

B.Com.(A&F) DEGREE EXAMINATION, NOVEMBER 2018
II Year III Semester
Core Major- Paper V
CORPORATE ACCOUNTING

Time : 3 Hours

Max.marks :75

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

Answer any **TEN** questions

1. What do you mean by forfeiture of shares?
2. Give the meaning of Capital redemption Reserve.
3. What do you understand by sub-division of shares .
4. Ram Ltd. Purchased assets of Rs.8,00,000 from Anil Bros. It issued equity shares of Rs. 100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.
5. The Bombay motors Ltd. Issued 2,00,000 equity shares of Rs.10 each. The whole issue was underwritten by Mala. Application for 1,60,000 shares were received in all. Determine the liability of underwriter.
6. Redemption of 10,000 preference shares of Rs.100 each was carried out of reserves and out of the issue of 4,000 shares of Rs.100 each at Rs.95. What is the amount of capital redemption reserve account that is required?
7. A company was incorporated on 1-2-2008 to purchase the business of Abdul & sons , as from 1st November 2007.
There were 10 employees before incorporation but 5 more were appointed on 1-2-2008. You are required to ascertain the weighted time ratio for dividing salaries between the pre and post incorporation periods, assuming that the accounts are finalised on 31st October.
8. Revenue from operation Rs.3,25,000; other income Rs.3,150; Cost of goods sold Rs.58,500; Employee benefits expenses Rs.99,000; Current tax Rs.8,000. Find profit for the period
9. Calculate the managerial remuneration when profit available is Rs.9,30,410 in the following situations:
(i) There are two whole time directors (ii) There are two whole time directors, a part time director and manager
10. The average profits of Z Ltd. For the last 4 years is Rs.27, 500. Average capital employed in the business is Rs.2,00,000. Fair rate of return is 10%. Calculate goodwill under annuity method after taking present value of an annuity of one rupee for 4 years @ 10% as Rs.2.50.
11. Calculate the yield value per share from the information given below:
40,000 equity shares of Rs.10 each fully paid
Normal rate of return: 8%
Expected rate of return: 12%
12. Cee Ltd. has 60,000 equity shares of Rs.100 each, Rs. 80 per share called up. Now the company decides to pay off rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 share to Rs.60 share fully paid up by cancelling the unpaid amount. Give journal entries.

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

Answer any **FIVE** questions

13. What is Right Issue of shares? Explain its advantages.

14. Explain the accounting treatment for debtors and creditors not taken over by purchasing company, when same set of books are continued.
15. Galaxy Ltd. was formed with a capital of Rs.10,00,000 in Rs.10 shares, the whole amount being issued to the public. The underwriting 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 underwriters 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
 Application for 20000 shares was received on forms not marked. Draw up a statement showing the number of shares each underwriter had to take up.
16. On 1st January, ABC Ltd. has Rs.1,00,000 10% debentures. In accordance with the power under the deed, the directors have the powers to acquire the debentures in the open market for immediate cancellation.
 The following purchases of own debentures were made by the company.
 March 1, Rs.20,000 debentures at Rs.98 cum interest
 August 1, Rs.40,000 debentures at Rs.99 ex-interest.
 Debenture interest is payable half-yearly on 30th June and 31st Dec. every year.
 Pass journal entries for purchase and cancellation of the debentures.
17. A company was incorporated on 30th June 1984 to acquire the business of Mohan as from 1st January 2004. The accounts for the year ended 31st Dec 2004 disclosed the following:
 a) There was a Gross profit of Rs.2,40,000
 b) The sales for the year amounted to Rs.12,00,000 of which Rs.5,40,000 were for the first six months.
 c) The expenses debited to profit and loss account included:

Directors fees	15,000
Bad debts	3,600
Advertising(under a monthly contract of Rs.1, 000)	12,000
Salaries	64,000
Preliminary expenses written off	5,000
Donation to political parties given by the company	5,000

Prepare the statement showing profit made before and after incorporation.

18. The following profit and loss account is prepared by Kumaran Ltd for the year ended 31st March 2008.

Particulars	Rs.	Particulars	Rs.
To general expenses	18,750	By gross profit	6,35,000
To repairs	33,750	By capital profit on sale of fixed as-sets	31,250
To salaries and wages	1,60,000	By subsidy received from state govt.	62,500
To director fees	5,000		
To depreciation (including develop-ment rebate Rs.20,000)	1,32,500		
To scientific research (setting a new laboratory)	25,000		
To income tax	1,25,000		
To proposed dividend	1,25,000		
To interest on dentures	30,000		

Income tax authorities have allowed Rs.1,02,500 as depreciation excluding developmental rebate. Calculate the remuneration payable to manager.

19. The following particulars are available in respect of the business carried on by Balu Bhai Ltd.

- a) Profit earned : 2006 - Rs.50,000; 2007 - Rs.48,000; and 2008 - Rs. 52,000
 - b) Profit of 2007 is reduced by Rs.5,000 due to stock destroyed by fire and profit of 2006 included a non-recurring income of Rs.3,000
 - c) Profits of 2008 include Rs.2000 income on investment
 - d) The stock is not insured and it is thought prudent to insure the stock in future. The insurance premium is estimated at Rs.500 p.a
 - e) Fair remuneration to the proprietor (not taken in the calculation of profits) is R.10,000 p.a.
- You are required to calculate the value of goodwill on the basis of 2 years purchase of average profits of the last three years.

Section C ($2 \times 15 = 30$) Marks

Answer any **TWO** questions

20. Sunshine Ltd. Invited applications for 10,000 shares of Rs.100 each at a discount of 6% payable as follows:
 On application Rs.30
 On allotment Rs.24
 On first & final call Rs.40
- Applications were received for 9,500 shares and all these were accepted. All money due were received except the final call on 250 shares which were forfeited. 150 of the forfeited shares were reissued at Rs.80 per share as fully paid.
- Assuming that all requirements of the law have been complied with, pass journal entries in the books of the company and also prepare the balance sheet
21. A Limited company was registered with an authorised capital of Rs.30,00,000 in equity shares of Rs.10 each. The following is the list of balances extracted from its book on 31-12-2004.

Purchases	9,25,000
Wages	4,24,325
Manufacturing expenses	65,575
Salaries	70,000
Bad debts	10,550
Director's fees	31,125
Debenture interest paid	45,000
Preliminary expenses	25,000
Calls -in-arrears	37,500
Plant & Machinery	15,00,000
Premises	16,50,000
Interim dividend paid	1,87,500
Furniture & fitting	35,000
Sundry debtors	4,36,000
General expenses	84,175
Stock on 1-1-2004	3,75,000
Cash in hand	1,00,000
Goodwill	28,750
Cash at bank	1,99,500
Subscribed and fully called up capital	20,00,000
Profit & Loss A/c (Cr.)	72,500
6% Debentures	15,00,000
Sundry creditors	2,90,000
Bills payable	1,67,500

Sales	20,75,000
General Reserve	1,25,000

You are required to prepare statement of profit and loss for the year ended 31-12-2004 and the Balance Sheet as on that date, after making the following adjustments. Depreciate plant & Machinery by 10%. Provide half year interest on debentures. Also write off preliminary expenses and make provisions for bad and doubtful debts of Rs.4,250 on sundry debtors. Stock on 31st December 2004 was Rs.4,55,000. Provide for corporate dividend tax @ 17%.

22. On 31st Dec. 1995, the balance sheet of a limited company disclosed the following position:

Liabilities	Rs.	Assets	Rs.
Issued capital in Rs.10 shares	4,00,000	Fixed assets	5,00,000
Reserves	90,000	Current assets	2,00,000
Profit & Loss A/c	20,000	Goodwill	40,000
5% debentures	1,00,000		
Current Liabilities	1,30,000		
	7,40,000		7,40,000

On 31st Dec. 1995, the fixed assets were independently valued at Rs. 3,50,000 and the goodwill at Rs.50,000.

The net profits for the three years were:

1993 - Rs.51,600; 1994 - Rs.52,000; and 1995 - Rs.51,650 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%.

Compute the value of the company's share by (a) the net asset method and (b) the yield method.

23. The following is the balance sheet of United Industries Ltd on 31st Dec.2008

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	45,000
6,000 6% Preference shares of Rs.100 each	6,00,000	Land & Building	6,00,000
12,000 equity shares of Rs.100 each	12,00,000	Plant & Machinery	9,00,000
8% Debentures	3,00,000	Stock	1,30,000
Bank overdraft	3,00,000	Debtors	1,40,000
Sundry creditors	1,50,000	Cash	15,000
		Profit & Loss A/c	7,00,000
		Preliminary expenses	20,000
	25,50,000		25,50,000

On the above date company adopted the following scheme of reconstruction:

- The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each
- The debentures took over stock and debtors in full satisfaction of their claim.
- The land and building to be appreciated by 30% and plant and machinery to be depreciated by 30%.
- The fictitious and intangible assets are to be eliminated.
- Expenses of reconstruction amounted to Rs.5,000

Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance Sheet.