

**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. Write a short note on share capital.
2. When are shares forfeited?
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 in the books of Kandan Ltd.
4. Write down the formula for Goodwill under super profit method.
5. Calculate Time ratio:  
A small scale industrialist decided to convert his firm into limited company with effect from 1<sup>st</sup> April 1996. But he obtained the certificate of incorporation on 1<sup>st</sup> August 1996 and the certificate to commence business on 1<sup>st</sup> October 1996. His accounts were closed on 31<sup>st</sup> October 1996. His accounts were closed on 31<sup>st</sup> Dec 1996.
6. A company issues 10,000 equity shares of Rs. 10 each at par. The issue was underwritten by K & Co. for maximum commission permitted by law. The public applied for and received 8,000 shares. Give journal entries in the company's book.
7. What is the maximum limit for managerial remuneration to all the managerial personnel?
8. M Ltd., has part of its share capital as 5000 Redeemable Preference Shares of Rs. 100 each. When the share became due for redemption, the company decide that the whole amount will be redeemed out a fresh issue of equal amount of equity shares of Rs. 10 each. Show journal entries in the books of the company.
9. What is meant by purchase consideration ?
10. T Ltd., issued 1,000 8% debentures of Rs. 100 each. Give journal entries in the books of the company, if the debenture were issued as follows.  
(i) Issued at par, redeemable at par.  
(ii) Issued at a premium of 10% repayable at par.
11. State the methods of valuation of shares ?
12. A company whose capital consists of 5,000 shares Rs. 100 each, Rs. 75 called and paid decide to reduce the shares into 5,000 shares of Rs. 75 each fully paid.

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

Answer any **FIVE** questions

13. A B C Ltd., issued 10,000 equity share of Rs. 100 each payable as follows  
Rs. 20 on Application, Rs. 40 on Allotment, Rs. 40 on Call  
All the shares were subscribed and amount was duly received pass journal entries

14. A Company had as part of its capital 1000 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 issued necessary equity shares of Rs.25 each specifically for the purpose of redemption and received cash in full.

Make the necessary Journal entries regarding the above transactions.

15. S Ltd issued 1,00,000 equity shares of Rs 10 each the issue was underwritten as follows  
A-30% , B-30% , C-20%

The company received applications for 80,000 shares only. Determine the underwriters liabilities.

16. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing co., The P&L a/c of the co., showed a net profit of Rs 40,000 after taking into account the following items.

1. Depreciation(including Specified depreciation Rs 40,000)	1,00,000
2. Provision for Income tax	2,00,000
3. Donation to political parties	50,000
4. Ex – gratia payment to a worker	10,000
5. Capital profit on sale of assets	15,000

17. Raja Ltd., was incorporated on 1.7.94 with effect from 1.1.94 the sales for the period upto 1.7.94 was Rs. 2,70,000 and the sales from 1.7.94 to 31.12.94 amounted to Rs. 3,30,000.

a) Director's fees	15,000
b) Bad debts	1,800
c) Advertisement(Rs. 500 p.m)	6,000
d) Salaries and general Expenses	32,000
e) Preliminary expenses written off	3,000
Gross profit was(1.1.94 to 31.12.94)	2,40,000

Ascertain the profit prior to incorporation.

18. Good will is to be valued at 3 Years Purchase of five year's average profits the profits for the last five years of the firm were.

1994 – Rs 2400	1995 – Rs 3,000	1996 – Rs 3400,
1997 – Rs 3200	1998 – Rs 4,000	

Calculate the amount of Good will.

19. B Ltd has 60,000 equity shares of Rs 100 each Rs 80, per share called up. Now the company decided to pay of Rs 20 per share of the paid up capital and at the sametime to reduce Rs 100 share to Rs 60 per Share fully paid up by cancelling the unpaid amount Pass Journal entries.

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

Answer any **TWO** questions

20. A Ltd., issued 2,000 shares of Rs. 100 each at a premium of 10% payable as follows:

Rs. 25 on application, Rs. 35 on allotment(including premium) Rs. 20 on first call, Rs. 30 on final call.

1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Mr. R. These shares were forfeited. Give journal entries and prepare Balance Sheet.

21. Moon and Star Co. Ltd, is a company with an authorized capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs. 100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985.

Trial Balance of Moon & Star Co. Ltd.

Debit	Rs	Credit	Rs
Opening Stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (Upto 31.03.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing Director	15,700
Rent	6,000	Share capital	2,50,000
General Expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Call in arrears	5,000		
	<b>6,60,270</b>		<b>6,60,270</b>

You are required to prepare Statement of Profit & Loss for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs. 1,91,500
  - Depreciation on plant at 15% and on furniture at 10% should be provided.
  - A tax provision of Rs. 8,000 is considered necessary.
  - The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%
  - Provide for corporate dividend tax @ 17%
22. "A" Co. Ltd. Was incorporated on May 1, 2008 to take over the business of "X & Co. as a going concern from January 1, 2008. The Profit and loss account for the year ending December 31, 2008 was as follows:

Profit and Loss Account of "A" Co. Ltd. For the Year ended 31.12.83

Debit	Rs	Credit	Rs
To Rent and Taxes	12,000	By Trading account (Gross Profit)	1,55,000
To Insurance	3,000		
To Electricity Charges	2,400		
To salaries	36,000		
To Directors' fees	3,000		
To Auditors' 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 Profit	60,000		
	1,55,000		1,55,000

The total turnover for the year ending December 31, 2008 was Rs. 5,00,000 divided into Rs. 1,50,000 for the period upto May 1, 2008 and Rs. 3,50,000 for the remaining period.

23. The balance sheet of James Company Ltd. as on 31st December 1998 was as follows:

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
20,000 shares of Rs. 10 each	2,00,000	Land & Buildings	1,68,000
Profit & Loss A/c	40,000	Plant & Machinery	1,20,000
Debentures	30,000	Furniture & Fittings	10,000
Trade creditors	40,000	5% (tax free) Govt. bonds	40,000
Provision for taxation	18,000	Stock	4,000
Proposed dividend	30,000	Book debts	12,000
		Cash	4,000
	<b>3,58,000</b>		<b>3,58,000</b>

The net profits of the company after charging depreciation and taxes were as follows:

1994 – Rs. 34,000 ; 1995 – Rs 38,000 ; 1996 – Rs 36,000 : 1997 – Rs. 40,000; 1998 – Rs. 38,000.

On 31st December 1998 Land & Buildings were revalued at Rs. 1,90,000 ; Plant & Machinery at Rs. 1,42,000 ; and furniture and fittings at Rs. 8,000.

10% represents a fair commercial rate of return on investment in the company.

Calculate the value of goodwill basing it at five years purchase of the average super profits for the last five years.