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

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

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

Answer any **TEN** questions

1. Explain 'Forfeiture of shares'.
2. Explain 'Capital Redemption Reserve'.
3. Distinguish between 'Internal' and 'External' reconstruction.
4. The following is the balance sheet of Reckless Co. Ltd.as at 31st March, 2007.

Liabilities	Rs.	Assets	Rs.
5,000 equity shares of 100 each	5,00,000	Sundry assets	2,02,800
		Profit& Loss A/c	2,97,200
	5,00,000		5,00,000

The company has decided that the worst is over and hence it adopts a scheme of reconstruction, reducing all its equity shares into an equal number of fully paid equity shares of Rs. 10 each. Pass necessary journal entries.

5. 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:

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

6. From the following information, compute the value of goodwill by capitalising super profit:
   (I) Average capital employed is Rs. 2, 00,000
   (II) Normal rate of profit is 10%
   (III) Profit for 1991 – Rs. 31,000; 1992 – Rs. 29,500; 1993 – Rs. 33,000
   (IV) Profit for 1992 has been arrived after writing off abnormal loss of Rs. 1,000 and profit for 1993 includes a non – recurring income of Rs. 1,500.
7. Modern fibres Ltd., has part of its share capital as 5,000 Redeemable preference shares of 100 each. When the shares became due for redemption, the company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of Rs. 10 each. Show the journal entries in the books of the company.
8. Ganesh Ltd., was incorporated on 1st May 1996 to purchase the running business of Vinayak and Co., with effect from 1st January 1996. The company obtained certificate of commencement of business on 24th August 1996. Calculate the time ratio, if the accounts were finalised on 31st December 1996.
9. 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.
10. Y Ltd., forfeited 1,000 equity shares of Rs. 10 each, issued at a discount of 10% for non - payment of the first call of Rs. 2 and final call of Rs. 3 per share. Show the necessary journal entry.
11. Compute managerial remuneration from the information given below to full time director.

	Rs.
Net profit	20,00,000
Special depreciation	20,000
Provision for income tax	1,00,000
Ex-gratia payment	5,000
Capital profit on sale of assets	7,000

12. From the following balances, prepare the Balance sheet of company in the prescribed format. Goodwill Rs.1,50,000;Investment Rs.2,00,000; Share capital Rs.5,00,000;Reserves Rs.1,10,000;Securities premium Rs.15,000;Preliminary expenses Rs.10,000; Profit & loss a/c (Cr) Rs.25,000;Debentures Rs.2,50,000; Other fixed assets Rs.4,70,000; Stock Rs.80,000; Debtors Rs.60,000; Bank Rs.30,000;unsecured loan Rs.65,000; Sundry creditors Rs.35,000.

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

Answer any **FIVE** questions

13. What are the different types of preference share?
14. Explain the different methods of redemption of debentures.
15. Rakesh Ltd issued to public 5,000 equity shares of Rs.100 each at a premium of Rs.10 per share payable as follows:

On application	Rs.20
On allotment	Rs.40
On first & final call	Rs.50

Application were received for 4,000 shares and all were accepted. All money due were fully received except the first and final call on 300 shares. Pass journal entries and prepare the balance sheet.

16. A company had as part of its share 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 the 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. Make the necessary journal entries recording the above transaction.
17. 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	2,25,000
To formation expenses	10,000		
To stationary & 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 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.

18. From the following information calculate the value per equity share.

A.	5,000, 8% preference shares of Rs.100 each	Rs.5,00,000
B.	75,000 equity shares of Rs.10 each, Rs.8 per share paid up	Rs.6,00,000
C.	Expected profit per year before tax	Rs.2,80,000
D.	Rate of tax	50%
E.	Normal rate of earnings	10%
F.	Transfer to general reserve every year 20% of the profit.	

19. Moon and star Co Ltd., is a company with an authorised 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 balance extracted from the ledger as on 31.12.1985.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000		
Discount allowed	4,200		
Insurance	5,040		
Salaries	18,500		
Rent	6,000		
General expenses	8,950		
Printing	2,400		
advertisement	3,800		
Bonus	10,500		
Plant	1,80,500		
Furniture	17,100		
Bad debts	3,200		

You are required to prepare statement of profit & loss for the year ended 31.12.1985. 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.

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

Answer any **TWO** questions

20. Sick Ltd., had the following Balance sheet as on 31.03.2007.

Liabilities	Rs.	Assets	Rs.
6% preference share of Rs. 100 each	2,00,000	Good will	60,000
Equity shares of Rs.100 each	4,00,000	Fixed assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Sundry creditors	1,50,000	Debtors	60,000
		Discount on debentures	10,000
		Bank	1,000
		Profit & Loss A/c	2,69,000
	8,50,000		8,50,000

The following reconstruction scheme was approved:
(A.) Preference shares be reduced to 8% preference shares of Rs.60 each.
(B.) Equity shares to be reduced by Rs.80 each.
(C.) The amount thus made available to be utilised to write off fictitious assets including goodwill and Rs.50,000 from fixed assets.
Give journal entries for the reconstruction and Revised Balance sheet.

21. On 31st Dec 1995, The Balance sheet of X Co. Ltd., as follows.

Liabilities	Rs.	Assets	Rs.
Issued capital is Rs.10 per share	4,00,000	Fixed assets	5,00,000
Profit & loss A/c	20,000	Current assets	2,00,000
Reserve	90,000	Goodwill	40,000
5% Debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

On 31st Dec 1995, the fixed assets were independently valued at Rs.3,50,000 and the goodwill at Rs.50,000. The Net profit for the three years were 1993 – Rs.51,600; 1994 – Rs.52,000 and 1995 – Rs.51,650 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 10%. Compute the value of the company's share by (a) the net assets method and (b) the yield method.

22. The following trial balance of Nallis Ltd., as at 30th Dec 1998 is given to you.

Debits	Rs.	Credits	Rs.
Stock (1.1.1998)	80,000	8,000 equity share of Rs.100 each, Rs.75 paid	6,00,000
Bank	17,600	6% debentures	2,00,000
Patents	60,000	Sundry creditors	1,00,000
Calls in arrears	20,000	General reserve	80,000
Return inwards	30,000	Sales	10,00,000
Purchases	7,72,000	Returns outwards	20,000
Wages	1,08,000	Profit & loss A/c (cr)	12,000
Insurance prepaid	400		
Bills receivables	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & machinery	4,00,000		
Land & building	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

Additional information

a. The value of stock on 31st Dec 1998 was Rs.74,000

b. Outstanding wages totalled Rs.10,000

c. A provision 5% is to be created on sundry debtors for doubtful debts.

d. Depreciate patents @ 10% and plant & machinery @ 7.5% and land & building @ 4%.

You are required to prepare statement of profit or loss for the year ended 31.12.98 and balance sheet as on that date.

23. A Ltd., invited application for 10,000 equity shares of Rs.100 each at a premium of Rs.10 per share payment was to be made as follows:

On application	-	Rs.20
On allotment	-	Rs.40 (including premium)
On first call	-	Rs.30
On final call	-	Rs.20

An applications totalled for 13,000 shares. Application for 2,000 shares were rejected and allotment of shares was made proportionately to the remaining applicants. The directors made both the calls and all the moneys received except the final call on 300 shares which were forfeited after the required notice were served. Later 200 of the forfeited shares were reissued as fully paid @ Rs.85 per share. Journalise the transaction and prepare the Balance sheet.