

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 - NOV'2024

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. Good luck Ltd., Invited applications for 20,000 shares of the values of Rs.20 each. The amount payable is Rs.5 on application, Rs.8 on allotment and balance on calls when required. The amount was duly received. Show necessary journal entries.
2. X Co. Ltd., has to redeem redeemable preference shares of the value of Rs.2,00,000 at a premium of 10% for which the company has issued 10,000 equity shares of Rs.10 each at a premium of 20. You are required to calculate the amount to be transferred to capital redemption reserve account.
3. Compute necessary journal entries in the following cases, when debenture issue price is Rs.1,00,000. Rate of interest 8%.
 - (i) Issued at par and redeemable at par.
 - (ii) Issued at a discount of 10% and redeemable at par.
 - (iii) Issued at premium of 5% and redeemable at par.
4. Describe the methods of computing purchase consideration on acquisition of business.
5. A company was incorporated on 1.6.94 in order to purchase a running business from 1.1.94. The following particulars are available from its records:

(a) Total sales for 1994	80,000
(b) Sales from 1.1.94 to 31.5.94	20,000
(c) Gross profit for the whole year	30,000
(d) Total expenses of 1994 (including directors' fees Rs.1,000)	25,000
(e) Company's share capital	75,000

Find out profit prior to incorporation and after incorporation by preparing profit and loss account.

6. From the following particulars, determine the maximum remuneration available to a full-time director of a manufacturing company. The profit and loss account of the company showed a net profit of Rs.40,00,000 after taking into account the following items:

(a) Depreciation (including special depreciation of Rs.40,000)	1,00,000
(b) Provision for income tax	2,00,000
(c) Donation to political parties	50,000
(d) Ex-gratia payment to a worker	10,000
(e) Capital profit on sale of assets	15,000

7. 'X' Co. Ltd., has the following shares as a part of its share capital
10,000 8% preference shares of Rs.100 each fully paid.
50,000 equity shares of Rs.5 each fully paid.
20,000 equity shares of Rs.10 each, Rs.8 called up and paid up.

Contd...

The company has decided to alter the share capital as follows:

- (i) To sub-divide the preference shares into shares of Rs.10 each.
- (ii) To consolidate the equity shares of Rs.5 each into shares of Rs.10 each.
- (iii) To convert the partly paid up equity shares into fully paid up shares of Rs.8 each, with necessary legal sanctions.

Predict and Journalize the alterations.

8. A firm earned net profits during the last three years as follows:

Year	Rs.
I	36,000
II	40,000
III	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%. Compute the value of goodwill on the basis of 3 years' purchase of super profit.

Section C

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

9. Super star Limited issued a prospectus inviting the applications for 50,000 shares of Rs.10 each, payable Rs.5 on application (including Rs.2 as premium), Rs.4 on allotment and the balance towards first and final call.

Applications were received for 65,000 shares. Application money received on 5,000 shares were refunded with letters of regret and allotments were made pro-rata to the applicants of 60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment.

Mr.Satish to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the directors on his subsequent failure to pay the call money. All the forfeited shares were subsequently sold to Mr.Jagan credited as fully paid for Rs.9 per share. You are required to prepare the journal entries.

10. Reefers Ltd., made a public issue of 80,000 equity shares of Rs.10 each. The entire issue was underwritten by five underwriters as follows:

A-25%; B-15%; C-10%; D-30% and E-20%

Applications bearing the rubber stamp of an underwriter are to be applied in relief of his liability.

As a result of the issue, the following applications were received:

Bearing the rubber stamp of A for	11,000 shares
Bearing the rubber stamp of B for	8,200 shares
Bearing the rubber stamp of C for	7,400 shares
Bearing the rubber stamp of D for	6,600 shares
Bearing the rubber stamp of E for	6,800 shares
Not bearing any stamp	24,000 shares
	64,000

You are required to compute the liability of individual underwriters.

11. Construct the Balance Sheet as per Revised schedule VI.

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12. Ganesh Ltd., was registered on 1.7.97 to acquire the running business of Suneel & Co., with effect from 1.1.97. The following was the profit and loss account of the company on 31.12.97.

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 directors' 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.

13. The following is the balance sheet of Pozhilan limited as on 31.12.2018.

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs.10 each	2,00,000	Land & building	1,10,000
General reserve	40,000		
Taxation reserve	60,000		
Working saving account	30,000		
Profit & Loss A/c	32,000		
Sundry creditors	98,000		
		Preliminary expenses	12,000
	4,60,000		4,60,000

The Plant & Machinery is worth Rs.1,20,000 and Land & Buildings have been valued at Rs.2,40,000 by an independent valuer. Rs.8,000 of the debts are bad. The profit of the company have been as follows:

2016 –Rs.80,000; 2017 – Rs.90,000 and 2018-Rs.1,06,000. It is the company's practice to transfer 25% of the profit to reserve. Ignoring taxation, assess the value of the shares. Similar companies give a yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs.1,60,000.
