

B.Com(Hons) DEGREE EXAMINATION, APRIL 2020
II Year III Semester
Corporate Accounting

Time : 3 Hours

Max.marks :75

Section A ($10 \times 2 = 20$) Marks

Answer **ALL** the questions

1. State the meaning of re-issue.
2. What is underwriting?
3. What is mean by managerial remuneration?
4. What is profit prior to incorporation?
5. Define goodwill.
6. Assets realized Rs.1,20,000. Preferential creditors Rs. 12,000. Unsecured creditors Rs. 1,50,000. Calculate liquidators' remuneration at 2% on assets realized and 3% on amount paid to unsecured creditors.
7. Calculate goodwill if it is to be calculated at 3 years purchase of the super profit. The firm started business with the capital of Rs. 4,00,000. The normal rate of earning in this class of business is 15%. The firm earned Rs. 74,000 as profit during the year.
8. A company forfeited 20 shares of Rs. 100 each issued for non payment of 1st call Rs. 20 each and final call of Rs. 30 per share. Give journal entry for forfeiture.
9. The following scheme of reconstruction was approved by royal ltd.
 - a) the share holders to receive in lieu of their present holdings of 50,000 shares of Rs. 10 each the following.
 - i) fully paid ordinary shares equal to $\frac{2}{5}$ of their holdings.
 - ii) 5% preference shares to the extent of $\frac{1}{5}$ of the above ordinary shares.
 - iii) Rs. 60,000 , 6% debentures.
 - b) the good will which stood at Rs. 3,00,000 was written down to Rs. 1,50,000.
 - c) Plant and machinery were written down by Rs. 20,000 and Rs. 30,000 respectively. Pass journal entries.
10. compute managerial remuneration from the information given below to Mr. X full time director.

Net profit	Rs.20,00,000
Special depreciation	Rs.20,000
Provision for income tax	Rs. 1,00,000
Ex-gratia payment	Rs. 5,000
Capital profit on sale of assets	Rs. 7,000.

Section B ($5 \times 5 = 25$) MarksAnswer any **FIVE** questions

11. Explain the different types of preference shares.
12. P Ltd. Issued 20,000, 10% debentures of Rs. 100 each for public subscription. The issue was under written as follows:
A – 20% B - 30% C - 30%
- The company received total number of 14,000 application of which marked application were as follows:
A – 3,000 B- 4,000 C-4,000
- Determined liability of each of under writer.
13. A company issued 1,000, 8% debentures of Rs. 100 each. If the debenture were issued as follows.
- Issued at Par, redeemable at Par
 - Issued at a discount of 5% repayable at Par
 - Issued at a premium of 10% repayable at Par
- Pass journal entries.
14. Explain the various methods of valuation of shares.
15. S Ltd was incorporated on 1.7.2002 which took over the running business with effect from 1.1.2002. the sales for the period upto 1.7.2002 was Rs. 5,40,000 and sales from 1.7.2002 to 31.12.2002 amounted Rs. 6,00,000.
- The expenses debited to profit and loss account included.
- | | |
|---|--------------|
| a) Directors fees | - Rs.15,000 |
| b) Bad debts | - Rs.3,600 |
| c) Advertisement | - Rs.12,000 |
| d) Salaries and general expenses | - Rs.64,000 |
| e) Preliminary expenses written off | - Rs.5,000 |
| f) Donation to a political party given by the company | Rs. 5,000 |
| g) The gross profit for the period 1.1.02 to 31.12.02 | Rs. 1,90,000 |
- Ascertain the profit prior to incorporation.
16. Calculate the amount of Goodwill on the basis of three years purchase of the last four years average profits. The profits for the last four years of the firm were:
- | | Rs. |
|----------|--------------|
| I year | 10,000 |
| II year | 16,000 |
| III year | 6,000 (loss) |
| IV year | 12,000 |

17. The issued share capital of a company was Rs. 10,00,000 consisting of 10,000 equity shares of Rs. 100 each. The Net profits for the last 5 years were: Rs. 1,00,000: Rs. 80,000. Rs.1,20,000, Rs. 1,60,000 and Rs.1,40,000 of which 20% was placed to reserve, the Industry in which the company is engaged and where a fair investment return may be taken at 12%. Compute the value of the company's share by the yield value method.
18. ABC Co. Ltd. Went to Liquidation with the following Liabilities:
- Secured creditors Rs.20,000 (securities realized Rs.25,000)
 - Preferential creditors Rs.600
 - Unsecured creditors Rs.3,05,000.

The liquidation is entitled to a remuneration of 3% on the amounts realized (including securities in the hands of secured creditors) and 1.5% as the amount distributed to unsecured creditors. The various assets (excluding secured assets) realized Rs. 36,000. Prepare the Liquidator's statement of accounts.

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

PART - A - Case Study - Compulsory Question

19. Following a series of losses, XYZ Co. Ltd., resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate share premium account.

Balance sheet

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	1,00,000
50,000 fully paid shares of Rs. 10 each	5,00,000	Land and Building	1,62,000
Securities Premium	50,000	Plant and Machinery	2,07,000
Creditors	62,000	Debtors	74,000
Bank overdraft	73,000	Profit and Loss A/c	50,000
		Stock	92,000
	6,85,000		6,85,000

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

- To write off the goodwill account.
- To write off the debit balance of the profit and loss a/c
- To reduced the book values of the assets by the following amounts:

Land and Buildings	42,000
Plant and Machinery	67,000
Stock	33,600

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

Show the journal entries and prepare the revised balance sheet.

PART - BAnswer any **ONE** questions

20. From the following particulars, prepare company's Profit and Loss and Balance sheet as on 30th June 2006.

	Debit(Rs.)	Credit(Rs.)
Opening stock	7,500	-
Sales	-	35,000
purchases	24,500	-
Productive wages	5,000	-
Discounts	700	500
Salary	750	-
Rent	495	-
General Expenses including insurance	1,705	-
Profit and Loss A/c 30th June 2005	-	1,503
Dividend paid	900	-
Capital 1,000 shares of Rs. 10 each	-	10,000
Debtors and Creditors	3,750	1,750
Plant and Machinery	2,900	-
Cash in hand	1,620	-
Reserve	-	1,550
Bad debts	483	-
	50,303	50,303

Adjustments:

- Stock on 30th June 2006 Rs.8,200
 - Depreciate Machinery @ 10% p.a.
 - Provide 5% as discount on debtors
 - Allow 2.5% discount on creditors.
21. From the data relating to a company (in liquidation), you are asked to prepare liquidator's final statement of account.
- Cash with liquidator (after all assets are realized and secured creditors and debenture holders are paid) is Rs. 6,73,800.
 - Preferential creditors to be paid Rs.30,000.
 - Other unsecured creditors Rs.2,15,000.
 - 4,000, 6% preference shares of Rs. 100 each, fully paid.
 - 2,000 equity shares of Rs. 100 each, Rs. 75 per share paid up.
 - 6,000 equity shares of Rs. 100 each, Rs.60 per share paid up.
 - Liquidator's remuneration 2% on preferential and other unsecured creditors.
 - Preference dividends were in arrears for 2 years.