

**B.Com.(CS) DEGREE EXAMINATION, NOVEMBER 2018**  
**II Year III Semester**  
**Core Major- Paper V**  
**CORPORATE ACCOUNTING I**

**Time : 3 Hours**

**Max.marks :75**

**Section A** ( $10 \times 2 = 20$ ) Marks

Answer any **TEN** questions

1. What do you mean by Underwriting?
2. What is profits prior incorporation? What is the accounting treatment?
3. Redeemable Preference shares are Rs 200000. Premium payable on redemption is 10%. Securities premium in Balance Sheet is Rs 10000. Revenue reserves is 105000. Find the Minimum fresh issue of shares a. When issue is at par and b. Issued at 5% premium.
4. Write a short note on Interim Dividend.
5. Define Goodwill. How do you value based on average profits?
6. A company pays interest on 30th June and 31st December on its 100000 - 15% Debentures of Rs 100 each, the books are closed on 31st March Every year. How will you show the relevant items in the Balance sheet?
7. Explain pro rata allotment of shares.
8. A company has a paid up share capital of Rs 1280000 divided into 160000 equity shares of Rs 10 each, Rs 8 paid up. The company decides to reduce the paid up value of the share to Rs 6 per share and pays off the necessary amount. Pass Journal to record the same.
9. What do you mean by internal reconstruction?
10. Calculate the amount of goodwill at 3 years purchase of average profits. The past four years profit were:  
2010 – 50000, 2011- 58500, 2012 – 48300, 2013- 51400.
11. Give the journal entry for issue of debentures at par and redeemable at Premium.
12. What is yield value of share?

**Section B** ( $5 \times 5 = 25$ ) Marks

Answer any **FIVE** questions

13. Determine the maximum remuneration payable to a full time director of a manufacturing company. The P& LA/c of the company showed a net profit of 40 Lakhs after taking into account the following items:

Depreciation(including special depreciation of 40000)	100000
Provision for income tax	200000
Donation to political parties	50000
Ex gratia payment to a worker	10000
Capital profit on sale of assets	15000

14. K Ltd passed on a resolution for the reduction of its share capital by 500000 for the purpose: they reduce the value of investments by 80000. Write off the P&L a/c debit balance of Rs 210000. To reduce the plant by 90000 and goodwill by 40000. The reduction was made by converting 50000 preference shares of Rs 20 each fully paid and by converting 50000 equity shares of Rs 20 each on which 15 was fully paid up into 10 Rs each fully paid up. Pass necessary journal entries.
15. The following are the particulars of X Ltd: Capital 450, 6% preference shares of Rs 100 each fully paid and 4500 equity shares of Rs 10 each fully paid., external liabilities Rs 7500, Reserves & surplus, Rs 3500. The average expected profits after taxation of the company Rs 8500. The normal profit earned on the market value of equity shares of the same type of companies is 9%. 10% of profit after tax is transferred to reserves. Calculate the Intrinsic value of shares, the value per share on Dividend yield basis and fair value of shares. Assume Rs 350 are fictitious assets.
16. Write short note on underwriting commission as per sec 76?
17. From the following information calculate Goodwill value on the basis of 3 years purchase of super profits. Average capital employed in the business is Rs 20 Lakh, Rate of Return on capital is 10%, net trading profits of the firm for the past three years were Rs 350400, 280300 and Rs 310100. Fair remuneration to the partners for their service is Rs 48000 per annum. Sundry assets of the firm are Rs 2350400 and Current liabilities are Rs 95110.
18. A company was incorporated on 1st May 1984 acquiring the business of a sole trader with effect from 01. Jan 1984. The company accounts were closed on 30th Sep 1984, having a profit of 168000, Establishment expenses were 42660, Directors fees Rs 3000 per month, preliminary expenses written off Rs.4000, rent up to June 1984 was Rs.300/month, after which it was increased to Rs.750/month. Salary of manager Rs.1500/month who was appointed the director after incorporation. The net sales was Rs.24, 60,000. Monthly average of which for the first 4 months of 1984 was half of that of the remaining period.
19. BUG LTD CO. issued 7% 5000 debentures of Rs 100 each to the public. Pass necessary journal entries when debentures are issued at
  - a) Par, b) at premium of 10%, c) at a discount of 5%.

**Section C** ( $2 \times 15 = 30$ ) MarksAnswer any **TWO** questions

20. LM Ltd invited applications for 150000 of its equity share of Rs 10 each, issued at 11.50 payable as Rs 7.5 on application, Rs2 on share allotment (Including Premium), Rs 2 on final call. 180000 shares were subscribed for and the company decided to reject allotment to applicants of 8000 shares, full allotment was made to 22000 applicants, remaining shares were allotted on prorata basis. The surplus on application was used for allotment. An applicant to whom 400 shares were allotted failed to pay the amount due on first and final call. These shares were reissued as fully paid at Rs 9 per share. Give Journal entries to record the above.
21. MFL manufacturing co ltd, Calcutta was registered with an authorised share capital of Rs.1200000 in equity shares of Rs.10 each. The extracted closing balances as on 31.03.2000 were:

	Rs.		Rs.
Stock(opening)	150000	Sales	830000
calls in arrears	15000	6% Debentures	600000
Plant	1200000	P& L a/c Credit	30000
Interim Dividend paid	75000	Bills Payable	76000
Sundry debtors	174000	creditors	60000
Goodwill	68000	General reserve	30000
Cash at Bank	63300	Provision for Doubtful debts	8000
Purchases	370000	Subscribed, called & Paid up capital	800000
Preliminary Expenses	30000		
Wages	180000		
Advertising	20000		
Freight	26000		
Salaries	24000		
Directors fees	11450		
Bad debts	9250		
Debenture interest paid	18000		
	2434000		2434000

The following adjustments need to be made:

Closing stock was valued at 190000

Preliminary expenses to be written off

Half years debenture interests need to be provided.

Directors fee outstanding Rs 550

Depreciate Plant by 5%: 3000 worth goods were distributed as free samples but no record was made. Prepare final a/c of the company for the year ended March 2000

22. The following is the balance sheet of Union Industries Ltd for the year ended March 2015.

LIABILITIES	Rs	ASSETS	Rs
Share capital: 2000,6%Preference shares of Rs 100 each	200000	Goodwill	15000
4000 Equity shares of Rs 100	400000	Freehold premises	200000
5% Debentures	100000	Plant	300000
Bank overdraft	50000	Stock	50000
Creditors	100000	Debtors	40000
		P&L account	245000
	850000		850000

The company got the following Scheme of capital reduction approved by the court:

- The preference shares to be reduced at Rs 75 per share as fully paid and the equity shares to Rs 37.50
  - The debenture holders took over the stock and book debts in full satisfaction of the amount due to them.
  - The Goodwill a/c is to be eliminated.
  - The freehold to be depreciated by 50%
  - The value of the plant to be increased by Rs 50000. Give journal entries and prepare the Revised Balance Sheet.
23. KK Ltd was formed with a capital of Rs 10 Lakh in Rs 10 shares the whole amount being issued to the public. The underwriting of these shares was as follows: K 35000, L: 30000, M: 20000, N: 10000, O: 3000, P: 2000. All the marked application forms were K 10000, L: 22500, M: 20000, N: 7500, O: 5000, P: nil. Applications not marked were 20000. Draw up a statement showing the number of shares

Each underwriter had to take up.

Statement showing liability of Underwriters