

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 a share?
2. What do you mean by pro-rata allotment?
3. What are calls- in- arrear?
4. What is cum interest?
5. Write a note on debenture stock.
6. Give the meaning of weighted sales ratio.
7. What is meant by interim dividend?
8. Define Goodwill.
9. Write a note on super profit.
10. What do you understand by surrender of shares?
11. What is consolidation and sub-division of shares?
12. What are Sweat equity shares?

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

Answer any **FIVE** questions

13. The directors of Z co. Ltd forfeit 10 shares of Rs.50 each belonging to Mr.k who had paid Rs.5 per share on application, Rs.10 on allotment, 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 on receipt of Rs.400. Pass journal entries with narration to record the forfeiture and reissue of shares.
14. Kalyan Kumar co. Ltd was formed with a capital of Rs.10,00,000 in Rs.10 shares, the whole amount being issued to public. The underwriting of these shares as follows:
A – 35,000; B – 30,000; C – 20,000; D – 10,000; E – 3,000; F – 2,000.
All the marked application form was to go in relief of the underwritten whose stamp they bear. The application forms marked by the underwriters were: A – 10,000;
B – 22,500; C – 20,000; D – 7,500; E – 5,000; F – Nil
Applications for 20000 shares were received on forms not marked. Draw up a statement showing the numbers of shares each underwriter had to take up.
15. S Ltd issued 75,000 equity shares of Rs.10 each and 5,000 Redeemable Preference shares of Rs.100 each all shares being fully called and paid up on 31st March 2012. Profit and loss account showed undistributed profits of Rs.3,00,000 and general reserve stood at Rs.2,50,000. On 1st April 2012, the directors decided to redeem the existing preference shares at Rs.105 utilising as much as profits as would be required for the purpose. You are required to pass journal entries in the books of company.

16. Radian Products Ltd. issued 5,000 14% debentures of Rs.100 at a discount of 5%. The expenses of issue amounted to Rs.19,000. The debentures are to be repaid in equal annual instalments starting from the end of the 4th year. You are required to ascertain the discount and expenses of issue to be written off under the fluctuating instalment method.
17. M Ltd. was formed on 1-7- 2006 to acquire the business of Johnson & Sons with effect from 1-1-2006. When the company first accounts were prepared on 31-12-2006, the following were noted:
- (1) Sales for the year Rs.3,00,000.
- (2) Sales in January, February, April and May were only at 50% of the annual average. Sales of August, September and December were twice the annual average.
- Calculate the weighted sales ratio.
18. A firm earned net profits during the last three years as follows:
- | | Rs. |
|----------|--------|
| I year | 36,000 |
| II year | 40,000 |
| III year | 44,000 |
- The capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved is 10%. Calculate the value of Goodwill on the basis of 3 years purchase of super profit.
19. Bring out the various methods of Valuation of Goodwill.

Section C (2 × 15 = 30) Marks

Answer any **TWO** questions

20. Ambitions Ltd. issued a prospectus, inviting applications for 2,00,000 shares of Rs.10 each at a premium of Rs.5 per share, payable as follows:
- | | | |
|----------------|---|---------------------------------------|
| On application | - | Rs.2.50 per share |
| On allotment | - | Rs.7.50 per share (including premium) |
| On first call | - | Rs.4.00 per share |
| On final call | - | Rs.1.00 per share. |
- Applications were received for 3,00,000 shares and allotment was made pro-rata to the applicants of 2,40,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted towards the amount due on allotment.
- David, to whom 4,000 shares were allotted, failed to pay allotment money and on his failure to pay the first call, his shares were forfeited. Madan, the holder of 6,000 shares, failed to pay the two calls and so his shares were also forfeited. All these shares were sold to Robert, credited as fully paid for Rs.8 per share. Pass journal entries to record the above issue of shares by the company.
21. Big Ltd. has a nominal capital of Rs.6,00,000 divided into shares of Rs.10 each. The following Trial Balance is extracted from the books of the company as on 31- 12-2000.

	Rs.		Rs.
Calls in arrear	7,500	6% debentures	3,00,000
Premises(Rs.60,000 added on 1-7-2000)	3,60,000	P&L A/c on 1-1-2000	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserves	25,000
Purchases	1,85,000	Share capital (called up)	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Directors fee	5,740	Provision for bad debts	3,500
Bad debts	2,110		
4% Government securities	60,000		
Stock (1.1.2000)	75,000		
Furniture	7,200		
Sundry debtors	87,000		
Goodwill	25,000		
Cash	750		
Bank	39,900		
Wages	84,800		
General expenses	16,900		
Salaries	14,500		
Debenture interest	9,000		
	13,06,000		13,06,000

Prepare final accounts of the company for the year ending 31.12.2000 in the prescribed form after taking into account the following adjustments:

- Depreciate machinery by 10% and furniture by 5%.
- Write off preliminary expenses.
- Wages include Rs.10,000 paid for the construction of a compound wall to the premises and no adjustments was made.
- Provide 5% for bad debts on sundry debtors.
- Transfer Rs.10,000 to general reserve.
- Provide for income tax Rs.25,000.
- Stock on 31.12.87 was Rs.1,01,000

22. The balance sheet of Saraswathi Co. Ltd. disclosed the following position as on 31st December 1998.

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	1,65,000
6,000 equity shares of Rs.100 each	6,00,000	Investments	5,25,000
Profit and loss a/c	75,000	Stock	6,60,000
General reserve	2,25,000	Sundry debtors	3,90,000
6% debentures	4,50,000	Cash at bank	60,000
Sundry creditors	1,50,000		
Workmen saving bank a/c	3,00,000		
	18,00,000		18,00,000

(1) The profits for the past five years were:

1994 – Rs.30,000; 1995 – Rs.70,000; 1996 – Rs.50,000; 1997 – Rs.55,000;
1998 – Rs.95,000.

(2) The market value of investments was Rs.3,30,000.

(3) Goodwill is to be valued at three years purchase of the average annual profits for the last five years.

Find the intrinsic value of each share.

23. The following is the Balance sheet of United Industries Ltd. on 31st Dec 1998.

Liabilities	Rs.	Assets	Rs.
Share capital:			
6,000 6% preference share of Rs.100 each	6,00,000	Goodwill	45,000
12,000 equity shares of Rs.100 each	12,00,000	Profit&loss a/c	7,00,000
8% debentures	3,00,000	Land & Building	6,00,000
Bank overdraft	3,00,000	Plant & Machinery	9,00,000
Sundry creditors	1,50,000	Stock	1,30,000
		Cash	15,000
		Preliminary expenses	20,000
		Debtors	1,40,000
	25,50,000		25,50,000

On the above date, the company adopted the following scheme of reconstruction:

- (1) The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares are to be reduced to fully paid shares of Rs.75 each.
- (2) The debenture holders took over stock and debtors in full satisfaction of their claims.
- (3) The Land & Building to be appreciated by 30% and Plant & Machinery to be depreciated by 30%
- (4) The fictitious and intangible assets are to be eliminated.
- (5) Expenses of reconstruction amounted to Rs.5,000.

Give journal entries incorporating the above scheme of reconstruction.