

**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
20UCOCT3005 - Corporate Accounting**

Total Duration : 3 Hrs.

Total Marks : 60

Section A

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

1. The Hindustan Manufacturing Co.Ltd. had a total subscribed capital of Rs.1,00,000 in equity shares of Rs.10 each of which Rs.7.50 were called up. A final call of Rs.2.50 was made on all amounts were paid except the two calls of Rs.2.50 each in respect of 100 shares held by Mr.Roy. These shares were forfeited and reissued at Rs.8 per share as fully paid up.
Make the journal entries (including that of cash) necessary to record final call, forfeiture of shares and reissue of forfeited shares.

2. A company has 10,000 9% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on 31st December 2004 at a premium of 10%. The company makes the following issues:
- (i) 6,000 equity shares of Rs.100 each at a premium of 10%
 - (ii) 4,000 8% debentures of Rs.100 each.

The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits. You are required to give the necessary entries.

3. Journalise the following transactions at the time of issue of Debentures and Redemption of Debentures:
- (i) Debenture Issued at Rs.100, repayable at Rs.100
 - (ii) Debenture Issued at Rs.95, repayable at Rs.105
 - (iii) Debenture Issued at Rs.100, repayable at Rs.105
 - (iv) Debenture Issued at Rs.95, repayable at Rs.100

The face value of each debenture: Rs.100.

4. A company was incorporated on 1.6.94 in order to purchase a running business from 1.1.94. The following particulars are available from its records:

	Rs.
(a) Total sales for 1994	80,000
(b) Sales from 1.1.94 to 31.5.94	20,000
(c) Gross profit for the whole year	30,000
(d) Total expenses of 1994 (including directors fees Rs.1,000)	25,000
(e) Company's share capital	75,000

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

5. From the following balances, prepare the Balance Sheet of a company in the prescribed format.

Land and Buildings Rs.2,00,000; 12% Debentures Rs.2,00,000; Share Capital Rs.10,00,000; Plant and Machinery Rs.8,00,000; Goodwill Rs.2,00,000; Investments Rs.2,00,000; Reserves Rs. 1,95,000; Bills Receivable Rs.50,000; Debtors Rs.1,50,000; Creditors Rs.1,00,000; Stock Rs.1,00,000; Bank Loan Rs.1,00,000; Provision for tax Rs.50,000; Proposed dividend Rs.55,000.

6. Mr.S holds 12,000 equity shares in Bharath Ltd. the nominal and paid up capital of which consists of :

- (a) 40,000 equity shares of Re.1 each
- (b) 10,000 preference shares of Re. 1 each, rate of dividend 8%
- (c) Preference shares do not further participate in profits.
- (d) Usual transfer to Reserve 10% of the profits.

It is ascertained that:

- (i) Normal annual profit is Rs.12,000;
- (ii) Normal rate of return 15%

Mr.S request you to value his holdings based upon the above figures.

7. Briefly explain the different types of underwriting.
8. Explain about the maximum rate of managerial remuneration in case of public limited company.

Section B

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

9. Explain Forfeiture and Reissue of shares.
10. Fast forward limited made an issue of 60,000 shares which were underwriters as follows:

'X' – 30,000 shares; 'Y' – 18,000 shares; 'Z' – 12,000 shares.

In addition, there was 'Firm' Underwriting as follows:

'X' – 3,000 shares; 'Y' – 1,500 shares; 'Z' – 4,500 shares

The total subscription including 'Firm' underwriting was for 45,600 shares.

The following marked forms were included in the subscriptions.

'X' – 9,000 shares; 'Y' – 13,500 shares; 'Z' -5,100 shares.

Show the allocation of liabilities of each underwriter.

- (i) If the benefit of firm underwriting applications is given to individual underwriters by treating them like 'Marked forms'.
- (ii) If the benefit of firm underwriting applications is not given to individual underwriters, by treating them like 'Unmarked forms'.

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11. S&R Co., Limited was incorporated on July 1,1992 to purchase the business of Nisha Brothers as on 1-4-92.Certificate of commencement of business was received on 1-8-92.The accounts for the year ended 31-3-93 disclosed net profits of Rs.80,000 after charging the following:
- (i) Directors' salary – Rs.10,000.
 - (ii) Salaries –Rs.20,000 (4 employees) in pre incorporation period and six employees in post incorporation period).
 - (iii) Wages – Rs.10,200 (5 workers at Rs.80 per month in pre incorporation period and 10 workers at Rs.100 per month in post incorporation period).

The sales were Rs.3,00,000 of which Rs.75,000 were in pre incorporation period. Calculate profit earned in the pre and post incorporation periods.

12. XYZ Company Limited has agreed to purchase the business carried on by Thilak. For this purpose, goodwill is to be valued at 4 years' purchase of the weighted average profits of the past five years.

The profits of the previous years were:

1994 – Rs.20,000; 1995 – Rs.22,000; 1996 – Rs.24,000; 1997 – Rs.28,000; 1998-Rs.30,000.

The appropriate weights to be used are:

1994 – 1; 1995 – 2; 1996 – 3; 1997 – 4; 1998 – 5.

The accounts of the business revealed that:

- (i) In the year 1994, a major repair was made in respect of Plant & Machinery and the amount involved was Rs.5,000. It was agreed that the amount which was charged to revenue, was to be capitalized for the purpose of valuing goodwill subject to 10% depreciation on the diminishing balance method.
- (ii) The closing stock for the same year was over valued by Rs.2,000.
- (iii) Rs.2,800 managerial remuneration should be provided for.

Calculate the value of goodwill of the business.

13. The Auto parts manufacturing company limited 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 31-3-1998.

Trail Balance

Debit	Rs.	Credit	Rs.
Opening stock	2,41,500	Sales	9,18,600
Delivery expenses	1,02,000	Profit & Loss A/c	58,500
General expenses	21,000	Creditors	1,25,520
Bills Receivable	6,000	Reserves	85,725
Investments (60,000 shares 10each)	60,000	5% debentures	2,10,000
Preference dividend half year 30.6.1998	9,000	Equity Share capital (3000 shares 75 called up)	2,25,000
Bank Balance	97,500	Preference Share capital (3000 shares Rs.100 each)	3,00,000
Goodwill	1,00,000	Provision for taxation	8,800
Trade Debtors	1,67,500		
Freehold premises	3,90,000		
Salaries	1,03,500		
Rent & Rates	38,250		
Furniture	75,000		
Purchases	4,76,500		
Freight & Carriage inwards	3,750		
Debenture Interest (half year)	5,250		
Final dividend for 1997	20,250		
Cash in hand	12,145		
	19,29,145		19,29,145

Prepare Statement of Profit & Loss for the year ended 31.12.1998 and a balance sheet as on that date. The following further information is given:

- Closing stock is valued at Rs.2,15,000.
- Depreciation: 2.5% on freehold property and 6% on furniture.
- Bills receivable for Rs.2,500 maturing after 31.12.1998 has been discounted with bank.
- The directors proposed to pay second half years' dividend on preference shares.
- 10% dividend on equity shares is proposed.
- Provide 5% towards reserve for doubtful debts on trade debtors.
- Provide for corporate dividend tax.
