

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

SEMESTER - III

21UCCCT3004 - Corporate Accounting

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

Section A

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

1. MIL Ltd., invited applications for 20,000 shares of Rs.100 each payable:
Rs. 25 on application
Rs. 35 on allotment
Rs. 40 on call
25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received. Give journal entries.
2. Briefly explain different types of under writing.
3. Sterling Ltd., have part of their share capital in 2,500 6% Redeemable preference share of Rs.100 each. The company decided to redeem the preference share at premium of 10%. The general reserve of the company shows a credit balance of Rs.3,00,000. The directors decided to utilise 60% of the reserve in redeeming the preference shares and the balance is to be met from proceeds of fresh issues of sufficient number of shares of 10 each. The premium is to be met from the year's Profit & loss appropriation A/c.
Give journal entries to record the above transactions.
4. The following balances have been extracted from the books of Rama Ltd., as on 31st March 2013:

Share capital	Rs.10,00,000
12% Debentures	Rs.5,00,000
Proposed dividend	Rs.50,000
Machinery	Rs.9,00,000
Work in progress	Rs.4,00,000
Surplus i.e., balance in Statement of profit and loss (Dr.)	Rs.50,000
Securities premium	Rs.1,00,000
Trade payables (creditors)	Rs.2,00,000
Government bonds	Rs.4,00,000
Cash and cash equivalents	Rs.1,00,000

Prepare the Balance sheet of the company as per Revised Schedule VI, Part I of the Companies Act 1956.

5. What are the factors affecting the value of shares?
6. Average capital employed in Kausik Ltd., is Rs.35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,000 p.m. But now he would be paid a salary of Rs.12,000 p.m. Normal rate of return expected in the industry in which Kausik Ltd., is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.
7. Distinguish between Life Insurance and General Insurance.

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8. The Life fund of a Life Insurance Company on 31.3.2006 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the Revenue A/c for 2005-06:

	Rs.
(a) Interest and dividends accrued on investments	20,000
(b) Income tax deducted at source on the above	6,000
(c) Reinsurance claims recoverable	7,000
(d) Commission due on reinsurance premium paid	10,000
(e) Bonus in reduction of premiums	3,000

Section B

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

9. Good prospects Ltd., issued 40,000 shares of Rs.10 each at a premium of Rs.2 per share. The shares were payable as follows;
 Rs.2 on application
 Rs.5 on Allotment (including Premium).
 Rs.5 on first and final call.
- All the shares were applied for and allotted. All Moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs.8 per share. Give Journal Entries.
10. Green company Ltd., was formed to take over the running business with effect from 1st April 2013. The company was incorporated on 1st August 2013 and the certificate of commencement of business was received on 1st October 2013. Following Profit and Loss account has been prepared for the year ended 31st March 2014

Profit and loss account For the year ended 31st March 2014

To salaries	24,000	By gross profit b/f	1,60,000
To printing and stationary	2,400		
To travelling expenses	8,400		
To advertisement	8,000		
To miscellaneous trade expenses	18,900		
To rent (office building)	13,200		
To electricity charges	2,100		
To director fees	5,600		
To bad debts	1,600		
To commission to selling agents	8,000		
To audit fees	3,000		
To debenture interest	1,500		
To interest paid to vendors	2,100		
To selling expenses	12,600		
To depreciation on fixed assets	4,800		
To net profit c/f	43,800		
	1,60,000		1,60,000

The following additional information is provided to you;

i. Total sales for the year which amounted to Rs.9,60,000 arose evenly up to the date of certificate of commencement, where after they spurted to record an increase of two - third during the rest of the year.

ii. Rent of the office building was paid @ Rs.1,000 per month up to September 2013 and thereafter it was increased by Rs.200 per month.

iii. Travelling expenses include Rs.2,400 towards sales promotion

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iv. Depreciation includes Rs.300 for assets acquired in the post incorporation period.

v. Purchase consideration was discharged by the company on 30th September 2013 by issuing equity shares of Rs.10 each.

Prepare statement of profit and loss in columnar form showing distinctly the allocation of profit between pre-incorporation and post-incorporation periods, indicating the basis of allocation regarding each item.

11. 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 and 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.
12. The following Trail balance of Nallies Ltd As 30th Dec 1998

Debit	Rs	Credit	Rs
Stock(1.1.1998)	80,000	80,000 equity shares of	
Bank	17,600	Rs.100 each Rs.75paid	6,00,000
Patents	60,000	6% debentures	2,00,000
Calls in arrears	20,000	sundry creditor	1,00,000
Return inwards	30,000	general reserve	80,000
Purchase	7,72,000	sales	10,00,000
Wages	1,08,000	Return outward	20,000
Insurance prepaid	400	P&L A/C cr	12,000
Bills Receivable	30,000		
Sundry Debtor	80,000		
Discount on issues			
Debenture	10,000		
Plant & machinery	4,00,000		
Land & building	3,00,000		
Insurance	4,000		
General insurance	40,000		
Establishment expense	60,000		
	20,12,000		20,12,000

Additional information:

- (i) The value of stock on 31st Dec. 1998 was Rs.74,000
- (ii) Outstanding wages totaled 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% and on Land & Buildings @ 4%.

You are required to prepare Statement of Profit & Loss for the year ended 31.12.1998 and Balance Sheet as on that date.

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13. You are required to prepare the final account of Life Insurance.

PARTICULARS	Rs.	PARTICULAR	Rs.
CLAIMS BY DEATH	16890	O/s interest on advance (31.3.06)	1,944
Agent salary	6,420	Bonus paid claims	2,700
Surrender value	2,810	Endowment assurance matured	24,415
Actuarial expense	1,520	Annuities paid	1,350
Premiums	94,836	Interest revenue	19,060
Commission to agent	8,900	Rent, Rate, taxes	5,475
Salaries	13,500	General charges	1,860
Medical fees	1,200	Fees received	172
Travelling expense	1,800	Bonus paid in cash	2,825
Director fees	900	Advertisement	726
Agents balance	750	Consideration for annuities	12,853
Claims expense	1,432	Printing and stationary	650
Premium o/s (1.4.2005)	2,134	Claims o/s (1.4.05)	2,376
Premium o/s (31.3.2006)	3,143	Claims o/s (31.3.06)	3,735
Investment	1,46,700	Loans on policies	38,300
Share capital	72,00,000	Loan on mortgage	2,90,560
Sundry creditor	9,200	Freehold premises	1,22,600
Life assurance fund (1.04.05)	3,53,672	Furniture & fitting	64,100
Reserve fund	1,46,000	Cash on hand & deposits	76,300
