

**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.(PA) END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - III

19UPACT3005 - 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. Hindustan 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 1,20,000 shares were received in all, out of which applications for 30,000 shares had 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.

2. The share capital of Sharadha 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 totaling Rs. 3,50,000 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 7.5% preference shares of Rs. 60 each.
- 2) Equity shares were to be reduced to Rs. 2 each.

Prepare the necessary journal entries for the completion of the scheme

3. Explain the different methods of Redemption of Debentures

4. The following particulars are available in respect of the business carried on by Bhavesh Ltd.

- a) Profits earned: 2016-Rs. 50,000; 2017-Rs. 48,000; 2018-Rs. 52,000.
- b) Profit of 2017 is reduced by Rs. 5,000 due to stock destroyed by fire and profit of 2016 included a non-recurring income of Rs. 3,000.
- c) Profit of 2018 include Rs. 2,000 income from investment.
- d) The stock is not insured and it is thought prudent to insure the stock in future. The insurance premium is estimated at Rs. 500 p.a.
- e) Fair remuneration to the proprietor (not taken in the calculation of profits) is Rs. 10,000 p.a.

You are required to calculate the value of goodwill on the basis of 2 year's purchase of average profit of the last three years.

5. Journalize the following transactions at the time of issue of debentures and redemption of 7% debentures.

- a) Debentures issued at Rs.100, repayable at Rs.105
- b) Debentures issued at Rs.95, repayable at Rs.105
- c) Debentures issued at Rs.110, repayable at Rs.105

The face value of each debentures Rs.100

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6. From the following Balance sheet, you are required to predict the values Equity shares:

Liabilities	Rs.	Assets	Rs.
2,000 6% pre. Sh. Of Rs.100 each	2,00,000	Asset at book value	6,00,000
30,000 Equity shares of Rs.10 each	3,00,000		
Current Liabilities	1,00,000		
Total	6,00,000	Total	6,00,000

The Market Value of 50% of the assets is considered as 10% more than the book values and that remaining 50% at 5% less than the book values. There was a liability of Rs.5, 000 which remained unrecorded. Assume preference shares have no priority as to the payment of capital or dividend.

7. The following was the Balance sheet of Advitha Ltd as at 31.3.2018.

Liabilities	Rs.	Assets	Rs.
10000 6% Redeemable pref. Sh. Of Rs.10 each	1,00,000	Fixed Asset 1,10,000	
		Less: Depreciation 50,000	60,000
10,000 Equity shares of Rs.10 each	1,00,000	Stocks	1,40,000
Current Liabilities	85,000	Debtors	1,40,000
P/L a/c	45,000	Cash at Bank	1,00,000
General Reserve	80,000		
Tax Reserve	30,000		
Total	2,40,000	Total	2,40,000

Predict the Necessary journal entries after the redemption is completed.

8. Explain the various methods of valuation of goodwill.

Section C

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

9. Mr.Vedhagiri Ltd. issued for public subscription 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as under : Rs. 2 per share on application Rs. 5 per share (including premium) on allotment; Rs. 2 per share on first call Rs. 3 per share on second and final call Applications for 30,000 were received. Allotment was made prorata to the applicants for 24,000 shares, the remaining applications being rejected. Money over paid on applications was utilised towards sums due to allotment. Shri Arunagiri to whom 800 shares were allotted failed to pay the allotment money, first and second call. These shares were subsequently forfeited after the second call was made. All those forfeited shares were reissued to Shri Chidambaram as fully paid up at Rs. 8 per share. Determine the journal entries.
10. The Balance Sheet of National Industries Ltd. at 31st March 2015 as follows.

Liabilities	Rs.	Assets	Rs.
2,000 preference shares of Rs. 100 each	2,00,000	Goodwill	15,000
4,000 preference shares of Rs. 100 each	4,00,000	Freehold properties	2,00,000
5% Mortgage Debentures	1,00,000	Plant and machinery	3,00,000
Creditors	1,00,000	Debtors	40,000
Bank Overdraft	50,000	Stock	50,000
		Profit Loss A/c	2,45,000
Total	8,50,000	Total	8,50,000

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SEMESTER - III
19UPACT3005 - Corporate Accounting

The company got the following scheme of capital reduction approved by the court:

- (a) The preference shares to be reduced to Rs. 75 per share, fully paid up and the equity shares to Rs. 37.50.
- (b) The debenture holders took over the stock in trade and the book debts in full satisfaction of the amount due to them.
- (c) The goodwill account to be eliminated.
- (d) The freehold properties to be depreciated by 50%.
- (e) The value of the plant and machinery to be increased by Rs. 50,000.

Predict journal entries for the above and Prepare reconstructed balance sheet.

11. The following Trial Balance of Nallis Ltd. as at 30th December 2018 is given to you.

Debits	Rs.	Credits	Rs.
Stock(1.1.98)	80,000	8,000 equity shares of Rs. 100 each, Rs.75 paid	6,00,000
Bank	17,600	6% debentures	2,00,000
Patents	60,000	Sundry creditors	1,00,000
Calls-in-arrears	20,000	General reserve	80,000
Returns inwards	30,000	Sales	10,00,000
Purchases	7,72,000	Returns outward	20,000
Wages	1,08,000	P & L account(Cr)	12,000
Insurance prepaid	400		
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant and Machinery	4,00,000		
Land and Buildings	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

Additional information:

1. The value of stock on 31.12.2018 was Rs. 74,000
 2. Outstanding wages totalled Rs. 10,000
 3. A provision 5% is to be created on sundry debtors for doubtful debts.
 4. Depreciate patents @10%and Plant and Machinery @ 7 ½ % and on Land and Buildings @ 4%
- You are required to prepare Statement of Profit and Loss account for the year ended 31.12. 2018 and Determine the Balance Sheet as on that date.

12. On 31st Dec 1998, the Balance Sheet of a limited company disclosed the following position.

Liabilities	Rs.	Assets	Rs.
Issued Capital in Rs.10 shares	8,00,000	Fixed Assets	10,00,000
Profit and Loss account	40,000	Current Assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current Liabilities	2,60,000		
	14,80,000		14,80,000

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On Dec 31, 1998, the fixed assets were independently valued at Rs. 7.00,000 and the goodwill at Rs. 1,00,000. The net profits for the three years were : 1996 - Rs.1,03,200; 1997-Rs. 1,04,000 1998-Rs. 1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%.

Compute the value of the company's share by

a) The net assets method and b) The yield method

13. Vinayaka Ltd. was registered on 1-7-99 to acquire the running business of Sunethra&co. with effect from 1-1-99. The following was the profit and loss account of the company on 31-12-99.

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 and 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 period took place in the ratio of 1:2 before and after incorporation respectively.