

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. ISM - END SEMESTER EXAMINATIONS - NOV'2024

SEMESTER - V

**20UBICT5010 - Corporate Accounting**

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

**Section B**

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

1. A Company issues 10,000 equity shares of Rs.10 each at par. The issue was underwritten by K & Co. For maximum commission permitted by law. The public applied for and received 8,000 shares. Give journal entries in the Company's books and also prepare balance sheet.
2. The following extract from the balance sheet of Ramesh Co. Ltd., as on 31<sup>st</sup> Dec. 1997, is given to you. Share capital:

	Rs.
2,00,000 Equity shares of Rs.10 each	20,00,000
3,00,000, 6% Redeemable Preference Shares of Rs.10 each	30,00,000
Capital Reserve	15,00,000
General Reserve	9,00,000
Profit & Loss A/c	25,50,000

The company exercises its option to redeem the Preference Shares on 1<sup>st</sup> Jan.1998. The company has sufficient cash. Give journal entries to record the redemption.

3. The share capital of Zea Ltd., consisted of the following;
  - a) 10,000 6% preference shares of Rs.100 each and
  - b) 50,000 equity shares of Rs.10 each

The shares were fully paid. The company had accumulated losses totalling Rs.3,50,000 besides Preliminary expenses Rs.20,000. It was also ascertained that fixed assets which stood in the books at Rs.14,00,000 were over – valued to the extent of Rs.4,00,000.

The following scheme was adopted to write off the losses and reduce the assets.

- (i) 6% preference shares were to be converted into 7% pref. Shares of Rs.60 each.
- (ii) Equity shares were to be reduced to Rs.2 each.

Journalise.

4. The following particulars are available in respect of the business carried on by Ravi.
  - a) Capital invested –Rs.50, 000.
  - b) Trading results:
    - 1995 Profit Rs.12,200
    - 1996 Profit Rs.15,000
    - 1997 Loss Rs.2,000
    - 1998 Profit Rs.21,000
  - c) Market rate of interest on investment 8%
  - d) Rate of risk return on capital invested in business 2%
  - e) Remuneration from alternative employment of the proprietor (if not engaged in business) –Rs.3,600.

Compute the value of goodwill of the business on the basis of 3 years purchase of super profit taking average of the last four years.

**Contd...**

5. What are fundamental accounting assumptions according to AS1: disclosure of Accounting Policies?
6. Give the format of balance sheet as per Revised schedule VI.
7. Timex Ltd., issued 1,000 8% debentures of Rs.100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows:
  - a) Issued at par, redeemable at par.
  - b) Issued at a discount of 5%, repayable at par.
  - c) Issued at a premium of 10%, repayable at par.
  - d) Issued at par, redeemable at a premium of 10%.
  - e) Issued at a discount of 5%, repayable at a premium of 10%.

You are also required to show how the items concerned appear in the Balance sheet in each of the above cases.

8. A company was incorporated on 30<sup>th</sup> June 1984 to acquire the business of Mohan as from 1<sup>st</sup> January 1984. The accounts for the year ended 31<sup>st</sup> Dec .1984.disclosed the following:
  - (a) There was a gross profit of Rs.2,40,000
  - (b) The sales for the year amounted to Rs.12,00,000 of which Rs.5,40,000 were for the first six months.
  - (c) The expenses debited to profit and loss account included:

	<b>Rs.</b>
Director's fees	15,000
Bad debts	3,600
Advertising (Under a monthly contract of Rs.1,000)	12,000
Salaries	64,000
Preliminary expenses written off	5,000
Donation to political parties given by the company	5,000

Prepare a statement showing profit made before and after incorporation.

### Section C

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

9. A Ltd. invited applications for 10,000 shares of Rs.100 each at a discount of 5% payable as follows:
  - On application Rs.25
  - On allotment Rs.34
  - On first & final call Rs.36

Applications were received for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs.90 as fully paid. Show necessary journal entries in the books of the company.

10. The balance sheet of ABC & Co., Ltd. on 31.12.1990 stood as follows:

<b>LIABILITIES</b>	<b>Rs.</b>	<b>ASSETS</b>	<b>Rs.</b>
Equity shares of Rs.100 each	5,00,000	Fixed Assets	8,00,000
9% Redeemable preference shares of Rs.100 each	3,00,000	Investments	1,00,000
Securities Premium	50,000	Bank balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P&L A/c	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
<b>TOTAL</b>	<b>16,00,000</b>	<b>TOTAL</b>	<b>16,00,000</b>

**Contd...**

Both the redeemable preference shares and debentures were due for redemption on 1.1.91. The company arranged for the following:

- (i) It issued 2,000 equity shares of Rs.100 at a premium of 10%
- (ii) It sold the investment for Rs.90,000
- (iii) It arranged a bank overdraft to the extent necessary.

The redemptions were carried out. Give entries for redemption of preference shares and debentures and balance sheet after redemption.

11. The following scheme of reconstruction has been approved for B Ltd.,
- (a) The shareholders to receive in lieu of their present holding of 50,000 shares of Rs.10 each, the Following:
    - (i) Fully paid equity shares equal to 2/5 of their holding
    - (ii) 10% preference shares, fully paid, to the extent of 1/5 of the above new equity shares; and
    - (iii) Rs.60,000, 14% second debentures.
  - (b) An issue of Rs.50,000 12% first debentures were made and allotted, payment for the same being received in cash forthwith.
  - (c) Goodwill which stood at Rs.1,50,000 was completely written off.
  - (d) Plant and Machinery which stood at Rs.1,00,000 was written down to Rs.75,000.
  - (e) Freehold and lease hold premises which stood at Rs.1,75,000 were written down to Rs.1,50,000.

Give journal entries in the books of the company necessitated by the above reconstruction.

12. The following is the Trail Balance of A Ltd., as on 30.06.90.

Particulars	Debit (Rs.)	Credit (Rs.)
Stock on 30.06.89	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
Dividends 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	
TOTAL	50,303	50,303

Adjustments:

- (1) Stock on 30.06.90 Rs.8,200
- (2) Depreciate machinery at 10%
- (3) Provide 5% discount on debtors
- (4) Provide 2 ½% discount on creditors

**Contd...**

- (5) Six months insurance was unexpired at Rs.75 per annum
- (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.

You are required to prepare Trading, Profit & Loss Account for the year ended 30.06.90 and the Balance Sheet on that date.

13. From the following Balance sheet, you are required to value the equity shares:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
2,000 6% Pref. Shares of Rs.100 each	2,00,000	Assets at book values	6,00,000
30,000 Equity shares of Rs.10 each	3,00,000		
Current liabilities	1,00,000		
	6,00,000		6,00,000

The market value of 50% of the assets is considered as 10% more than the book values and that remaining 50% at 5% less than the book values. There was a liability of Rs.5,000 which remained unrecorded. Assume preference shares have no priority as to the repayment of capital or dividend.

\*\*\*\*\*