

**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.

BCOM.(CS) END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - III

18UBCCT3005 - 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 ($6 \times 5 = 30$ Marks)

1. Explain the term Share at Par , Under Subscription of shares, Pro-rate allotment.
2. The Following extract from the balance sheet of G Ltd., as on 31st Dec 2018, is given below.

Share Capital :	Rs.
2,00,000 Equity shares of Rs.10 each	: 20,00,000
3,00,000 6% redeemable Preference Shares of Rs.10 each	: 30,00,000
Capital Reserve	: 15,00,000
General Reseve	: 9,00,000
Profit & Loss A/c	: 25,50,000

The Company exercises its option to redeem the Preference Shares on 1st Jan.2019. The Company has sufficient cash. Give the journal entries to record the redemption.

3. Excel Ltd. Made the flowing issues of debentures on 1.4.2007.
 - 1) 200 10% debentures of Rs.100 each to settle a creditor who supplied a machine on credit some time ago at a price of Rs.18,000.
 - 2) 300 10% debentures of Rs.100 each for cash at a discount of 5%
 - 3) 1,000 10% debentures or Rs.100 each to the bankers as collateral security for a loan or Rs.80,000.

All the above issues are redeemable at par.

Pass journal entries to record the above in the books of the company and show how these items are to be shown when the company's Balance Sheet is prepared.

4. On 31.12.2016, the Trial Balance of XYZ Co., Ltd., Shows provision for tax of Rs.1,00,000 representing the provision of the previous year. The trail balance also shows income tax paid Rs.90,000.

It is estimated that a provision of Rs.1,40,000 is required for the current year's Income Tax deducted at source while receiving interest on investments amounted to Rs.20,000. The gross amount of the interest was shown in the P & L A/c.

Write the provision for income tax account incorporating the above details.

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5. You are required to calculate the Time ratio for the Pre and Post incorporations periods from the following particulars:
- a) Date of incorporation : 1st June 2018.
 - b) Period of Financial Accounts : April 2018 to March 2019.
 - c) Total Wages Rs.4,800.
 - d) Number of workers: Pre Incorporation Period: 5.
Post Incorporation Period: 25.

Also divide the total wages between Pre and Post Incorporation Periods.

6. Explain the Treatment of Profit or Loss prior or incorporation.
7. 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 at under:
- i) To write off the debit balances of P & L A/c of Rs.2,10,000.
 - ii) To reduce the value of Plant & Machinery by Rs.90,000 and goodwill by Rs.40,000.
 - iii) 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.

8. A Firm earned net profits during the last three years as follows:

	Rs.
I Year	36,000
II Year	40,000
III Year	44,000

The capital investment of the firm is Rs.1,00,000.

A fair return on the capital, having regard to the risk involved, is 10%.

Calculate the value of goodwill on the basis of 3 years purchase of Super Profit.

Section C

Answer any **THREE** questions (3 × 10 = 30 Marks)

9. On 1.4.2010, Ram 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 31.3.2011, 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.

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10. SS Co. Ltd is a company with an authorised capital of Rs.5.00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2008 of which 2,500 shares were fully called up. The Following are the balance extracted from the ledger as on 31.12.2008.

Trail balance of SS 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 31.03.2009)	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 Profit & Loss account for the year ended 31.12.2008 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 15.8.2008 for 6 months ending June 30,2008 @ 6%.

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11. A company was incorporated on 1st May 2003 acquiring the business of a sole trader with effect from 1st January 2003. The accounts of the company were closed for the first time on 30th September 2003, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs.42,660, directors fees Rs.3,000 per month, preliminary expenses written off Rs.4,000, rent upto June, 2003 was Rs.300 per month which was thereafter increased to Rs.750 per month. Salary to the manager was at Rs.1,500 per month who was appointed a director at the time of incorporation of the company.

Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs.24,60,000, the monthly average of which for the first four months of 2003 was half of that of the remaining period.

12. Define Goodwill and Briefly explain the different methods of Valuation of Goodwill with examples.

13. A Company was incorporated on 30th June 2008 to acquire the business of Madan as from 1st January 2008. The accounts for the year ended 31st Dec 2008, disclosed the following:

- a) There was a gross profit of Rs.2,40,000.
- b) The Sales for the Year amounted to Rs.12,00,000 of which Rs.5,40,000 were for the first six months.
- c) The Expenses debited to profit and loss account included

	Rs.
Directors fees	15,000
Bad debts	3,600
Advertising (Under a monthly contract of Rs.1,000)	12,000
Salaries	64,000
Preliminary expenses written off	5,000
Donation to political parties given by company	5,000

Prepare a statement showing profit made before and after incorporation.