

**B.Com(CS) 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 do you mean by share forfeiture?
2. Explain the term redemption of preference shares?
3. What is underwriting?
4. Describe the term Managerial Remuneration?
5. What do you mean by profit prior to incorporation?
6. What is internal reconstruction?
7. 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 the final call of Rs.3 per share. Show the necessary journal entry.
8. Redemption of 20,000 preference shares of Rs.100 each was carried out by utilisation of reserves and by issue of 8,000 equity shares of Rs.100 each at Rs.125. How much should be credited to capital redemption reserve a/c ?
9. A Ltd purchased business of A & Co and agreed to settle purchase consideration by the allotment of:  
1000 equity shares of Rs.10 each at 10% premium to partners  
500 10% Debentures of Rs.100 each at par for loan creditors and  
Rs.50,000 in cash to partners. Calculate purchase consideration.
10. R Ltd was incorporated on 1st May 1996 to purchase the running business of V & 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.
11. Calculate the amount of goodwill on the basis of three years purchase of the last four years average profits. The profits and losses for the last four years are:  
2015 – Rs.10,000    2016 - Rs.16,000    2017 – Rs 6,000 (loss)    2018 – Rs.12,000
12. A company having 5,00,000 8% preference shares of Rs.10 each decides to consolidate the shares into shares of Rs.100 each. Write the Journal entry.

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

Answer any **FIVE** questions

13. Describe the sinking fund method of redeeming debentures in detail?
14. Explain the methods of valuation of shares?
15. B Ltd issued 1,50,000 equity shares. The whole of the issued 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 and the 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.

16. 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 2014 at a premium of 10%. The company makes the following issues:
- 6,000 equity shares of Rs.100 each at a premium of 10%
  - 4,000 8% Debentures of Rs.100 each
- The issue was fully subscribed, and allotments was made. The redemption was duly carried out. The company has sufficient profit. You are required to give the necessary entries
17. Moon Ltd issued 50,000 8% debentures of Rs.10 each to the public at par, to be paid Rs.4 on application and Balance on allotment. Application were received for 48,000 debentures, allotment was made to all the applicants and the amount due was received promptly. Give journal entries to record the transactions and show how they appear in the Balance sheet of the company.
18. S & R Co Ltd was incorporated on 1st July 92 to purchased the business of N Bros as on 1.4.92. certificate of commencement of business was received on 1.8.92. The accounts for the year ended 31.3.93 disclosed net profits of Rs.80,000 after charging the following:
- Director's salary – Rs.10,000
  - Salaries – Rs.20,000 (4 employees in pre incorporation period and six employees in post incorporations)
  - Wages – Rs.10,200 (5 workers at Rs.80 per month in pre incorporation and 10 workers at Rs.100 per month in post incorporation period)
- The sales were Rs.3,00,000 of which Rs.75,000 were in pre incorporation period. Calculate profit earned in the pre and post incorporation periods.
19. A firm earned net profits during the last three years as follows:  
 I Year – Rs.36,000    II year - Rs.40,000    III – Year - Rs.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 profits.

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

Answer any **TWO** questions

20. A Ltd issued a prospectus, inviting applications for 2,00,000 shares of Rs.10 each at a premium of Rs.5 per shares, payable as follows:
- |                | Per share (Rs)           |
|----------------|--------------------------|
| On application | 2.50                     |
| On allotment   | 7.50 (including premium) |
| On first call  | 4.00                     |
| On final call  | 1.00                     |
- 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.
- Ajith, to whom 4,000 shares were allotted, failed to pay allotment money and on his failure to pay first call, his shares were forfeited. Vijay, the holder of 6,000 shares, failed to pay the two calls and so his shares were forfeited. All the shares were sold to Ambani, credited as fully paid for Rs.8 per share. Pass the journal entries to record the above issue of shares by the company.
21. Sudhir Ltd issued 15,000 10% debentures of Rs.100 each on 1.1.95. They are repayable at the end of 3 years, at par. The company decided to take as insurance policy for the redemption of

these debentures, to provide the necessary cash. The premium payable at the beginning of every year is Rs.4,11,975 and interest at 10% p.a at compound rate is expected. The policy amount was received at the end of the third year and the debentures were duly redeemed. Show ledger accounts in the books of company for all the years.

22. From the following information, compute the Intrinsic value of an equity share of Rahim Ltd

Liabilities	Rs	Assets	Rs
2,000 Equity shares of Rs 100 each, fully paid	2,00,000	Land & Building	80,000
2,000, 6% preference shares of Rs.10 each	20,000	Plant & Machinery	80,000
General Reserve	50,000	Book debts	10,000
5% debentures of Rs.100 each	20,000	Stock in trade	40,000
Sundry Creditors	20,000	Cash & Bank balance	70,000
		Investment in 5% Govt. securities	20,000
		Preliminary Expenses	10,000
	3,10,000		3,10,000

- (i) Fair return on capital employed in this type of business in 10% p.a
- (ii) Goodwill is to be taken at 4 years purchase value of super profits
- (iii) Average of the profits( after deduction of preliminary expenses) for the last seven years is Rs.38,000. Preliminary expenses to the extent of Rs.2,000 has been written off every year for the last seven years. Profit is more or less stable over years and the same trend is expected to be maintained in the near future. Ignore taxation.

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

Trial Balance of A Ltd

	Debit(Rs)	Credit(Rs)
Goodwill	25,000	-
Cash	750	-
Bank	39,900	-
Purchases	1,85,000	-
Preliminary expenses	5,000	-
Share capital	-	4,00,000
12% Debentures	-	3,00,000
P&L a/c (cr)	-	26,250
Call-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
Total	12,46,750	12,46,750

Prepare statement of Profit and 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 31.3.98 was Rs.95,000
- (vii) Provide for corporate dividend tax @ 17%.