B.Com(Hons) DEGREE EXAMINATION,NOVEMBER 2019
II Year III Semester
Corporate Accounting

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

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

Answer **ALL** the questions

1. What is profit prior to incorporation?
2. State the meaning of Forfeiture of Shares.
3. Write a note on Intrinsic value of shares.
4. Explain the term Internal Reconstruction.
5. Who are Preferential Creditors?
6. The directors of 'Z' Co. Ltd. forfeit 10 shares of Rs. 50 each belonging to 'Karthik' who had paid Rs. 5 per share on application, Rs.10 on allotment and Rs.15 on first call but failed to pay the final call of Rs.20. The same shares are then reissued to 'Raj' as fully paid on receipt of Rs.400. Pass Journal entries with narration to record the forfeiture and the reissue of shares.
7. 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:

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

8. Calculate goodwill, if it is to be calculated at 3 years' purchase of the super profit:
The firm started business with a capital of Rs. 4,00,000. The normal rate of earning in this class of business is 15%. The firm earned Rs. 74,000 as profit during the year.
9. Marshall Ltd. has share capital of Rs. 5,00,000 divided into 5,000 shares of Rs. 100 each, fully paid. Show the entries under each of the following conditions:
   (i) When Marshall Ltd. resolves to sub-divide the shares into 50,000 shares of Rs.10 each fully paid.
   (ii) When Marshall Ltd. resolves to convert its 5,000 shares of Rs.100 each into Rs.5,00,000 worth of stock.
10. The liquidator of SR & Co. Ltd. is entitled to get a remuneration of 3% on the amount realised from the assets and 2% on the amount distributed to the unsecured creditors. From the following particulars, calculate the remuneration payable.

(a)	Cash realised from assets	Rs. 3,00,000
(b)	Preferential creditors	Rs. 10,000
(c)	Amount due to unsecured creditors	Rs. 4,00,000

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

Answer any **FIVE** questions

11. Explain the methods of computing purchase consideration on acquisition of business.

12. What are the various reasons for valuing shares?

13. A company has 10,000 9% redeemable preference shares of Rs. 100 each fully paid. The company decides to redeem the shares on 31st December 2018 at a premium of 10%. The company makes the following issues:

    (i) 6,000 equity shares of Rs.100 each at a premium of 10%
    (ii) 4,000 8% Debentures of Rs.100 each.

    The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits. You are required to give the necessary entries.

14. Ganguly Ltd. was formed with an authorised capital of Rs. 12,00,000 divided into equity shares of Rs. 10 each, to acquire the business of 'A' and 'B' whose balance sheet on that date of acquisition was as follows:

Liabilities	Rs.	**Assets**	Rs.
Capital	6,00,000	Freehold premises	7,00,000
General reserve	4,00,000	Stock	2,00,000
Sundry creditors	2,00,000	Sundry debtors 1,60,000 Less: Prov. For Bad debts 10,000	1,50,000
		Cash at bank	1,50,000
	12,00,000		**12,00,000**

The purchase consideration was agreed upon at Rs.14,00,000 to be paid in Rs.12,00,000 fully paid equity shares at Rs.11 and the balance in cash. Give journal entries to record the above and prepare the Balance sheet of Ganguly Ltd. assuming the vendor's account is finally settled.

15. 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.

16. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

    (a) Average capital employed in the business is Rs. 20,00,000
    (b) Rate of interest expected from capital having regard to the risk involved is 10%.
    (c) Net trading profits of the firm for the past three years were Rs. 3,50,400; Rs. 2,80,300 and Rs. 3,10,000.
    (d) Fair remuneration to the partners for their services is Rs. 48,000 per annum.

17. The issued share capital of a company was Rs. 10,00,000 consisting of 10,000 equity shares of Rs. 100 each. The net profits for the last 5 years were: Rs. 1,00,000; Rs. 80,000; Rs. 1,20,000; Rs. 1,60,000 and Rs. 1,40,000 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 12%.

Compute the value of the company's share by the yield value method.

18. The following particulars relate to a limited company which went into voluntary liquidation:

Preferential creditors	Rs. 25,000
Unsecured creditors	Rs. 58,000
6% Debentures	Rs. 30,000

The assets realised Rs. 80,000. The expenses of liquidation amounted to Rs. 1,500 and the liquidator's remuneration was agreed at $2\frac{1}{2}$ % on the amount realised and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidator's final statement of account.

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

PART - A - Case Study - Compulsory Question

19. The summarised Balance Sheet of Ambrose Co. Ltd., as at 31st December 2018 was as follows:

Liabilities	Rs.	**Assets**	Rs.
Authorised & Issued Capital: 2,00,000 Equity shares of Rs.10 each fully paid	20,00,000	Land & Buildings	15,00,000
10,000 6% cumulative preference shares of Rs.100 each fully paid	10,00,000	Plant & Machinery	10,00,000
Bank overdraft	7,00,000	Goodwill	2,00,000
Sundry creditors	5,00,000	Patents & Trade marks	1,00,000
(note: The cumulative preference dividend is in arrear for three years)		Stocks	4,00,000
		Sundry debtors	3,00,000
		Preliminary expenses	1,00,000
		Profit & Loss A/c	6,00,000
	42,00,000		**42,00,000**

A scheme of capital reduction was approved on the following terms:

(i) The Preference shareholders agree that their shares be reduced to fully paid shares of Rs. 50 each and to accept equity shares of Rs. 5 each fully paid in lieu of the dividend arrears.

(ii) The equity shareholders agree that their shares be reduced to a fully paid value of Rs. 5 each.

(iii) The authorised capital of the company is to remain at Rs. 30,00,000 divided into 4,00,000 equity shares of Rs.5 each and 20,000 6% cumulative preference shares of Rs. 50 each.

(iv) All the intangible and fictitious assets are to be eliminated and Bad debts of Rs. 50,000 and obsolete stocks of Rs. 80,000 are to be written off.

Give the necessary journal entries to record the capital reduction and draw up the revised Balance sheet.

PART - B

Answer any **ONE** questions

20. 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 15.8.2003 for 6 months ending June 30, 2003 @ 6%.

21. On 31-3-1998 the date of liquidation of a company, its Balance sheet was as under:

Liabilities	Rs.	**Assets**	Rs.
Share Capital: 7% Preference shares	3,00,000	Land & Buildings	4,00,000
6,000 Equity shares of Rs.10 each, Rs.8 paid up.	48,000	Plant & Machinery	1,60,000
3,000 equity shares of Rs.10 each, Rs.7 paid up.	21,000	Stock	4,00,000
6% Debentures of Rs.100 each	12,00,000	Debtors	6,40,000
outstanding interest on debentures	72,000	Cash at Bank	51,000
Creditors	8,000		
Bills payable	2,000		
	16,51,000		**16,51,000**

The assets were realised as under:
Land & Buildings Rs.3,50,000; Plant & Machinery Rs.2,00,000; Debtors Rs.6,00,000; Stock Rs.4,61,000; Liquidation expenses Rs.2,000.
Remuneration of liquidator: $\frac{1}{2}$% on the assets realised including cash and 1% on the amount paid to unsecured creditors.
Creditors shown in the Balance sheet included Rs.2,000 preferential.
Interest on debenture is to be paid upto 31-5-1998.
Dividend on preference shares is in arrears for $1\frac{1}{2}$ years. Legal charges Rs.1,000.