

**SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)**

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.

B.Com. END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - III

20UCOCT3005 - Corporate Accounting

Total Duration : 3 Hrs	Total Marks : 75
MCQ : 30 Mins	MCQ : 15
Descriptive : 2 Hrs.30 Mins	Descriptive : 60

Section B

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

1. Discuss the different methods of redemption of debentures.
2. Enumerate the factors affecting the valuation of Goodwill.
3. MTL Ltd. invited applications for 20,000 shares of Rs.100 each payable:

Rs.25 on application

Rs.35 On allotment

Rs.40 on call

25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received. Give journal entries and show the balance sheet of the company.

4. Bharath 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 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.

5. Ganesh Ltd., was registered on 1-7-2020 to acquire the running business of Suneel & Co., with effect from 1-1-2020. The following was the profit & loss account of the company on 31-12-2020.

Particulars	Rs.	Particulars	Rs.
To Office expenses	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' Fees	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 of 1:2 before and after incorporation respectively.

Contd...

6. The following ledger balances were extracted from the books of Varun Ltd. as on 31-12-2020:
Land & Buildings Rs.2,00,000; 12% Debentures Rs.2,00,000; Share capital Rs.10,00,000 (equity shares of Rs.10 each fully paid up); Plant & Machinery Rs.8,00,000; Goodwill Rs.2,00,000; Investments in shares of Raja Ltd. Rs.2,00,000; General reserve Rs.1,95,000; Stock in trade Rs.1,00,000; Bills receivable Rs.50,000; Debtors Rs.1,50,000; Creditors Rs.1,00,000; Bank Loan (unsecured) Rs.1,00,000; Provision for tax Rs.50,000; Proposed dividend Rs.55,000.
Prepare the Balance sheet of the company as per Revised Schedule VI, Part I of the Companies Act 1956.
7. Average capital employed in Kausik Ltd. is Rs.35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,000 p.m. But now he would be paid a salary of Rs.12,000 p.m. Normal rate of return expected in the industry in which Kausik Ltd. is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits
8. 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 debt balances of P&L Ac 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 is paid up into 50,000 equity shares of Rs. 20 each on which Rs. 15 is paid up into 50,000 equity shares of Rs. 10 each fully paid up.
Pass journal entries to record the share capital reduction.

Section C

Answer any **THREE** questions ($3 \times 10 = 30$ Marks)

9. Good prospects Ltd. issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per' share. The shares were payable as follows:
Rs. 2 on application
Rs. 5 on allotment (including premium)
Rs. 5 on first and final call.
All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs. 8 per share.
Give the necessary journal entries, prepare the bank A/c and the balance sheet of the company.
10. On 1.4.1997, Rama Ltd. issued 2,500 8% debentures of Rs.100 each at 5% discount. Holders of the debentures have option 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 31.3.1998, holders of 500 debentures notified their intention to exercise the option.
Show the necessary journal entries in the company's books relating to issue and conversion of the debentures. Also show how the items affected would appear in the company's Balance sheet.

Contd...

SEMESTER - III
20UCOCT3005 - Corporate Accounting

11. Ganguly Ltd. was formed with an authorised capital of 12,00,000 divided into equity shares of Rs.10 each, to acquire the business of 'A' and 'B' whose balance sheet on that date of acquisition was as follows:

Liabilities	Rs.	Assets	Rs.
Capital	6,00,000	Freehold premises	7,00,000
General Reserve	4,00,000	Stock	2,00,000
Sundry creditors	2,00,000	Sundry Debtors	1,60,000
		(-) Prov. for B.D	10,000
		Cash at bank	1,50,000
	12,00,000		12,00,000

The purchase consideration was agreed upon at Rs.14,00,000 to be paid in Rs.12,00,000 fully paid equity shares at Rs.11 and the balance in cash.

Give Journal entries to record the above and prepare the Balance sheet of Ganguly Ltd. assuming the vendor's account is finally settled.

12. Moon and Star Co. Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2003.

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 A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.04)	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		
Advertisements	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 Account for the year ended 31.12.2003 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs.1,91,500.
- Depreciation on plant at 15% and on furniture at 10% should be provided.
- A tax provision of Rs.8,000 is considered necessary.
- The directors declared an interim dividend on 15.8.2003 for 6 months ending June 30, 2003 @ 6%.

Contd...

13. The balance sheet of Saraswati Co.Ltd., disclosed the following position as on 31st December 1998.

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

- (i) The profits for the past five years were:
1994 – Rs.30,000; 1995 – 70,000; 1996 – Rs. 50,000; 1997 – Rs. 55,000 and
1998 – Rs. 95,000.
- (ii) The market value of investments was Rs. 3,30,000.
- (iii) 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.