

**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.(BIM) END SEMESTER EXAMINATIONS NOVEMBER-2022  
SEMESTER - III  
21UBBCT3005 - Corporate Accounting**

**Total Duration : 2 Hrs 30 Mins.**

**Total Marks : 60**

**Section A**

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

1. Explain in brief the various types of shares.
2. B Ltd., Issued 50,000 shares of Rs.100 each payable as follows:  
Rs.20 On application; Rs.30 on Allotment; Rs.25 on First Call Rs.25 on Final Call  
The company received applications for 40,000 shares and all these applications were accepted.  
All sums due on allotment, first call and final calls were received except the final call on 400 shares.  
These shares were subsequently forfeited by the company and re-issued at Rs.80 per shares.  
Give journal entries in the books of the company.
3. T Ltd., Issued 50,000 equity shares of Rs.10 each at par. The entire issue was underwritten as follows:  
A – 30,000 shares (firm underwriting 4,000)  
B – 15,000 shares (firm underwriting 5,000)  
C – 5,000 shares (firm underwriting 1,000)  
The total applications including firm underwriting were for 40,000 shares. The marked applications were as follows:  
A – 10,000 shares;  
B – 7,000 shares and  
C – 3,000 shares  
The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten.  
Determine the liability of each underwriter and amount of commission payable to them assuming the rate to be 2% in issue price.
4. From the following particulars, ascertain profit prior to and after incorporation.
  - (a) Time ratio – 3:5
  - (b) Sales ratio – 4:6
  - (c) Gross profit – Rs. 10,00,000
  - (d) Expenses debited to profit & loss A/c were:

	<b>Rs.</b>
Salaries	96,000
General expenses	12,000
Discount on Sales	40,000
Advertisement	50,000
Preliminary expenses	70,000
Rent and Rates	15,000
Printing and Stationary	65,000
  - (e) Incomes credited to profit and loss account were:

Rent received	18,000
Interest received	50,000

**Contd...**

5. On 01.01.1974 A limited company was formed to take over an established business. It was registered with a nominal capital of Rs.2,00,000 divided as 1,000 8% preference shares of Rs.100 each and 1,000 equity shares of Rs.100 each. The vendor agreed for the purchase price of Rs.1,16,000. Towards this, 400 fully paid preference shares and 600 fully paid equity shares were allotted on 15.01.1974 and the balance was paid in cash on 15.02.1974.

The assets and liabilities taken over were as follows:

Buildings – Rs.50,000; Motor Lorry – Rs.12,400; Cash at Bank – Rs.2,200;

Sundry Debtors – Rs.29,400; Stock-in-Trade – Rs.36,000; Sundry Creditors – Rs.31,000;

Outstanding Expenses – Rs.1,000

On 15.01.1974, the remaining shares were issued to the public and all amounts were duly received as follows:

Rs.20 per share on application; Rs.40 on allotment; Rs.20 on first call due on 15.02.1974 and Rs.20 on final call due on 15.03.74

On 01.04.74, the company also issued Rs.1,00,000 8% mortgage debentures at a premium of 5% Give necessary journal entries to record the above transactions in the books of the company.

6. Calculate the managerial remuneration from the following particulars of A and Co.Ltd., Due to managing director of the company at the rate of 5% of the profits. Also determine the excess remuneration paid, if any:

	Rs.
Net Profit	2,00,000
Net Profit is calculated after considering the following:	
(i) Depreciation	40,000
(ii) Tax provision	3,20,000
(iii) Directors' fees	8,000
(iv) Bonus	15,000
(v) Profit on sale of fixed assets (original cost Rs.20,000 written down value Rs.11,000)	15,500
(vi) Provision for doubtful debts	9,000
(vii) Scientific research expenditure (for setting up new machinery)	20,000
(viii) Managing director's remuneration paid	30,000

Other Information:

(i) Depreciation allowable according to the Companies Act, 2013 35,000

(ii) Bonus liability as per Payment of Bonus Act, 1965 18,000

7. Following particulars are available in respect of the business carried on by a trader:

(i) Profits earned for three years:

2015 – 16 Rs.2,00,000; 2016 – 17 Rs.2,40,000; 2017 – 18 Rs.2,20,000

(ii) Normal rate of return 10%

(iii) Capital employed Rs.12,00,000

(iv) Present value of an annuity of one rupee for 5 years at 10% = 3.78

(v) The profits included non – recurring profit on an average basis of Rs.3,000

You are required to calculate the value of goodwill as per capitalisation method by using Average Capital Employed.

8. The balance sheet of G Ltd., was as follows on 30<sup>th</sup> June 1978,

Liabilities	Rs.	Assets	Rs.
4,000 shares of Rs. 100 each fully paid	4,00,000	Goodwill	60,000
6% Debentures	2,00,000	Land Buildings	1,00,000
Sundry Creditors	2,50,000	Plant and Machinery	4,00,000
		Stock	90,000
		Sundry Debtors	60,000
		Preliminary expenses	10,000
		Profit Loss A/c	1,30,000
	8,50,000		8,50,000

Contd...

**SEMESTER - III**  
**21UBBCT3005 - Corporate Accounting**

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down Plant and Machinery to its proper figure of Rs.3,00,000, the shares were reduced to Rs.20 each. Court's approval was obtained. Draft the necessary journal entries and show the balance sheet after the scheme is put through.

**Section B**

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

9. A Ltd., Issued a prospectus offering 2,00,000 shares of Rs.10 each on the following terms:  
On Application Rs.1 per share; On Allotment Rs.3 per share (including premium of Rs.2); On First Call (three months after allotment) Rs.4 per share; On Second Call (three months after first call) Rs.4 per share.

Subscriptions were received for 3,17,000 shares on 23<sup>rd</sup> April and the allotment was made on 30<sup>th</sup> April As under:

	<b>Shares Allotted</b>
(i) Allotment in full (two applicants paid in full on allotment in respect of 4,000 shares each)	38,000
(ii) Allotment of two – thirds of shares applied for	1,60,000
(iii) Allotment of one – fourth of shares for	2,000

Cash amounting to Rs.31,000 (being application money received with applications for 31,000 shares upon which no allotments were made) was returned to the applicants on 5<sup>th</sup> May. The amounts due were received on the due dates with the exception of the final call on 100 shares. These shares were forfeited on 15<sup>th</sup> November and reissued to Varun on the 16<sup>th</sup> November for payment of Rs.9 per share. The company paid 12% interest due (as per Articles of Association) on Calls-in-Advance on 31<sup>st</sup> October in cash. Show Journal and Cash Book Entries and draw a Balance Sheet (without giving Notes to Accounts) of the Company giving effect to the above transactions.

10. On 1<sup>st</sup> April 2017, Moonlight Ltd., had in issue 5% Debentures amounting to Rs.3,00,000. Interest is payable half – yearly on 30<sup>th</sup> June and 31<sup>st</sup> December.  
During the year ended 31<sup>st</sup> March, 2018 the following purchases were made in open market:  
June 15<sup>th</sup> Rs.50,000 nominal ex-in; Cost Rs.49,450  
November 1<sup>st</sup> Rs.40,000 nominal cum-in; Cost Rs.40,250  
The debentures thus purchased were not cancelled until 30<sup>th</sup> June 2018.  
Draw up the Own Debentures Investment Account.  
Calculations to be made in months and to the nearest rupee.

11. The following is the Trial Balance of XYZ Ltd., As on 30.06.90

Particulars	Debit (Rs.)	Credit (Rs.)
Stock on 30.06.90	7,500	—
Purchases and Sales	24,500	35,000
Wages	5,000	—
Discounts	700	500
Salaries	750	—
Rent	495	—
Insurance	1,705	—
Profit Loss A/c (1989)	—	1,503
Dividend Paid	900	—
Capital	—	10,000
Debtors and Creditors	3,750	1,750
Machinery	2,900	—
Cash at Bank	1,620	—
Reserve	—	1,550
Bad Debts	483	—
	50,303	50,303

**Contd...**

Adjustments:

- (1) Stock on 30.06.90 Rs.8,200
- (2) Depreciate machinery at 10%
- (3) Provide 5% discount on debtors
- (4) Provide  $2\frac{1}{2}$  % discount on creditors
- (5) Six months insurance was unexpired at Rs.75 per Anjum
- (6) One month's rent @ Rs.540 per annum was due on 30<sup>th</sup> June
- (7) Provide Managing Director's commission, 15% on the net profits before deducting his commission.

12. Following is the Balance Sheet of M/s Desi Co. Pvt. Ltd., As on 31<sup>st</sup> December, 2017

Particulars	Rs.
<b>I. EQUITY AND LIABILITIES</b>	
<b>1. Shareholders' Funds</b>	
(a) Share Capital	
10,000 shares of Rs.10 each	1,00,000
(b) Reserves and Surplus	
General Reserve	50,000
Surplus Account	30,000
<b>2. Current Liabilities</b>	
Sundry Creditors	40,000
Workmen's Saving A/c	20,000
Taxation Provision	20,000
<b>Total Equity and Liabilities</b>	<b>2,60,000</b>
<b>II. ASSETS</b>	
<b>1. Non – Current Assets</b>	
Fixed Assets:	
Land & Building at Cost less Depreciation	77,000
Plant & Machinery at Cost less Depreciation	70,000
Intangible asset: Trade Marks	20,000
<b>2. Current Assets</b>	
Stock	20,000
Debtors	48,000
Cash at Bank	25,000
<b>Total Assets</b>	<b>2,60,000</b>

The plant and machinery is worth Rs.60,000 and Land and Buildings are worth Rs.1,30,000 as valued by an independent valuer. Rs.5,000 of the debtors is to be taken as bad. The profits of the company were:

2015: Rs.50,000; 2016: Rs.60,000; and 2017: Rs.70,000 It is the practice of the company to transfer 20% of the profits to reserve

Ignoring taxation find out the value of the company on their intrinsic basis as also on yield basis. Shares of similar companies quoted in the stock exchange yield 12% on their market value. Goodwill of the company may be taken at Rs.1,00,000.

13. Explain in detail the methods of valuation of goodwill and shares.

\*\*\*\*\*