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 EXAMINATIONS APRIL-2022
SEMESTER - III
18UCOCT3005 - Corporate Accounting – I

Total Duration : 3 Hrs. **Total Marks : 60**

Section A

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

1. The following are the details from the records of B Ltd. on 30.6.2017

Particulars	**Rs.**
Equity Shares Fully paid up	6,00,000
Preference shares fully paid up	3,00,000
General reserve	2,00,000
PL account credit balance	1,25,000
Share premium a/c	50,000

The company decided to redeem the preference shares at a premium of 10% out of its General reserve and p/1 account. Give journal entries relating to redemption of preference shares.

2. Give Journal entries in the books of 'A Co. Ltd., if
   i) It Purchased assets of Rs.5,00,000 and agreed to pay the price by issuing 9% debentures of Rs.100 each at premium of 25%.
   ii) It purchased assets of Rs.3,00,000 and acquired liabilities of Rs.30,000. It issued 8% debentures of Rs.100 each at a discount of 10% to satisfy the net purchase price.
   iii) It purchased assets and liabilities of a firm for Rs.4,00,000. The assets acquired were valued at Rs.6,00,000 and the liabilities taken over were Rs.2,40,000. The purchased price is to be satisfied by issue of 10%
   debentures of Rs.100 each at par.

3. The following are the relevant balances extracted from the books of a company. You are required to calculate the remuneration of the managing director at 5% of the net profit after charging such commission.

   Net Profits Rs.38,786

   Items considered for arriving at the above profit;

	Rs.
Provision for taxation	30,000
MD remuneration	12,000
Preliminary Expenses written off	4,000
Depreciation inadmissible	2880

4. A company was incorporated on 30^{th} June 2014 to acquire the business of Mr.Abdul kalam as from 1^{st} January 2014. The accounts for the year ended 31^{st} December 2014 disclosed the following;
   1. There was a gross profit of Rs.2,40,000
   2. The sales for the year amounted to Rs.12,00,000 of which Rs.5,40,000 were for the first six months
   3. The expenses debited to profit and loss account included;

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a) Director fees Rs.15,000
b) Bad debts Rs.3,600
c) Advertisement (Under a monthly contract of Rs.1,000) 12,000
d) Salaries Rs.64,000
e) Preliminary expenses written off Rs.5,000
f) Donation to political parties given by the company Rs.5,000

Prepare a statement showing profit made before and after incorporation.

5. XYZ 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 debit balances of P& L A/c 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.10 each fully paid up. Pass journal entries to record the share capital reduction.

6. Explain the Forfeiture of shares and Buy – back of shares.

7. What is 'Acquisition of Business'? Explain the methods of computing purchase consideration on acquisition of business.

8. Bring out the various methods of valuation of shares.

Section B

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

9. Nalli & Co. Ltd. was registered with an authorized capital of Rs.20,00,000 divided into 20,000 shares of Rs.100 each. The company offered 12,000 shares to the public which were payable; Rs.20 per share on application, Rs.40 per share on allotment and Rs.40 on call. Applications for 18,000 shares were received on which the directors allotment as follows;

   Applicants for 10,000 shares – full
   Applicants for 5,000 shares – 2,000 shares
   Applicants for 3,000 shares – Nil

   The excess application money was adjusted towards allotment. All the money due on allotment and call was fully received. Make the necessary entries in the company's books.

10. Z Ltd has an authorized capital of Rs.50,00,000 divided into 1,00,000 equity shares of Rs.50 each. The company issued for subscription 50,000 shares at a premium of Rs.10 each. The entire issue was underwritten as follows;

    A – 30,000 shares (Firm underwriting 5,000 shares)
    B – 15,000 shares (Firm underwriting 2,000 shares)
    C – 5,000 shares (Firm underwriting 1,000 shares)

    Out of the total issue 45,000 shares including firm underwriting were subscribed. The following were the marked forms;

    A – 16,000 shares; B – 10,000 shares; C – 4,000 shares.

    Calculate the liability of each underwriter.

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11. The Auto parts manufacturing Co. Ltd., was registered with an authorized capital of Rs.7,50,000 divided into 3,000 6% cumulative preference shares of Rs.100 each and 4,500 equity shares of Rs.100 each. The following are the balances taken as on 31.12.2018.

Particulars	**Rs.**	**Particulars**	**Rs.**
Stock on 1.1.2018	2,41,500	Share capital 3,000 6% cumulative Preference shares of Rs.100 each	3,00,000
Delivery Expenses	1,02,000	3,000 equity shares (Rs.75 called up)	2,25,000
General Expenses	21,000	General Reserve	82,725
Bills Receivable	6,000	P&L A/c (Cr)	58,500
Investments: 6,000 shares of Rs.10 each in Sunrise Co. Ltd. Preference dividend half year 30.6.2018	 60,000 9,000	 Sales	 9,18,600
Bank balance	97,500	5% debentures	2,10,000
Good will	1,00,000	Trade creditors	1,25,520
Trade debtors	1,67,500	Provision for taxation	8,800
Freehold properties at cost	3,90,000		
Salaries	1,03,500		
Rent & Rates	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		
Freight & Carriage inwards	3,750		
Debenture interest (Half Year)	5,250		
Final dividend for 2017	20,250		
Cash in hand	12,145		
	19,29,145		**19,29,145**

Prepare Statement of Profit & Loss A/c for the year ended 31.12.2018.

i) Closing stock Rs.2,15,000
ii) Depreciation: 2 1/2 % on freehold property and 6% furniture.
iii) Bills receivable for Rs.2,500 maturing after 31.12.2018 has been discounted with bank.
iv) Directors proposed to pay second half year's dividend on pref. shares.
v) 10% dividend on equity shares is proposed.
vi) Provide 5% towards reserve for doubtful debts on trade debtors.
vii) Provide for corporate dividend tax.

12. Ganesh Ltd., was registered on 1-7-2017 to acquire the running business of Suneel & Co., with effect from 1-1-2017. The following was the profit and loss account of the company on 31-12-2017.

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 Director's Fees	20,000		
To Net Profit	76,000		
	2,25,000		**2,25,000**

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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.

13. The following is the summarized Balance sheet of Adams Ltd. as on 30^{th} Sep. 2018.

Liabilities		**Rs.**	**Assets**	**Rs.**
Share Capital: 30,000 equity shares of Rs.10 each		3,00,000	Freehold Property	1,20,000
Reserves & Surplus: General Reserve Capital Reserve Profit & Loss A/c	 1,20,000 40,000 1,20,000	2,80,000	Plant	50,000
Current Liabilities & Provisions: Creditors Income tax payable Proposed dividend Bills payable	 93,700 11,500 34,500 82,000	2,21,700	Stock	3,10,000
			Debtors	2,03,000
			Bank	1,17,000
			Cash	1,700
		8,01,700		**8,01,700**

Net Profit (before taxation) for the past three years ended;
30.9.2016 – Rs. 1,38,000
30.9.2017 – Rs. 1,83,000
30.9.2018 – Rs. 1,97,000
Freehold property was valued early in 2018 at Rs.1,60,000.
Average yield in this type of business is 15% on capital employed. It is the practice of the company to transfer 25% of the profits to reserve. You are required to find out the value of each equity share on the basis of above mentioned facts.

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