

**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.(Honours) - END SEMESTER EXAMINATIONS NOVEMBER - 2022

SEMESTER - III

20UBHCT3013 - Corporate Accounting

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

Section A

Answer any **SIX** questions (6 × 5 = 30 Marks)

1. The directors of Z Ltd., Forfeit 10 shares of Rs.50 each belonging to Karan who had paid Rs.5 per share on Application, Rs.10 on allotment and Rs.15 on first call but failed to pay the final call of Rs.20. The same shares are then reissued to Ram as fully paid on receipt of Rs.400. Show journal entries with narration to record the forfeiture and reissue of shares.
2. G India Ltd., had 9,000 10% redeemable Preference Shares of 10 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares of 9 each fully paid up. You are required to pass necessary Journal Entries and show cash transactions in the books of the company.
3. From the following is the trial balance of Vishal Ltd., prepare the Balance Sheet of the company as on 31st March 2015 as per Schedule III of the Companies Act.

Debit	Rs.	Credit	Rs.
Advances to employees	3,00,000	Equity Share Capital	52,00,000
Cash at Bank	3,14,320	Capital Reserve	60,000
Furniture & Fixture	7,50,000	Loan from SBI	8,00,000
Premises	41,09,940	Provision for Employees Welfare fund	600000
Patents	10,00,000	Proposed Dividend	1,64,000
Discount on issue of shares (unwritten off)	25,000	Short term loan from bank	4,90,200
Trade Receivables	3,66,240	Unpaid dividend	64,800
Advance Tax	50,000	Profit & Loss A/c	42,980
8% Govt Bonds	3,36,000	Bills Payable	85,200
Stock in trade	3,55,600	Sundry Creditors	1,00,020
	76,07,100		76,07,100

4. On 31-12-2013, A Ltd., has 10,000 Equity shares of 10 each as authorised and the shares were all issued on which Rs.8 was paid up. In June, 2014 the company in general meeting decided to subdivide each share into two shares of Rs.5 each, Rs.4 paid up. In June, 2015 the company in general meeting resolved to consolidate 20 shares of Rs.5 each, Rs.4 per share paid up into one share of Rs.100 each, Rs.80 paid up. Pass journal entries and show how share capital will appear in the balance sheet as on 31-12-2013, 31-12-2014 and 31-12-2015.

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5. What is capital reduction? What are the provisions of the companies get in regard to the reduction of share capital?
6. Two companies A Ltd., and B. Ltd., are found to be exactly similar as to their assets, reserves and liabilities except that their share capital structures are different: The share capital of A. Ltd., is Rs.11,00,000, divided into 1,000, 6% Preference Shares of Rs.100 each and 1,00,000 Equity Shares of Rs.10 each. The share capital of B. Ltd., is also Rs.11,00,000, divided into 1,000, 6% Preference Shares of Rs.100 each and 1,00,000 Equity Shares of Rs.10 each. The fair yield in respect of the Equity Shares of this type of companies is ascertained at 8%. The profits of the two companies for 2019 are found to be Rs.1,10,000 and Rs.1,50,000, respectively. Compute the value of the Equity Shares of each of these two companies on 31.12.2019 on the basis of this information only. Ignore taxation.
7. M/s Mehta and sons earn an average profit of Rs.60,000 with a capital of Rs.4,00,000. The normal rate of return is 10%. Using capitalization of super profits method compute the value the goodwill of the firm.
8. Ascertain the regulatory mechanism as per the Insolvency and Bankruptcy Code, 2016.

Section B

Part A

Answer any **TWO** questions ($2 \times 10 = 20$ Marks)

9. The Full Health Care Ltd., has offered to public for subscription 20,000 shares of Rs.100 each payable as Rs.30 per share on application, Rs.30 per share on allotment and the balance on call. Applications were received for 30,000 shares. Applications for 5,000 shares were rejected all together and application money was returned. Remaining applicants were allotted the offered shares. Their excess application money was adjusted towards some due on allotment. Calls were made and duly received. Show journal entries in the books of the company.
10. The following particulars are available in relation to A Ltd.,:
 - a) Equity share capital 5,000 equity shares of Rs 20 each.
 - b) Preference share capital 1,000, 8% preference shares of Rs.100 each.
 - c) Reserves Rs.30,000.
 - d) Current liabilities Rs.18,000.
 - e) Loss on revaluation of fixed assets Rs.12,000.
 - f) Average trading profits Rs.30,000 (after tax).
 - g) Normal rate of return on capital employed 10%.
 - h) Goodwill should be valued at 3 years' purchase of super profit.

Compute intrinsic value per equity share.

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SEMESTER - III
20UBHCT3013 - Corporate Accounting

11. The Balance Sheet of A & Co. Ltd., as on 31-12-2021 is as follows:

Assets	Rs	Rs
Fixed Assets:		
Freehold property	4,25,000	
Plant	50,000	
Patent	37,500	
Goodwill	1,30,000	6,42,500
Traded Investments (at cost)		55,000
Current Assets:		
Trade receivables	4,85,000	
Inventory	4,25,000	9,10,000
Profit and Loss Account		5,35,000
Total		21,42,500
Liabilities		
Share Capital:		
4,000 6% Cumulative Preference Shares of '100 each	4,00,000	
75,000 Equity Shares of '10 each	7,50,000	11,50,000
6% Debentures (Secured on Freehold Property)	3,75,000	
Accrued Interest	22,500	3,97,500
Current Liabilities:		
Bank Overdraft	1,95,000	
Trade payables	3,00,000	
Directors' Loans	1,00,000	5,95,000
Total		21,42,500

The Court approved a Scheme of re-organisation to take effect on 1-1-2021, whereby:

- (i) The Preference shares to be written down to Rs.75 each and Equity Shares to Rs.2 each.
- (ii) Of the Preference Share dividends which are in arrears for four years, three fourths to be waived and Equity Shares of Rs.2 each to be allotted for the remaining quarter.
- (iii) Accrued interest on debentures to be paid in cash.
- (iv) Debenture-holders agreed to take over freehold property, book value Rs.1,00,000 at a valuation of Rs.1,20,000 in part repayment of their holdings and to provide additional cash of Rs.1,30,000 secured by a floating charge on company's assets at an interest rate of 8% p.a.
- (v) Patents and Goodwill to be written off.
- (vi) Inventory to be written off by Rs.65,000.
- (vii) Amount of Rs.68,500 to be provided for bad debts.
- (viii) Remaining freehold property to be re-valued at Rs.3,87,500.
- (ix) Trade Investments be sold for Rs.1,40,000.
- (x) Directors to accept settlement of their loans as to 90% thereof by allotment of equity shares of Rs 2 each and as to 5% in cash, and balance 5% being waived.
- (xi) There were capital commitments totalling Rs.2,50,000. These contracts are to be cancelled on payment of 5% of the contract price as a penalty.
- (xii) Ignore taxation and cost of the scheme.

You are requested to show Journal entries reflecting the above transactions (including cash transactions) and prepare the Balance Sheet of the company after completion of the Scheme.

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12. Ascertain the circumstance under which the provision of Insolvency and Bankruptcy Code 2016 shall apply.

Part B

Compulsory question (1 × 10 = 10 Marks)

13. Rama Udyog Limited was incorporated on August 1, 2019. It had acquired a running business of Rama & Co. with effect from April 1, 2019. During the year 2019-20, the total sales were Rs.36,00,000. The sales per month in the first half year were half of what they were in the later half year. The net profit of the company, Rs.2,00,000 was worked out after charging the following expenses:
- (i) Depreciation Rs.1,23,000,
 - (ii) Directors' fees Rs.50,000,
 - (iii) Preliminary expenses Rs.12,000,
 - (iv) Office expenses Rs.78,000,
 - (v) Selling expenses Rs.72,000 and
 - (vi) Interest to vendors upto August 31, 2019 Rs.5,000.
- Ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2020.
