B.Com. DEGREE EXAMINATION,APRIL 2020
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. What is forfeiture of shares?
2. Define share.
3. What is partial underwriting?
4. Give the meaning of Redeemable preference shares
5. What is Ex – interest?
6. What is time ratio?
7. What is shareholders fund?
8. What is normal rate of return?
9. Define goodwill.
10. What is capital reduction?
11. What do you mean by sub division of shares?
12. What are profits prior to incorporation?

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

Answer any **FIVE** questions

13. A Ltd. issued 2,000 shares of Rs.100 each at 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 call on 200 shares held by R. These shares were forfeited. Give journal entries.
14. B 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 are 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.
15. A company has 10,000,9% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on 31st Dec.2004 at a premium of 10%. The company makes the following issue:

    (1) 6,000 equity shares of Rs.100 each at a premium of 10%
    (2) 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 pass the necessary journal entries.

16. On 1-4-1997, R Ltd. issued 2,500 8% debentures of Rs.100 each at 5% discount. Holders of the debentures have to convert their holdings into equity shares of Rs.100 each at a premium of Rs.25 per share at any time within 3 years. On 31-3-98, holders of 500 debentures notified their intention to exercise the option.

    Show the necessary journal entries in the company books relating to issue and conversion of the debentures.

17. G 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 expense	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 fee	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 1:2 before and after incorporation.

18. The following is the balance sheet of NSC Ltd. as on 31st Dec 1998.

Liabilities	Rs.	Assets	Rs.
4,000 10% pref.shares of Rs.100 each	4,00,000	Sundry assets at book value	12,00,000
60,000 equity shares of Rs.10 each	6,00,000		
Bills payable	50,000		
creditors	1,50,000		
	12,00,000		12,00,000

    The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs.10,000. Find the value of each equity share it is be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital.

19. 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:
    (1) When Marshall Ltd. resolves to subdivide the shares into 50,000 shares of Rs.10 each fully paid.
    (2) When Marshall Ltd. resolves to convert its 5,000 shares of Rs.100 each into Rs.5,00,000 worth of stock.

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

Answer any **TWO** questions

20. S Ltd. issued a prospectus inviting applications for 50,000 equity share of Rs.10 each payable Rs.5 on application (including Rs.2 as premium), Rs.4 on allotment and the balance towards the first and final call.

    Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letters of regret and allotments were made on pro-rata to the applicants of 60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment.

Mr. A to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the directors on his subsequent failure to pay the call money.

All the forfeited shares were subsequently sold to Mr. J credited as fully paid for Rs.9 per share. You are required to set out the journal entries.

21. Moon and Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 shares of Rs.100 each on 31-12-1985 of which 2,500 shares were fully called up. The following are the balance sheet 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	6,220
Discount allowed	4,200	creditors	35,200
Insurance (upto 31.3.86)	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		
advertisement	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 statement of Profit & Loss for the year ended 31.3.1985 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 15.8.85 for 6 months ending June 30,1985@6%.

(e) Provide for corporate dividend tax @17%.

22. On 31st Dec 1998. The balance sheet of a limited company disclosed the following position.

	Liabilities	Rs.	Assets Rs.
Issued capital in Rs.10 shares	8,00,000	Fixed assets	10,00,000
Profit & Loss	40,000	Current assets	4,00,000
Reserves	1,80,000	goodwill	80,000
5% debentures	2,00,000		
Current liabilities	2,60,000		
	14,80,000		14,80,000

On Dec 31.1998, the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The net profits for the three years were: 1996 – Rs.1,03,200; 1997 – Rs.1,04,000 and 1998 – Rs.1,03,300 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 return on investment may be taken at 10%. Compute the value of the company share by (a) the net assets method and (b) the yield method.

23. ABC Company Ltd. passed resolution and got Court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:

    a) To write off the debit balances of P&L A/c of Rs.2,10,000.
    b) To reduce the value of Plant & Machinery by Rs.90,000 and goodwill by Rs.40,000.
    c) To reduce the value of investments by Rs.80,000.

    The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 paid up into 50,000 equity shares of Rs.10 each fully paid up. Pass journal entries to record the share capital reduction.