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. Mr.Senthil is a shareholder in K Ltd., holding 2,000 shares of Rs. 10 each. He has paid Rs. 2 and Rs. 3 per share on application and allotment respectively, but failed to pay Rs. 3 and Rs. 2 per share for first and second calls respectively. Directors forfeit his shares. Give Journal entries.
2. Write a note on 'Share Forfeiture'.
3. B.Ltd., issued 50,000 equity shares of Rs. 10 each to the public on condition that full amount of shares will be paid in lumpsum. All these shares were taken up and paid by the public. Pass journal entries when shares are issued at a premium of 10%.
4. A company issued 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.
5. List out any 3 items that come under 'Employee Benefit Expenses' in the statement of Profit & Loss A/c.
6. T Ltd., issued 1000 8% debentures of Rs. 100 each. Give journal entries if the debentures were issued as follows;

   i) Issued at par, redeemable at par.
   ii)Issued at premium of 10% repayable at par.
7. A small scale industrialist decided to convert his firm into a limited company with effect from 1^{st} April 1996. The certificate of incorporation on 1^{st} August 1996 and the certificate to commence business in 1^{st} October 1996. His accounts were closed on 31^{st} December 1996. Calculate Time ratio.
8. The average net profit amounted to Rs. 2,35,450. The net tangible assets employed were of the value of Rs. 14,50,000. But upon valuation they amounted to Rs. 15,00,000. 10% represented afair commercial return. Calculate the amount of Goodwill by capitalising super profit.
9. Expand: NRR.
10. Mention the different methods to calculate purchase consideration.
11. Bee 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 shares to Rs. 60 share fully paid up by cancelling the unpaid amount. Give journal entries.
12. Define Goodwill.

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

Answer any **FIVE** questions

13. Mr. Senthil is a shareholder in Kiran Ltd. holding 2,000 shares of Rs. 10 each. He has paid Rs.2 and Rs.3 per share on application and allotment respectively, but failed to pay Rs.3 and Rs.2 per share on first and second call respectively. Directors forfeit his shares. Give journal entry.
14. Ganesh Ltd., was registered on 1-7-97 to acquire the running business of Suneel & Co., with effect from 1-1-97. The following was the profit and loss account of the company on 31-12-97.

Particulars	**Rs.**	**Particulars**	**Rs.**
To Office expenses	54,000	By Gross profit B/d	2,25,000
To Formation expenses (written off)	10,000		
To Stationery & Postage	5,000		
To Selling Expenses	60,000		
To Directors' Fees	20,000		
To Net profit	76,000		
	2,25,000		2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

15. Chitralekha Ltd. issued 60,000 6% debentures of Rs.100 each. 80% of the issue was underwritten by Balu Brothers. Applications for 45,000 shares were received in all out of which applications for 30,000 were marked. Determine the liability of Balu Brothers.

16. Pradeep ltd., has taken over the business of Mr. Sandeep and agreed to pay the purchase price as given below:

    a) 2,800 shares of Rs.50 each fully paid at Rs.60 per share
    b) Rs. 25,000 in 8% preference shares of Rs.100 each issued at premium of 25% and
    c) Rs.20,000 in Cash.

    Calculate Purchase Consideration.

17. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.

    The Profit & Loss Account of the company showed a net profit of Rs.40,00,000 after taking into account the following items:

		Rs.
(a)	Depreciation (including special depreciation of Rs.40,000)	1,00,000
(b)	Provision for income tax	2,00,000
(c)	Donation to political parties	50,000
(d)	Ex-gratia payment to a worker	10,000
(e)	Capital profit on sale of assets	15,000

18. Bee 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.

19. Calculate the amount of goodwill on the basis of three years purchase of the last five years' average profits. The profits for the last five years are:

	Rs.
I Year	4,800
II Year	7,200
III Year	10,000
IV Year	3,000
V Year	5,000

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

Answer any **TWO** questions

20. Bharat Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:

    X- 50% Y- 25% and Z – 25%

    Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares had the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp.

    Determine the liability of the underwriters.

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 31.12.2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2003.

    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 31.3.04)	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		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

    You are required to prepare Profit & Loss account for the year ended 31.12.2003 and a balance sheet as on that date. The following further information is given:

    (a) Closing stock was valued at Rs.1,91,500
    (b) Depreciation on plant at 15% and on furniture at 10% should be provided.
    (c) A tax provision of Rs.8,000 is considered necessary
    (d) The directors declared an interim dividend on 15.8.03 for 6 months ending June 30, 2003 @ 6%
    (e) Provide Corporate dividend tax at 17%

22. Following a series of losses, XYZ Co. Ltd., resolved to reduce its capital to 50,000 fully paid Rs.5 shares and to eliminate share premium account. The company's Balance Sheet prior to implementation of the scheme was:

Liabilities	Rs.	Assets	Rs.
Share capital : 50,000 fully paid shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Securities premium A/c	50,000	Land & Buildings	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank Overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss A/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme:

(i) To write off the goodwill account.

(ii) To write off the debit balance of the Profit & Loss Account

(iii) To reduce the book value of the assets by the following amounts:

	Rs.
Land & Buildings	42,000
Plant & Machinery	67,000
Stock	33,600

(iv) To provide a bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

23. Meenakshi Ltd has an issued share capital of 650 7% redeemable preference shares of Rs.100 each and 4,500 equity shares of Rs.50 each. The preference shares are redeemable at a premium of $7\frac{1}{2}\%$ on April 1 1992.

The company's balance sheet as on March 31 1992 was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital : Issued 650 7% redeemable preference shares of Rs.100 each fully paid	65,000	Fixed assets	3,45,000
4,500 equity shares of Rs.50 each fully paid	2,25,000	Investments	18,500
Profit & Loss A/C	48,000	Balance at bank	31,000
Sundry Creditors	56,500		
	3,94,500		3,94,500

In order to facilitate the redemption of preference shares, the company decided:

(i) To sell all the investments for Rs.16,000

(ii) To finance part of the redemption from company funds, subject to leaving a balance of Rs.12,000 in the profit and loss account and

(iii) To issue sufficient equity shares of Rs.50 each at a premium of Rs.13 per share to raise the balance of funds required.

The preference shares were redeemed on the due date and the issue of equity shares was fully subscribed.

You are required to pass:

The necessary journal entries to record the above transactions.(including cash) and (ii) the balance sheet after completion of the redemption.