B.Com(BIM) 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. What is a share?
2. Ram Ltd. Purchased assets of Rs. 8,00,000 from Anil Bros. It issued equity shares of Rs. 100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.
3. What is a debenture?
4. 'C' Ltd. Acquired the business of kamal & Co., for a consideration of Rs. 5,00,000. The vendors were paid Rs. 1,40,000 in cash and the Balance in 10% debentures of Rs. 100 each, issued at 90%. Give journal Entries.
5. What are tangible assets?
6. Good will is to be valued at 3 years purchase of five years average profits. The profits for the last five years of the firm were:
   1994 – Rs. 2,400; 1995 – Rs. 3,000; 1996 – Rs. 3,400;
   1997 – Rs. 3,000; 1998 – Rs. 4,000. Calculate the amount of goodwill.
7. Write a note on Super Profit.
8. What is meant by inflation accounting?
9. Automobiles Ltd. was incorporated on 1-1-2004 with a capital of Rs. 2,00,000 and with the object of buying and selling motorcycles. The purchase price of the motorcycle was Rs.40,000 on 1-1-2004 and Rs. 50,000 on 31-12-2004. The general price level increased by 20% during 2004. The company purchased 5 motorcycles on 1-1-2004 and sold three motorcycles during the year at an average price of Rs. 70,000. Show how the income statement under HCA mixes up operating and holding gains.
10. Define Human Resources Accounting.
11. What is meant by computerized accounting?
12. On January 1, 2000 Neha Ltd. issued 2,500 10% fully convertible debentures of Rs. 100 each at par. The debentures holders were given the call option to convert the debentures into Rs. 10 equity shares at a premium of Rs. 40 per shares on or after July 1,2001. On December 31 debenture holders holding 2,000 debentures exercised their option. Pass the necessary journal entries.

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

Answer any **FIVE** questions

13. On 1st January,1999 the Directors of X Ltd. Decided to issue 1,00,000 shares of Rs.10 each, Rs.2.50 payable on application and Rs. 2.50 payable on allotment.
    Application are received for 1,20,000 shares. On 10th January the directors decide to reject applications in respect of 20,000 shares, the application money being refunded in full. All allotment moneys are received in full. On 31st March call of Rs. 2.50 per share was made and all sums due are received except on 1,000 shares allotted to Mr. A. Pass necessary journal entries (including for) cash to record the transactions.
14. A company issued 1,000 10% debentures of Rs.100 each at par redeemable at a premium of 10%. After 10 years the company served notice of redemption and redeemed all debentures as per the terms of issue. You are required to make entries at the time of issue and at the time of redemption.

15. X purchased business from Y on 30th June, 1988. Profits earned by Y for the preceding years ending on 31st December each year were – 1985 Rs.41,000, 1986 Rs.40,000, and 1987 Rs.42,000.
It was ascertained that profits of 1986 included a non-recurring item of Rs.1,500 and profit of 1987 was reduced by Rs.2,000 due to an extraordinary loss on account of theft. The properties were not insured and it was thought prudent of insure the business in future. The premium was estimated at Rs.200 per annum. X, at the time of purchasing business, was employed with Rama Bros. Ltd. and was getting Rs.500 p.m. He intends to replace the manager of the business who at present is getting Rs.350 pm. The goodwill is estimated at 2 years purchase of the average profits. You are required to calculate goodwill of the business.

16. From the following details, compute appropriate conversion factors.
(a) General price index number – Opening 200; Closing 300;average for the year 240
(b) General price index number – At the end of the year 200. On the date of acquiring an item of stock 120. On the date of acquiring as asset 150.

17. The Silver Ore Co. Ltd. was formed on 1.4.1997 with an authorised capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares has been issued subscribed but there were calls in arrears on 100 shares. From the following Trial balance as on March 31,1998.Prepare Statement of Profit & Loss A/C.

	Rs.		Rs.
Cash at Bank	1,05,500	Share capital	5,19,750
Plant	40,000	Sale of silver	1,79,500
Mines	2,20,000	Interest on F.D.	
Promotion expenses	6,000	Upto Dec.31	3,900
Advertising	5,000	Dividend on	
Cartage on plant	1,800	investment	3,200
Furniture & Buildings	20,900		
Administrative expenses	28,000		
Repairs to plant	900		
Coal and oil	6,500		
Royalties paid	10,000		
Railway track & wagons	17,000		
Wages of miners	74,220		
Cash	530		
Investment – shares of tin mines	80,000		
Brokerage on above	1,000		
6% F.D. in Syndicate Bank	89,000		
	7,06,350		7,06,350

Adjustments:(i) Depreciate Plant and Railways by 10%; Furniture & Building by 5%
(ii) Write off one third of the promotion expenses
(iii) Value of Silver Ore on March 31, 1998 Rs.15,000
(iv) The directors forfeited on Dec. 20,1997, 100 shares on which only Rs.7.50 had been paid.

18. Define Human resources accounting. Briefly explain the methods of HRA.

19. The following is the Balance sheet of M/S Ram Prashad Ram Narrain as on 31st December, 1999:

Balance Sheet as on $31^{s}t$ Dec, 1999

Liabilities	Rs.	Assets	Rs.
Creditors	10,000	Land & Buildings	50,000
Bills payable	45,000	Machinery	40,000
Capital:		Fixtures	20,000
Ram Prashad	60,000	Stock – in- trade	10,000
Ram Narain	40,000	Bills receivable	5,000
		Debtors	25,000
		Cash in hand and at bank	5,000
	1,55,000		1,55,000

On 1st January, 2000 the above business was purchased by the Ram Ltd. for Rs.1,50,000 to be discharged by issuing shares of Rs.50 each, credited at Rs.40 paid up. The company did not take over fixtures and bills payable. It was decided that the company would take land and buildings at Rs.67,500, and machinery at Rs.35,000. A provision for doubtful debts was also made at 5% on sundry debtors. There is a claim on account of bills discounted Rs.3,000 which the company agreed to take over. But the company refused to take over a worker's claim of Rs.1,000 on account of accident. Bills payable were taken over by Ram Prashad at agreed value of Rs. 40,000. Fixtures were disposable at Rs. 17,000. You are required to make journal entries (including that for cash transactions) in the books of the company presuming the company decides to continue the same set of books.

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

Answer any **TWO** questions

20. The Balance Sheet of Producers Ltd., as at 31st December, 2000 is as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Fixed Assets	
500 redeemable preference		Land and buildings	1,00,000
Shares of Rs. 100 each		Plant	30,000
Fully paid	50,000	Furniture	2,000
9,000 equity shares of Rs.		Current Assets:	
10 each fully paid	90,000	Stock	30,000
Reserve and surplus:		Debtors	15,000
Security premium	10,000	Investments	28,000
General reserve	20,000	Bank	20,000
Profit & Loss A/C	25,000		
Current liabilities	30,000		
	2,25,000		2,25,000

The company decided to redeem its preference shares at a premium of 5 per cent, on 31st January, 2001. A fresh issue of 1,000 equity shares of Rs. 10 each was made at Rs. 12 per shares Payable in full on 31st January 2001. These were fully subscribed and all moneys were duly collected. All the investments were sold realising Rs.27,000. The Directors wish that only a minimum reduction should be made in the revenue reserves. You are required to give the journal entries, including those relating to cash to record the above transactions and draw up the Balance sheet as it would appear after redemption of preference shares.

21. The following balances stood in the books of prosperous Ltd. As on 31st March, 2001:

6% Debentures	Rs.2,50,000
Debenture Redemption Fund	Rs.2,82,500

The above Fund was invested in the following Securities and Shares

Rs. 80,000 3.5% Government Loan	Rs.85,000
Rs. 90,000 4% Government Loan	Rs.86,000
Rs. 30,000 6% Debentures	Rs.28,000
835 Preference Shares of Rs. 100 each	Rs.83,500

The above Investment were sold on the day as under: 3.5% Government Loan at par, 4% Government Loan at Rs. 96, 6% Debentures at Rs.90 and the preference Shares at Rs. 105.
On 1st April,2001, the Company redeemed the Debentures at a premium of 10%.
You are required to show 6% Debentures Account, Debenture Redemption Fund Investment Account and the Debenture holders' Account.

22. The following particulars are available in relation to X ltd:
(i) Capital: 450 6% preference shares of Rs. 100 each fully paid and 4,500 equity shares of Rs. 10 each fully paid.
(ii) External Liabilities: Rs. 7,500.
(iii) Reserve and Surplus; Rs. 3,500.

(iv)The average expected profit (after taxation) earned by the company: Rs. 8,500
(v) The normal profit earned on the market value of equity shares (fully paid) of the same type of companies is 9%.
(vi) 10% of the profit after tax each is transferred to reserves.
Calculate the intrinsic value per equity share and the value per equity share according to dividend yield basis. Assume that out of total assets, assets worth Rs. 350 are fictitious.

23. A Ltd was registered with an authorised capital of Rs. 6,00,000 in equity shares of Rs. 10 each. The following is its Trial Balance on 31st March 1998.

	Debit Balance(Rs.)	Credit Balance(Rs.)
Goodwill	25,000	-
Cash	750	-
Bank	39,900	-
Purchases	1,85,000	-
Preliminary expenses	5,000	-
Shares capital	-	4,00,000
12% debentures	-	3,00,000
P&L A/c (Cr)	-	26,250
Calls-in-arrears	7,500	-
Premises	3,00,000	-
Plant & Machinery	3,30,000	-
Interim dividend	39,250	-
Sales	-	4,15,000
Stock(1.4.97)	75,000	-
Furniture & Fixtures	7,200	-
Sundry debtors	87,000	-
Wages	84,865	-
General expenses	6,835	-
Freight and Carriage	13,115	-
Salaries	14,500	-
Directors'fees	5,725	-
Bad debts	2,110	-
Debenture interest paid	18,000	-
Bills payable	-	37,000
Sundry creditors	-	40,000
General reserve	-	25,000
Provision for bad debts	-	3,500
	12,46,750	12,46,750

Prepare Statement of Profit & Loss and Balance Sheet in proper form after making the following adjustments:
(i) Depreciate plant and machinery by 15%
(ii) Write off preliminary expenses
(iii) Provide for 6 months interest on debentures
(iv) Leave bad and doubtful debts provision at 5% on sundry debtors.
(v) Provide for income tax at 50%.
(vi) Stock on 31.3.1998 was Rs. 95,000.
(vii) Provide for corporate dividend tax @ 17%