B.Com. (Hons) DEGREE EXAMINATION, NOVEMBER 2017.

II Year — III Semester

Core Major- Paper XIII - CORPORATE ACCOUNTING

Time : 3 Hours Max. Marks : 75

SECTION A – (10 × 2 = 20 marks)

Answer *ALL* questions

|  |  |
| --- | --- |
|  | What do you mean by forfeiture of shares? |
|  | Ram Ltd., purchased assets of `8,00,000 from Anil Bros. It issued equity shares of `100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions. |
|  | What do you mean by managerial remuneration? |
|  | Ganesh Ltd., was incorporated on 1st May 1996 to purchase the running business of Vinayak a d Co., with effect from 1st January 1996. The company obtained certificate of commencement of business on 24th August 1996. Calculate the time ratio, if the accounts were finalised on 31st December 1996. |
|  | What do you mean by goodwill? |
|  | Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are: ` I Year 4,800 II Year 7,200 III Year 10,000 IV Year 3,000 V Year 5,000 |
|  | What do you mean by share capital? |
|  | Ratan Ltd., having a share capital of `3,00,000 divided into 3,000 shares of `100 each, resolves to sub-divide the shares into 30,000 shares of `10 each. Pass the necessary journal entry.  |
|  | What do you mean by liquidation? |
|  | From the following details ascertain unsecured creditors to be shown in statement of affairs `Creditors for goods 80,000Bills payable 8,000Loan from bank( un secured) 20,000Bank overdraft 6,000Loan on security of machinery 40,000Estimated reailasable value of money 32,000Contingent liabilities 31,000 (20% expected to rank) 25,000(10% expected to rank) |

SECTION B – (5 × 5 = 25 marks)

Answer any *FIVE* questions

|  |  |
| --- | --- |
|  | What are the rules regarding redemption of proference shares? |
|  | Good Luck Ltd., invited applications for 20,000 shares of the value of `20 each. The amount payable is `5 on application, `8 on allotment and the balance when required. The whole of the above issue was applied for and cash was duly received. Give the journal entries for the above transactions.[P.T.O.] |
|  | Kalyan Kumar Co. Ltd., was formed with a capital of `10,00,000 in `10 shares, the whole amount being issued to the public. The underwritting of these shares was as follows:A – 35,000; B – 30,000; C-20,000; D-10,000; E-3,000; F-2,000.All the marked application forms were to go in relief of the underwritters whose stamp they bear. The application forms marked by the underwriters were: A-10,000; B-22,500; C-20,000; D-7,500; E-5,000, F-Nil.Applications for 20,000 shares were received on forms not marked. Draw up a statement showing the number of shares each underwriter had to take up. |
|  | Ganesh Ltd., was registered on 1.7.97 to acquire the running business of Suneel & Co., with effect from 1-1-97. The following was the profit and loss account of the company on 31-12-97.

|  |  |  |  |
| --- | --- | --- | --- |
| Particualrs | ` | Particualrs | ` |
| To Office Expenses | 54,000 | By Gross Profit B/d | 2,25,000 |
| To Formation expenses (written off) | 10,000 |  |  |
| To Stationary and Postage | 5,000 |  |  |
| To selling Expenses  | 60,000 |  |  |
| To Director’s Fees | 20,000 |  |  |
| To Net Profit | 76,000 |  |  |
|  | 2,25,000 |  | 2,25,000 |

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively. |
|  | The following information is presented for five years ending 31st December 1998.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Profit (after tax)` | Taxation  TrRs. | Transfer to reserve ` | Director’s remuneration ` |
| 1994 | 25,000 | 9,000 | 5,000 | 2,000 |
| 1995 | 27,500 | 10,000 | 6,000 | 2,250 |
| 1996 | 24,000 | 7,500 | 4,000 | 2,250 |
| 1997 | 32,500 | 12,500 | 7,500 | 2,500 |
| 1998 | 36,000 | 17,500 | 7,500 | 3,000 |

Fixed assets have been revalued and the same showed an appreciation of `2,50,000 (depreciation to be provided for @ 10% ) .The company has a 8% preference share capital of `50,000 .The current rate of of taxation may be taken @ 50% calculate the value of good will on the basis of four years’s purchase of the last five year’s average profits.  |
|  | Write down the methods of valuing shares.A real estate company started with a capital of `50,00,000 which was invested in urban land on 1-1-90. On that date the general price index was 100 and specific price index for land was 200. The company had no other transactions and it sold the land on 1-1-95 on which date the general price index was 180 and the specific price index was 420. The sale price of the land was `1,80,00,000. You are required to ascertain profit under (1) Historical cost (2) CCA method and (3) CPP method. |
|  | A liquidator is entitled to receive remuneration @ 2% of the assets realised and 3% on the amount distributed among the unsecured creditors. The assets realised `70,00,000 against which payment was made as follows:Liquidation expenses `50,000Preferential creditors `1,50,000 and Secured creditors `40,00,000; Unsecured creditors : `30,00,000Calculate the total remuneration payable to the liquidator. SECTION C – (2 × 15 = 30 marks)PART – A – Case Study – Compulsory Question  |
|  |  |
|  | Bharat scientific instruments ltd has issued 10,000 shares of `100 each `75 paid-up. Due to continuous losses for 5 years ,the company decided to reduce the share capital by altering the face value of the shares to `75 and the paid up value to `60 .The company by an over night ,failed to send notice of reduction of share capital to a creditor of `1,00,000 . Later the company was voluntarily wound up, The assets of the company are not sufficient to pay its creditors in full Can the liquidators recover more than `15 per share from the shareholders to this case?PART – BAnswer any *ONE* question |
| 1.
 | A T Ltd. was placed in voluntary liquidation on 31.12.1982 when its Balance Sheet was as [P.T.O.] follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities |  ` | Assets |  ` |
| Issued share capital:50,000 equity shares of Rs. 50 each fully paid 5,00,000Less: Calls in arrear 25,000 | 4,75,000 | Freehold factoryPlant & MachineryMotor vehiclesStock | 5,80,0002,89,00057,5001,86,000 |
| 6,000 5% cumulative preference shares of Rs. 100 each fully paid | 6,00,000 | Debtors | 74,000 |
| Share Premium A/c | 50,000 | Profit & Loss A/c | 2,14,000 |
| 5% debentures A/c. | 1,00,000 |  |  |
| Interest on debentures | 2,500 |  |  |
| Bank overdraft | 58,000 |  |  |
| Creditors | 1,15,000 |  |  |
|  | 14,00,500 |  | 14,00,500 |

 The preference dividends are in arrears from 1979 onwards.The company’s articles provide that on liquidation, out of the surplus assets remaining after payment of liquidation costs and outside liabilities, there shall be paid firstly all arrears of preference dividend, secondly the amount paid up on the preference shares together with a premium thereon of `10 per share, and thirdly the balance then remaining shall be paid to the equity shareholders.1. The Mafatlal manufacturing company Ltd., Chennai was registered with nominal capital

 `12,00,000 in equity shares of `10 each. The following is the list of balances extracted from its  books on 31st March 1998.

|  |  |  |  |
| --- | --- | --- | --- |
|  | ` |  | ` |
| Premises | 6 0,00,00 | Sales | 8,30,000 |
| Stock (1.4.97) | 1,50,000 | 6% debentures | 6,00,000 |
| Furniture | 14,400 | Profit & Loss A/c, (Cr.) | 29,000 |
| Calls-in-arrears | 15,000 | Bills payable | 76,000 |
| Plant & Machinery | 6,60,000 | Sundry creditors | 1,00,000 |
| Interim dividend paid | 75,000 | General reserve | 50,000 |
| Sundry debtors | 1,74,000 | Provision for doubtful debts (1.4.97) | 7,000 |
| Goodwill | 68,000 | Subscribed called up & paid up capital | 8,00,000 |
| Cash and bank balances | 63,300 |  |  |
| Purchases | 3,70,000 |  |  |
| Preliminary expenses | 10,000 |  |  |
| Wages | 1,69,730 |  |  |
| General expenses | 13,670 |  |  |
| Advertising | 20,000 |  |  |
| Freight | 26,230 |  |  |
| Salaries | 29,000 |  |  |
| Director’s fees | 11,450 |  |  |
| Bad debts | 4,220 |  |  |
| Debenture interest paid | 18,000 |  |  |
|  | 24,92,000 |  | 24,92,000 |

The following adjustments have to be made:1. Stock on 31st March 1998 was valued at `1,90,000
2. Write off preliminary expenses
3. Provide for half year’s debenture interest
4. The provision for doubtful debts on 31st March 1998 should be equal to 1% on sales
5. Director’s fees are outstanding to the extent of `550 and salaries `1,000.
6. Depreciate Plant & Machinery by 5%; premises by 2% and write off `2,400 on furniture.
7. Goods to the value of `3,000 were distributed as free samples during the year. But no entry in this respect had been made.

 You are required to parepare the Statement of profit and loss for the year ended 31st  March 1998 and the balance sheet as on the same date: |
|  | —————— |