

B.Com. (Hons) DEGREE EXAMINATION, NOVEMBER 2018
II Year III Semester
Core Major- Paper XIII
CORPORATE ACCOUNTING

Time : 3 Hours

Max.marks :75

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

Answer **ALL** the questions

1. What is Forfeiture of shares?
2. Raj Ltd. Issues 20,000 equity shares of Rs.10 each at par. The issue was underwritten by Kala & Co., for maximum commission permitted by law. The public applied for and received 16, 000 shares. Calculate the commission payable to the underwriter.
3. What is Dividend?
4. If the profit under section 349 of companies act is Rs.9,30,410. Calculate the managerial remuneration in the following situations:
 - (a) There is only one whole time director
 - (b) There are two whole time director
5. What is meant by Goodwill?
6. From the following calculate the value of goodwill which is 3 years' purchase of super profits.

3 years' average profit	Rs.91,600
Average capital employed	Rs.7,00,000
Rate of interest expected from capital	12%

7. What do you understand by "Alteration of Share capital" ?
8. Suguna Co., Ltd. has been suffering heavy losses in the past. So, it has decided to go for reconstruction scheme by reducing 22,000 Equity shares of Rs.100 each into Rs. 50 each so as to write off accumulated losses of Rs.10,70,000. Give journal entries to record the above transaction.
9. Write a short note on 'Voluntary winding up' ?
10. Calculate liquidators remuneration from the following particulars:
 Assets realised Rs.6,30,000 including cash balance: Rs.30,000. Liquidators Remuneration ; 2% on the assets realised.

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

Answer any **FIVE** questions

11. Arun Ltd., issued 1,00,000 equity shares. The whole of the issue was underwritten as follows: X:40% Y:40%; Z:20%
- Applications for 80,000 shares were received in all out of which applications for 20,000 shares had the stamp of X, those for 10,000 shares that of Y and 20,000 shares that of Z. The remaining applications did not bear any stamp. Show the liability of the underwriters.
12. What is "acquisition of business". Explain the methods of computing purchase consideration on acquisition of business.
13. From the following data, calculate profit prior to incorporation:
Time Ratio: 1:2 ;Sales Ratio:1:3; Gross Profit:Rs.1,70,500
Administrative expenses :Rs.69,600
Expenses relating to sales : Rs.18,600
Preliminary expenses :Rs.11,560
14. Bring out the various methods of valuation of shares.
15. A purchased the business of 'B' on 1.1.08. The profits of the business were Rs.80,000, Rs.86,000 and Rs. 84,000 respectively for the year 05,06 and 07. It was ascertained that, during 06, there was a non-recurring income of Rs.3,000. In 2007, there was loss due to fire of Rs.2,000, the risk being not insured. It is decided to insure against risk of fire in future at an annual premium of Rs.500. 'A' was employed at a salary of Rs.1,000 per month before purchasing the business. He will replace the manager of the present business who is getting Rs. 750 per month. The goodwill is agreed to be 2 years purchase of the average profit of the last 3 years. You are required to value of goodwill of the business.
16. The balance sheet of Gloomy Ltd. was as follows on 30th june 1978.

Liabilities	Rs.	Asset	Rs.
4000 shares of Rs.100 each fully paid	4,00,000	Goodwill	60,000
6% Debentures	2,00,000	Land and Building	1,00,000
Sundry Creditors	2,50,000	Plant and Machinery	4,00,000
		Stock	90,000
		Sundry Debtors	60,000
		Preliminary Expenses	10,000
		Profit & Loss A/c	1,30,000
	8,50,000		8,50,000

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down plant and machinery to its proper figure of rs.3,00,000, the shares were reduced to Rs.20 each. Court's approval was obtained. Draft the necessary journal entries and show the balance sheet after the scheme is out through.

17. From the following particulars, prepare liquidators final statement of account.

Capital : Rs.1,00,000; Loss Rs.1,11,500; Cash Rs.1,000; Cash received from the sale of machinery , Stock and collection from debtors Rs.79,000, 6% secured debentures Rs.50,000. Interest due on the above Rs.1,500. Preferential creditors Rs.5,000. Unsecured creditors Rs. 35,000. Liquidation expenses Rs. 500. Liquidators remuneration to be calculated at 3% on the assets sold and 2% on the amount paid to unsecured creditors.

18. The following is the summarized balance sheet of a company.

Liabilities	Rs.	Asset	Rs.
10% Redeemable Preference Shares:1000 shares of Rs.10 each	1,00,000	Sundry Assets	8,10,000
50,000 Equity shares of Rs.10 each	5,00,000	Cash at Bank	90,000
General Reserve	1,00,000		
Capital Reserve	50,000		
Creditors	1,50,000		
	9,00,000		9,00,000

For the purpose of redemption of preference shares, the company made a fresh issue of 4,500 equity shares of Rs.10 each, at a premium of 10%. The preference shares were redeemed at a premium of 10%. Show journal entries and Balance Sheet after redemption.

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

PART - A - Case Study - Compulsory Question

19. Toby investments Ltd. started with a capital of Rs.2,00,000 on 1.1.93 on which date they purchased real estate property for that amount. The general price index on that date was 120 and specific price index for real estate was 200. The company sold the property on 1.1.96 for Rs.4,60,000. On that date the general price index was 180 and the specific price index was 320. You are required to ascertain profit on the purchase and sale of the property under (1) HCA (2) CCA and (3) CPP methods of accounting.

PART - B

Answer any **ONE** questions

20. From the following balances and additional information for the year ended 31.03.10, prepare the final accounts in the books of a company.

Particulars	Amount	Particulars	Amount
Purchases	9,25,000	Machinery	15,00,000
Wages	4,24,325	Building	16,50,000
Manufacturing Expenses	65,575	Interim Dividend paid	1,87,500
Salaries	70,000	Furniture	35,000

Bad debts	10,550	Debtors	4,36,000
General Expenses	84,175	Share Capital	20,00,000
Stock (opening)	3,75,000	Profit and Loss	72,500
Goodwill	28,750	Creditors	2,90,500
Cash	1,00,000	Bill Payable	1,67,500
Directors Fees	31,125	Cash at Bank	1,99,500
Debenture Interest	45,000	General Reserve	1,25,000
6% Debentures	15,00,000		
Sales	20,75,000		
Preliminary Expenses	25,000		
Calls-in-arrear	37,500		

Additional Information:

1. Closing stock - Rs. 4,55,000
 2. Depreciate machinery at 10%
 3. Write off preliminary expenses.
 4. Provide provision for doubtful debts at Rs. 4,250
 5. Provide half year interest on debentures.
 6. Provide corporate dividend tax at 17%
21. X Ltd. went into liquidation on 31.3.1989 when the following Balancesheet was prepared:

Liabilities	Rs.	Asset	Rs.
Share Capital 19,500 equity shares of Rs.10 each	1,95,000	Goodwill	50,000
Sundry Creditors Partly secured creditors	55,310	Building	48,000
Unsecured Creditors	99,790	Machinery	65,500
Preferential creditors	24,200	Stock	56,800
Bank Overdraft	12,000	Sundry Debtors	64, 820
		Cash	2,500
		Profit and Loss A/c	98,680
	3,86,300		3,86,300

Assets realised as follows:

Building - Rs. 35,000; Machinery Rs.51,000; Stock Rs.39,000; Sundry Debtors Rs.58,500; Cash Rs. 2,500.

The expenses on liquidation amounted Rs.1,000.

The liquidators remuneration was agreed at 2.5% on the amount realised (including cash) and 2% on the amount paid to the unsecured creditors.

You are required to prepare the liquidators final statement of account.