B.Com DEGREE EXAMINATION,NOVEMBER 2019
II Year III Semester
Corporate Accounting - I

Time : 3 Hours **Max.marks :75**

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

Answer any **TEN** questions

1. Explain about the reissue of forfeited shares.
2. What is meant by underwriting?
3. Kandan Ltd., issued 40,000 shares of Rs. 10 each payable in full an application as per a 'Private placement agreement'. The company received application for 40,000 shares. Applications were accepted in full. Show journal entries.
4. S Ltd., issued 75,000 equity shares of Rs. 10 each and Redeemable preference shares of Rs. 100 each all shares being fully called and paid up on 31.3.1992. P&L a/c showed undistributed profits of Rs. 3,00,000 and General Reserve stood at Rs. 2,50,000 on 1.4.92. The directors decided to redeem the existing preference shares at Rs. 105 utilising as much profits as would be realised for the purpose. Pass the journal entries in the books of the company.
5. Explain the meaning of profits prior to incorporation.
6. T Ltd., 1,000 8% debentures of 100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows.

   (a) issued at par, redeemable at a premium of 10%
   (b) issued at a premium of 10% payable at par.
7. What do you mean by Goodwill?
8. The profits of T Ltd., for the last 5 yrs were as follows,

Year		Rs.
1994	-	15,000
1995	-	18,000
1996	-	22,000
1997	-	25,000
1998	-	27,000

   4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits. Compute the profits under weighted average method.
9. What is meant by capital reduction?
10. B 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 cancelling the unpaid amount. Give journal entries.
11. Mention the different types of shares.
12. What do you mean by balance sheet?

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

Answer any **FIVE** questions

13. Varadhan Ltd invited applications for 20,000 shares of the value of Rs.200 each. The amount payable is Rs.50 on application, Rs.80 on allotment and the balance when required. The whole of above issue was applied for and cash was duly received. Pass journal entries.

14. Z Ltd., which was incorporated on 1.1.2010 issued applications for 5, 00,000 equity shares of Rs.10 each. The entire issue was fully underwritten by A,B,C and D.

    A – 2, 00,000 shares; B – 1, 50,000 shares; C – 1, 00,000 shares; and D – 10,000 shares.

    Applications received for 4, 50,000 shares of which marketed applications were as follows:
    A – 2, 20,000 shares; B – 90,000 shares; C – 1, 10,000 shares and D – 10,000 shares.

    You are required to calculate the net liability of individual underwriters.

15. Ravi Ltd had, as part of its shares capital, 1,000 redeemable preference shares of Rs.100 each fully paid up. When the shares became due for redemption, the company had Rs.60, 000 in its reserve fund. The company made minimum new issue of equity shares of Rs.25 each necessary for the purpose of redemption and received cash in full. Pass journal entries for the above transactions.

16. Ashok Ltd. which had Rs.50,00,000,10% debentures outstanding, made the following purchases in the open market for immediate cancellation:

1.4.97	1,000 debentures of Rs.100 each at Rs.99.
1.9.97	2,000 debentures of Rs.100 each at Rs.97.

    You are required to give the journal entries for purchase and cancellation of the debentures.

    a) If the above purchase rates are ex-interest
    b) If the above purchase rates is cum-interest.

    Assume that interest is payable every year on 30th June and 31st December.

17. A firm earned net profits during the last three years as follows:

    First year Rs.36, 000; Second year Rs.40, 000 and Third year Rs.44, 000. The capital investment of the firm is Rs. 1,00,000. A fair return on capital, having regard to the risk involved is 10%.

    Calculate the value of goodwill on the basis of 3 years purchase of super profits.

18. Explain the different methods of Valuation of shares.

19. Explain different types of Debentures.

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

Answer any **TWO** questions

20. S Ltd., issued a prospectus inviting applications for Rs.50,000 equity share of Rs.10 each, payable Rs.5 on application (including 2 as premium) Rs.4 on allotment and the balance towards first and final call.

    Application were received for 65,000 shares. Application money received on 5000 shares were refunded and allotments were made pro - rata to the applicants of 60,000 shares. Money over paid on applications including premium was adjusted on account of sums due on allotment.

    Mr.S to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the directors on his subsequent failure to pay the call money.

    All the forfeited shares were subsequently sold to Mr.J credited as fully paid for Rs. 9 per share. Prepare journal entries and relevant entries in the cash book.

21. Z Ltd was incorporated on May 1, 2013 to take over the business of Mr.Varadhan as a going concern from January 1, 2013. The profit and loss account for the year ending December 31, 2013 was as follows:

Profit and loss account of Z Ltd for the year ended 31.12.2013

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To Rent and taxes	12,000	By Gross Profit	1,55,000
To Insurance	3,000		
To Electricity charges	2,400		
To Salaries	36,000		
To Director fees	3,000		
To Auditor fees	1,600		
To Commission	6,000		
To Advertisement	4,000		
To Discount	3,500		
To Office expenses	7,500		
To Carriage	3,000		
To Bank Charges	1,500		
To Preliminary expenses	6,500		
To Bad debts	2,000		
To Interest on loan	3,000		
To Net profits	60,000		
	1,55,000		1,55,000

The total turnover (sales) for the year ending December 31, 2013 was Rs.5,00,000 divided into Rs.1,50,000 for the period up to May 1, 2013 and Rs.3, 50,000 for the remaining period.

Calculate Profit prior to incorporation.

22. Gurudev Ltd was registered with an authorized capital of Rs.30,00,000 in equity shares of Rs.10 each. The following is the list of balances extracted from its books on 31.12.14.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
Purchases	9,25,000	Sundry debtors	4,36,000
Wages	4,24,325	General expenses	84,175
Manufacturing expenses	65,575	Stock on 1.1.14	3,75,000
Salaries	70,000	Cash in hand	1,00,000
Bad debts	10,550	Goodwill	28,750
Director fees	31,125	Cash at bank	1,99,500
Debenture interest paid	45,000	Subscribed and fully called up capital	20,00,000
Preliminary expenses	25,000	Profit and loss a/c	72,500
Calls in arrears	37,500	6% Debentures	15,00,000
Plant and machinery	15,00,000	Sundry creditors	2,90,000
Premises	16,50,000	Bills payable	1,67,500
Interim dividend paid	1,87,500	Sales	20,75,000
Furniture and fittings	35,000	General reserves	1,25,000

You are required to prepare statement of profit and loss for the year ended 31.12.14 and the Balance sheet on that date, after making the following adjustments:

a) Depreciate plant and machinery by 10%;
b) Provide half year interest on debentures outstanding;
c) Also write off preliminary expenses;
d) Make provision for bad and doubtful debts of Rs.4,250 on sundry debtors;
e) Stock on 31.12.14 Rs.4,55,000;
f) Provide for corporate dividend tax at 17%.

23. The following was the Balance sheet of Ravi Ltd as on 31.12.2015:

Liabilities		Rs.	Assets		Rs.
Issued and paid up capital:			Goodwill		10,000
12,000 shares of Rs.10 each	1,20,000		Land and Buildings		20,500
Less: Calls in arrear Rs.3 per share on 3,000 shares	9,000	1,11,000	Machinery		50,850
Creditors		15,425	Preliminary expenses		1,500
Provision for tax		4,000	Stock		10,275
			Debtors		15,000
			Bank		1,500
			P & L a/c	22,000	
			Less: Net profits	1,200	20,800
		1,30,425			1,30,425

Machinery value was Rs.10,000 in excess. It is proposed to write down this asset and to extinguish the profit and loss account debit balance and to write off goodwill and preliminary expenses by the adoption of the following scheme:

(a) Forfeit the shares on which the calls are outstanding.
(b) Reduce the paid up capital by Rs.3 per share.
(c) Re-issue the forfeited shares at Rs.5 per share.
(d) Utilise the provision for tax if necessary.

You are required to draft the journal entries necessary and the Balance sheet after carrying out the scheme.