

**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

18UCOCT3005 - Corporate Accounting - I

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 × 5 = 30 Marks)

1. A company wishes to redeem its preference shares amounting to Rs.1,00,000 at a premium of 5% and for this purpose issued 5,000 equity shares of Rs.10 each at a premium of 5%. The company has also a balance of Rs.1,00,000 on general reserve and Rs.50,000 on profit and loss account. Pass the necessary journal entries to record the above transactions.
2. Explain briefly the provisions of the Indian companies Act 1956 regarding issue of shares at discount.
3. Journalise the following transactions at the time of issue of Debentures and Redemption of debentures.
 - a) Debenture issue at Rs.95, repayable at Rs.100
 - b) Debenture issue at Rs.100, repayable at Rs.100
 - c) Debenture issue at Rs.95, repayable at Rs.105
 - d) Debenture issue at Rs.100, repayable at Rs.105The face value of each Debenture : Rs.100
4. From the following particulars determine the maximum remuneration payable to a full time director of a manufacturing company.
The profit and loss account of the company displayed a net profit of Rs.20,00,000 after taking into account the following items:
 - a) Depreciation (including special depreciation of Rs.20,000) Rs.50,000
 - b) Provision for income tax Rs.1,00, 000
 - c) Donations to political parties Rs.25, 000
 - d) Ex-gratia payment to a worker Rs.5, 000
 - e) Capital profit on sale of assets Rs.7,500
5. Briefly explain the different types of underwriting.
6. A company was incorporated on 1.6.1994 in order to purchase a running business from 1.1.1994. The following particulars are available from its records:
 - a) Total sales for 1994 Rs.80,000.
 - b) Sales from 1.1.94 to 31.05.1994 Rs.20,000.
 - c) Gross profit for the whole year Rs.30,000.
 - d) Total expenses of 1994 (including director's fees Rs.1,000) Rs.25,000.
 - e) Company's share capital Rs.75,000.

Find out profit prior to incorporation and after incorporation by preparing profit and loss account.

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7. The following particulars are available in respect of the business carried on by John.
- a) Capital invested Rs.50,000
 - b) Trading results:
 - 1990 profit Rs.12,200
 - 1991 profit Rs.15,000
 - 1992 loss Rs.2,000
 - 1993 profit 21,000
 - c) Market rate of interest on investment 8%.
 - d) Rate of risk return on capital invested in business 2%.
 - e) Remuneration from alternative employment of the proprietor (if not engaged in business) Rs.3,600 p.a.

Compute the value of goodwill of the business on the basis of 3 years purchase of super profit taking average of the last four years.

8. The share capital of Z Ltd. Consisted of the following:

- a) 10,000 6% preference shares of Rs.100 each and
- b) 50,000 equity shares of Rs.10 each

The shares were fully paid .the company had accumulated losses totalling Rs.3,50,0000 besides preliminary expenses Rs.20,000. it was also ascertained that fixed assets which stood in the books at Rs.14,00,000 were over- valued to the extent of Rs.4,00,000.The following scheme was adopted to write off the losses and reduce the assets.

- 1) 6 % preference shares were to be converted into 7 % preference shares of Rs.60 each.
- 2) Equity shares were to be reduced to Rs.2 each. Journalise.

Section C

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

9. A Ltd. issued 10,000 equity shares of Rs.10 each payable as under:

Rs.2 on application
Rs.5 on allotment
Rs.3 on first and final call.

The public applied for 8,000 shares which were allotted. All the money due on shares was received except the first and final call on 100 shares. These shares were forfeited and reissued at Rs.8 per share. Show the journal entries in the books of the company.

10. The following underwriting took place:

A- 5,000 shares; B-3,000 shares; C-2,000 shares.

In addition there was firm underwriting :

A-1,000 shares ; B-500 shares; C-1,500 shares.

The share issue was 10,000 shares. Total subscription including firm underwriting was 8,500 shares and the forms included the following marked forms:

A-2,000 shares; B-1,000 shares ;C-1,000 shares .

Show the allocation of liability of the underwriters.

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11. The Alfa manufacturing company Ltd was registered with a nominal capital of Rs.6,00,000 in equity shares of Rs.10 each .The following is the list of balances extracted from its books on 31st Dec.1996.

	Rs.
Calls-in-arrears	7,500
Premises	3,00,000
Plant and machinery	3,30,000
Interim dividend paid on 1.8.96	37,500
Stock on 1.1.96	75,000
Fixtures	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 carriages	13,115
Salaries	14,500
Director' fees	5,725
Bad debts	2,110
Debenture interest paid	9,000
Subscribed fully called up capital	4, 00,000
6% debentures	3, 00,000
Profit and loss A/c(credit balance)	14,500
Bills payable	38,000
Sundry creditors	50,000
Sales	4,15,000
General reserve	25,000
Bad debt reserve 1-1-96	3,500

Prepare statement of profit & loss Account and Balance sheet in proper form after making the following adjustments:

- a) Depreciate plant and machinery by 10%
 - b) Write off preliminary expenses.
 - c) Provide half year's debenture interest due.
 - d) Leave bad and doubtful debts reserve at 5% on sundry debtors.
 - e) Closing stock Rs,95,000.
12. Lakshmi Ltd ., was incorporated on 1st march 1990 and received the certificate of commencement of business on 1st April 1990.The company acquired the business of Rajan with effect from 1st November 1989.From the following figures relating to the year ending October 1990,find out the profits available for dividend.
- a) sales for the year were Rs.6,00,000 out of which ,sales upto 1st March 1990 were Rs.2,50,000.
 - b) Gross profit for the year was 1,80,000.
 - c) the expenses debited to profit and loss account are:

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	Rs.
Rent	9,000
Salaries	15,000
Director's fees	4,800
Interest on debentures	5,000
Audit fees	1,500
Discount on sales	3,600
Depreciation	24,000
General expenses	4,800
Advertising	18,000
Printing & stationery	3,600
Commission on sales	6,000

Bad debts (Rs.500 relates to debts prior to incorporation) Rs.1,500

Interest on vendors on purchase consideration upto 1st May Rs. 3,000

13. Explain the main factors affecting the value of Goodwill of a joint stock company.