

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. END SEMESTER EXAMINATIONS NOVEMBER -2023

SEMESTER - III

20UCOCT3005 - Corporate Accounting

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

Section B

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

1. Explain Forfeiture and Re – Issue of Shares.
2. From the following balances, prepare the Balance sheet of a company in the prescribed format.
Goodwill Rs.1,50,000; Investments Rs.2,00,000; Share Capital Rs.5,00,000; Reserves Rs.1,10,000; Securities Premium Rs.15,000; Profit & Loss Account (Cr) Rs.25,000; Debentures Rs.2,50,000; Other Fixed Assets Rs.4,80,000; Stock Rs.80,000; Debtors: Rs.60,000; Bank balance Rs.30,000; Unsecured Loan Rs.65,000. Sundry Creditors Rs.35,000.
3. From the following particulars, Compute the value of Goodwill under Annuity method, taking into consideration super profits.

Present value of Re.1 for 5 years at 10% is 3.78

Capital Employed : Rs.3,00,000

Normal Rate of return : 10%

Normal profit for 5 Years :

Year Profits

1	30,000
2	32,000
3	34,000
4	36,000
5	38,000

Non recurring income : Rs.1,600

Non recurring expenses : Rs.1,000

4. Ram Limited resolved to reduce the capital to 50,000 fully paid Rs.5 share and to eliminate share premium account. The following was the balance sheet of the company prior to the implementation of the scheme.

Liabilities	Rs.	Assets	Rs.
50,000 shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Share premium	50,000	Land and Building	1,62,000
Creditors	62,000	Plant	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		P and L A/c	50,000
	6,85,000		6,85,000

It was resolved to apply the amount available under the scheme

- a) To write off the Goodwill Account
- b) To write off the debit balance of Profit and Loss A/c.
- c) To reduce the book value of assets – Land and Buildings: Rs.42,000

Plant by Rs.67,000; Stock by Rs.33,600 and Debtors by 10%

Prepare Capital reduction Account.

Contd...

5. Goodwill Limited issued 1,000 6% Debentures of Rs.100 each. Show Journal entries in each of the following cases:
- The debentures are issued at par and redeemable at par.
 - The debentures are issued at a discount of 6% but redeemable at par.
 - The debentures are issued at a premium of 5% but redeemable at par.
 - The debentures are issued at par and redeemable at a premium of 6%.
 - The debentures are issued at a discount of 4% but redeemable at a premium of 5%.
6. A company was incorporated on 1st July 2016 to acquire a running business from 1st April 2016. When accounts were finalised on 31st March 2017, the following facts were noted:
- Sales for the year were Rs.4,80,000
 - The trends of sales were as under during the specified months:
 April, July, September, December – Average Sales
 May, August, October and February – 50% of the Average Sales
 You are required to compute the sales ratio for the purpose of ascertaining profits prior to incorporation.
7. Compute the yield value of the Equity Share.
- | | |
|-----------------------------|--|
| Average Profit after Tax | : Rs.17,000 |
| Preference Share Dividend | : Rs.5,400 |
| Transfer to General Reserve | : Rs.1,700 |
| Share Capital | : 9,000 Equity Shares of Rs.10 Each, Rs.90,000 |
| Normal Rate of Dividend | : 9% |
8. Determine the amount of total Capital reduction from the following:
- 7% preference shares of Rs.100 each reduced to equal number of 8% Preference shares of Rs.80 each.
 - Equity shares of Rs.100 each reduced by Rs.20 per share.
 - Debenture holders took over Stock Rs.40,000 and Debtors Rs.50,000 in full settlement of their claim of Rs.1,00,000.
- There are 2,000 preference Shares and 5,000 Equity Shares in XYZ Limited.

Section C

Answer any **THREE** questions (3 × 10 = 30 Marks)

9. The following underwriting took place:
 A – 5,000 Shares; B – 3,000 Shares; C – 2,000 Shares
 In addition there was firm underwriting:
 A – 1,000 Shares; B – 500 Shares; C – 1,500 Shares
 The share issue was for 10,000 shares. Total subscription including firm underwriting was 8,500 Shares and the forms included the following marked forms:
 A – 2,000 Shares; B – 1,000 Shares; C – 1,000 Shares
 Prepare a Statement showing the final liability of Underwriters assuming that:
- “Firm underwriting” treated as Marked
 - “Firm underwriting” treated as Unmarked
10. A company has Rs.60,000, 6% debentures outstanding on 01.01.2020. On that date, the debenture redemption fund stood at Rs.50,000, represented by Rs.59,000, 3% loan of the Government of India. The annual installment added to the debenture redemption fund is Rs.8,230. On 31.12.2020, the balance at bank (after interest on debentures has been received) was Rs.15,640. On that date the investments were sold at 83% and the debentures were paid off. Prepare Debentures Account, Debenture redemption Fund Account, Debenture Redemption Fund Investments Account and Bank Account for the year 2020.

11. X Company purchased a business on 01.04.2013. The company obtained certificate of incorporation on 31.07.2013. Ascertain profit prior to incorporation and divisible profits from the following particulars for the year ending 31.03.2014,

- a) Total sales upto 31.03.2014: Rs.10,00,000. Sales from 01.04.2013 to 31.07.2013 Rs.2,50,000
- b) Gross Profit for the year Rs.2,12,000
- c) Expenses debited to Profit and Loss account were as under:

Particulars	Rs.	Particulars	Rs.
Rent	6,000	Interest on Debentures	4,000
Insurance	1,500	Printing and Stationery	4,200
Salaries	27,000	Depreciation on Machinery	30,000
Selling expenses	9,000	Commission on sales	12,600
Advertisement	8,000	Audit fees	1,200
Bad Debts (Rs.850 related to Pre – Incorporation)	2,400	General expenses	4,800
Director's fees	2,600	Preliminary expenses	7,200
Interest paid to vendors (Upto 01 st September 2013)	5,000		

12. XYZ Limited is proposing to purchase the business of Mr.Ranga. It is agreed that goodwill should be valued at 3 years purchase of the weighted average profits of the past 4 years, the weights being 4, 3, 2 and 1 for the previous years starting from 2019 respectively.

The profits were 2019 – Rs.60,000, 2018 – Rs.40,000, 2017 – Rs.49,600 and 2016 – Rs.40,400.

Scrutiny of the accounts reveal that:

- a. During March 2018, a non-recurring expenditure of Rs. 12,000 was incurred.
- b. Closing stock of 2017 was overvalued by Rs.4,800
- c. The management expenses will increase by Rs.5,000 per year in future.

Compute the value of Goodwill of Mr.Rangan's business.

13. Compare Internal Reconstruction and External Reconstruction.
