquidation expenses. Sundry Creditors of B Ltd. include Rs. 10,000 due to A Ltd.

Prepare:

- Absorption entries in the books of A Ltd.
- Statement of consideration payable by A Ltd.

Question 3**Explain Overriding preferential payments as per Companies Act, 2013****(2 Marks)****Question 4****(5 Marks)**

In a liquidation which commenced on April 2, 2017 certain creditors could not receive payments out of the realisation of assets and out of the contributions from "A" list contributories. The following are the details of certain transfers, which took place in 2016 and 2017.

Shareholders	Number of shares transferred at the date of ceasing to be member	Date of ceasing to be member	Creditors remaining unpaid and outstanding
X	1,500	1st March 2016	4,000
A	1,000	1st May 2016	6,000
B	1,500	1st July 2016	7,500
C	300	1st Nov. 2016	8,000
D	200	1st Feb. 2017	9,500

All the shares were Rs. 10 each, Rs. 6 paid up ignoring expenses of and remuneration to liquidators, etc., show the amount to be realised from the various persons listed above.