

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 -2023

SEMESTER - III

21UBBCT3005 - Corporate Accounting

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

Section B

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

1. Kannan Ltd., Purchased the business of Mani Bros. for Rs.54,00,000 payable in fully paid shares of Rs.100 each. What entries will be made in the books of Kannan Ltd., if such issue is (a) at par (b) at a premium of 20% and (c) at a discount of 10%?
2. Enumerate the factors that affect the valuation of Goodwill.
3. Murugan Ltd., was registered on 1-7-2017 to acquire the running business of Suneel & Co., with effect from 1-1-2017. The following was the Profit and Loss account of the company on 31-12-2017.

Particulars	Rs.	Particulars	Rs.
To Office expenses	54,000	By Gross Profit B/d	2,25,000
To Formation expenses (written off)	10,000		
To Stationery & Postage	5,000		
To Selling Expenses	60,000		
To Director's Fees	20,000		
To Net Profit	76,000		
	2,25,000		2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

4. Give the format of Balance Sheet (Final accounts of companies) as per revised schedule VI.
5. ABC Ltd., has 60,000 equity shares of Rs.100 each, Rs.80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 share to Rs.60 share fully paid up by cancelling amount. Give Journal entries.
6. James Co. Ltd., issued 2,000 8% debentures of Rs.100 each at a discount of 6%. The debentures are repayable by annual drawings at the end of each year, from the first year onwards at the rate of Rs.40,000 per year. You are required to ascertain the discount amount to be written off each year under (a) Fluctuating instalment method (b) Fixed Instalment method.
7. Anbu Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:
X – 50%: Y – 25% and Z – 25%
Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares and the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp.
Determine the liability of the underwriters.
8. A firm earned net profits during the last three years as follows:
I year – Rs.36,000 II year – Rs.40,000 III year – Rs.44,000
The capital Investment of the firm is Rs.1,00,000.
A fair return on the capital, having regard to the risk involved, is 10%
Calculate the value of goodwill on the basis of 3 years purchase of super profit.

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Section C

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

9. Explain in detail the different types of shares.
10. Krishna Ltd., which had Rs.50,00,000 10% debentures outstanding, made the following purchases in the open market for immediate cancellation:
- 1.4.2007 1,000 debentures of Rs.100 each at Rs.99
- 1.9.2007 2,000 debentures of Rs.100 each at Rs.97
- You are required to give Journal entries for purchase and cancellation of the debentures.
- (a) If the above purchase rates are 'Ex-interest'
- (b) If the above purchase rates are 'Cum interest'. Assume that interest is payable every year on 30th June and 31st December.
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 31.12.2015 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

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 & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (up to 31.3.16)	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 & Loss for the year ended 31.12.2015 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs.1,91,500.
- Depreciation on plant at 15% and on furniture at 10% should be provided.
- A tax provision of Rs.8,000 is considered necessary.
- The directors declared an interim dividend on 15.8.2015 for 6 months ending June 30, 2015 @ 6%.
- Provide for Corporate dividend tax @ 17%.

12. The balance sheet of Lakshmi Co. Ltd., disclosed the following position as on 31st December 2018.

Liabilities	Rs.	Assets	Rs.
Share Capital: 6000 equity shares of Rs.100 each	6,00,000	Goodwill	1,65,000
Profit & Loss A/c	75,000	Investments	5,25,000
General Reserve	2,25,000	Stock	6,60,000
6% Debentures	4,50,000	Sundry debtors	3,90,000
Sundry Creditors	1,50,000	Cash at bank	60,000
Workmen's savings bank A/c	3,00,000		
	18,00,000		18,00,000

- (i) The profits for the past five years were:
2014 – Rs.30,000; 2015 – Rs.70,000; 2016 – Rs.50,000; 2017 – Rs.55,000 and 2018 – Rs.95,000.
- (ii) The market value of investments was Rs.3,30,000.
- (iii) Goodwill is to be valued at three years purchase of the average annual profits for the last five years.

Find the intrinsic value of each share.

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

Liabilities	Rs.	Assets	Rs.
Share Capital: 5000 fully paid shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Securities premium	50,000	Land & Building	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss A/c	50,000
	6,85,000		6,85,000

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 the Profit & Loss account.
- (iii) To reduce the book values of the assets by the following amounts:
Land & Buildings - Rs.42,000
Plant & 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.
