

**B.Com(A&F) DEGREE EXAMINATION, APRIL 2020**  
**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 buy-back of share?
2. Give the meaning of redeemable preference shares.
3. Define managerial remuneration.
4. What is meant by Internal reconstruction?
5. 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. Pass journal entries to record this transaction.
6. Skylekha issued 30,000 equity shares of Rs. 100 each. 75% of the issue was underwritten by Prakash. Applications for 21,000 shares were received in all by the company. Determine the liability of Prakash.
7. A company having free reserves of Rs. 60,000 wants to redeem Rs. 2,00,000 preference shares. Calculate the face value of fresh issue of shares of Rs. 10 each to be made at a premium of 10%.
8. Rajan a small scale Industrialist decided to convert his firm into a limited company with effect from 1st April 2018. But he obtained the certificate of incorporation on 1st August 2018. His accounts closed on 31st December 2018. Find out time ratio for the purpose of calculating pre-incorporations profit.
9. 1000, 13% preference shares of Rs. 100 each, fully valued Rs. 1,00,000 and Calls in arrears Rs. 1,000. Calculate preference dividend.
10. Normal profit Rs. 80,000; Average profit Rs. 96,000. Calculate goodwill at 3 years purchase of super profits.
11. Normal Rate 15%; Expected Rate 17.3%; Equity share Rs. 10 per share, paid up Rs. 8. Calculate the value per equity share.
12. A Ltd. has 10,000 Equity shares of Rs. 100 each fully paid up decides to reduce them into Rs. 30 per share. Journalise.

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

Answer any **FIVE** questions

13. What are the legal provisions relating to allotment of shares?
14. Explain the different methods of computing purchase consideration on acquisition of business.
15. Bharat Ltd., issued 1,50,000 equity shares. The whole of the issues 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 had 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. Modern Fibres Ltd., has part of its share capital as 5,000 Redeemable Preference Shares of Rs. 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.
17. From the following data, calculate profit prior to incorporation :
- Time ratio 1 : 2
  - Sales ratio 1 : 3
  - Gross Profit Rs. 1,70,500
  - Administrative expenses Rs. 69,600
  - Expenses relating to sale Rs. 18,600
  - Preliminary expenses Rs. 11,560.
18. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company. The Profit & Loss Account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items :
- |  | Rs.      |
|--|----------|
| a) Depreciation(including special depreciation of Rs.40,000) | 1,00,000 |
| b) Provision for income tax                                  | 2,00,000 |
| c) Donation to political parties                             | 50,000   |
| d) Ex-gratia payments to a worker                            | 10,000   |
| e) Capital profit on sales of assets                         | 15,000   |
19. The average net profits of a business as adjusted for valuation of goodwill amounted to Rs. 2,35,450. The net tangible assets employed were of the value of Rs. 14,50,000. But, upon valuation, they amounted to Rs. 15,00,000. Assuming that 10% represented a fair commercial return, calculate the amount of goodwill by capitalising super profits.

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

Answer any **TWO** questions

20. A Limited company issued 10,000 shares of Rs.10 each payable as follows:
- Rs. 3 on application  
 Rs. 3 on allotment  
 Rs. 4 on first and final call.
- The company received 13,000 applications from the public. Applications for 1,500 shares were rejected and the excess application money received on the other 1,500 shares was adjusted towards allotment.
- All the amounts due on the shares were received except the call money on 500 shares which were forfeited after due notice. Later 400 of the forfeited shares were reissued at Rs. 8 per share. Pass necessary journal entries.
21. The Alfa Manufacturing Company Ltd. was registered with a nominal capital of 6,00,000 in equity shares of Rs. 10 each. The following is the list of balances extracted from its books on 31st December 2019.

Particulars	Rs.
Calls in arrear	7,500
Premises	3,00,000
Plant & Machinery	3,30,000
Interim dividend paid on 1.8.2019	37,500
Stock on 1.1.2019	75,000

Furniture	7,200
Sundry debtors	87,000
Goodwill	25,000
Cash in hand	750
Cash at bank	39,900
Purchases	1,85,000
Preliminary expenses	5,000
General expenses	16,835
Wages	84,865
Freight and carriage	13,115
Salaries	14,500
Directors' fees	5,725
Bad debts	2,110
Debenture interest paid	9,000
Subscribed and fully called up capital	4,00,000
6% debentures	3,00,000
Profit & loss A/c (credit balance)	14,500
Bills payable	38,000
Sundry creditors	50,000
Sales	4,15,000
General reserve	25,000
Bad reserve (1.1.2019)	3,500

Prepare Trading and Profit and Loss A/c and Balance Sheet in proper form after considering the following adjustments :

- Depreciate plant and machinery by 10%
- Write off Rs. 500 from preliminary expenses.
- Provide half year's debenture interest due.
- Create 5% provision for bad and doubtful debts 5% on sundry debtors.
- Closing stock Rs. 95,000.

22. The following is the Balance Sheet of XYZ Ltd. on 31.12.2019.

Liabilities	Rs.	Assets	Rs.
Issued capital in Rs. 10 shares	8,00,000	Fixed assets	10,00,000
Profit & Loss A/c	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 31.12.2019 the fixed assets were valued at Rs. 7,00,000 and the goodwill at Rs. 1,00,000. The net profit for the three years were : 2017 – Rs. 1,03,200, 2018 – Rs. 1,04,000, 2019 – Rs. 1,03,300 of which 20% was placed to reserve and a fair return on investment may be taken at 10%. Compute the value of share of the company by (a) Net asset method and (b) Yield method.

23. XYZ Ltd., resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate securities premium account. The company's Balance Sheet prior to implementation of the scheme was:

Liabilities	Rs.	Assets	Rs.
50,000 fully paid shares of Rs. 10 each	5,00,000	Goodwill	1,00,000
Securities premium A/c	50,000	Land & Buildings	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank Overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & loss A/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme:

- i) To write off the goodwill account
- ii) To write off the debit balance of the Profit & Loss account
- iii) To reduce the book values of the assets by the following amounts:

	Rs.
Land & Building	42,000
Plant & Machinery	67,000
Stock	33,600

- iv) To provide bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.