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.(CS) END SEMESTER EXAMINATIONS NOVEMBER-2022
SEMESTER - III

21UBCCT3005 - Corporate Accounting

Total Duration : 2 Hrs 30 Mins. Total Marks : 60

Section A

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

1. Vikashini & Co., was formed to acquire the business the business of Surega whose balance sheet was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital	4,000	Land	24,000
Capital	80,000	Furniture	5,000
		Stock	39,000
		Debtors	9,000
		Bank	7,000
	84,000		**84,000**

The Purchase consideration was agreed at Rs.1,00,000 which was to be paid as
(i) 2,800 equity shares of Rs.20 each
(ii) Rs.34,000 in preference shares of Rs.100 and
(iii) the balance in cash

The company raised further capital by issue of 7,500 equity shares of Rs.20 each payable of Rs.10 on application and Rs.10 on allotment. After receipt of all the money for shares issued, the company purchased buildings worth Rs.80,000. Give Journal entries in the books of the company.

2. Describe the methods of ascertaining Profit or Loss prior to incorporation.

3. From the following information calculate the value per equity share:

5,000 8% preference shares of Rs.100 each	Rs.5,00,000
75,000 equity shares of Rs.10 each, Rs.8 per share paid up	Rs.6,00,000
Expected profits per year before tax	2,80,000
Rate of tax	50%
Transfer to general reserve every year	20% of the profit
Normal rate of earnings	10%

4. Good Luck Ltd invited applications for 20,000 shares of the value of Rs.20 each. The amount payable is Rs.5 on application, Rs.8 on allotment and the balance when required. The whole of the above issue was applied for and cash was duly received. Give the journal entries for the above transactions.

5. Ram Ltd. has 60,000 equity shares of 100 each, 80 per share called up. Now the company decides to pay off 20 per share of the paid up capital and at the same time to reduce the 100 share to 60 share fully paid up by cancelling the unpaid amount. Give journal entries.

6. PQR Ltd issued 25,000 shares of Rs.100 each. The whole issue was underwritten by David. In addition there is a firm underwriting of 3,000 shares by David. Applications for 17,000 shares were received by the company in all. Calculate the liability of David.

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7. Briefly explain different types of underwriting.
8. Pradeep Ltd. Has taken over the business of Mr. Sandeep and agreed to pay the purchase price as given below:
(a) 2,800 shares of Rs.50 each fully paid at Rs.60 per share
(b) Rs.25,000 in 8% preference shares of Rs.100 each issued at premium of 25% and
(c) Rs.20,000 in cash.
You are required to compute the amount of purchase consideration payable to Mr.Sandeep.

Section B

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

9. The following Trial Balance of Vishnu Ltd., as on 30^{th}Dec. 2016 is given to you.

Debits	**Rs.**	**Credits**	**Rs.**
Stock (1.1.2016)	80,000	8,000 equity share 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 outwards	20,000
Wages	1,08,000	P & L A/c (Cr)	12,000
Insurance prepaid	400		
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & Machinery	4,00,000		
Land & Building	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment Expenses	60,000		
	20,12,000		20,12,000

Additional Information:
(i) The value of stock on 31^{st} Dec. 2016 was Rs.74,000
(ii) Outstanding wages totalled Rs.10,000
(iii) A provision 5% is to be created on Sundry Debtors for doubtful debts.
(iv) Depreciate patents @ 10% and Plant & Machinery @ 7.5% and on Land & Buildings @ 4%
You are requested to ascertain Profit or Loss for the year ended 31.12.2016 and also prepare Balance Sheet.

10. From the following information, Calculate the goodwill of Sunny Ltd.

Liabilities	**Rs.**	**Assets**	**Rs.**
2,000 equity shares of Rs.100 each, fully paid	2,00,000	Land and building	80,000
		Plant and machinery	80,000
2,000 6% preference shares of Rs.10 each	20,000	Book debts	10,000
		Stock-in-trade	40,000
General reserve	50,000	Cash and bank balance	70,000
5% debentures of Rs.100 each	20,000	Investment in 5% Govt. securities	20,000
Sundry creditors	20,000	Preliminary expenses	10,000
	3,10,000		3,10,000

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(i) Fair return on capital employed in this type of business is 10% p.a.
(ii) Goodwill is to be taken at 4 years purchase value of super profits.
(iii) Average of the profits (after deduction of preliminary expenses) for the last seven years is Rs.38.000. Preliminary expenses to the extent of Rs.2,000 have been written off every year for the last seven years. Profit is more or less stable over years and the same trend is expected to be maintained in the near future. Ignore taxation.

11. Moon and Star 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 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985.

Trial Balance of Moon & Star 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 and Loss A/c	6,220
Discount Allowed	4,200	Creditors	35,200
Insurance(upto 31.3.86)	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 Statement of Profit and Loss for the year 31.12.1985 and balance sheet as on date. The following further information is given:
(i) Closing stock was valued at Rs.1,91,500
(ii) Depreciation on plant at 15% and on furniture at 10% should be provided.
(iii) A tax provision of Rs.8,000 is considered necessary.
(iv) The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985@ 6%.
(v) Provide for corporate dividend tax @17%.

12. Following a series of losses, XYZ Co. Ltd., resolved to reduce its capital to 50,000 fully paid Rs.5 shares and eliminate share premium account. The company's balance sheet prior to implementation of the scheme was:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital		Goodwill	1,00,000
50,000 fully paid shares of Rs.10 each	5,00,000	Land and Buildings	1,62,000
Securities Premium	50,000	Plant and Machinery	2,07,000
Creditors	62,000	Stock	92,000
Bank Overdraft	73,000	Debtors	74,000
		Profit & Loss A/c	50,000
	6,85,000		6,85,000

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It was resolved to apply the sum available under the scheme:
(i) To write off the goodwill account.
(ii) To write off the debit balance of Profit & Loss account.
(iii) To reduce the book values of the assets by the following amounts:
Land and Buildings – Rs.42,000; Plant and Machinery – Rs.67,000; Stock- Rs.33,600
(iv) To provide a bad debts reserve of 10% of the book value of debtors.
Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

13. A Ltd. Invited application for 10,000 shares of Rs.100 each at a discount of 5% payable as follows:
Rs.25 on application; Rs.34 on allotment; Rs.36 on first and final call. Applications were received for 9,000 shares and all of these were accepted. All money due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs.90 as fully paid. Show the necessary journal entries in the books of the company.

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