

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**B.Com. DEGREE EXAMINATION – COMMERCE****THIRD SEMESTER – NOVEMBER 2022****UCO 3502 – CORPORATE ACCOUNTING**

Date: 24-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION A**Answer ALL the Questions**

1. Fill in the blanks:		(5 x 1 = 5)
a) The allotment of shares should be completed within ----- days of the issue of the prospectus.	K1	CO1
b) The underwriting commission on issue of Preference shares / Debentures beyond Rs.5 lakhs as per SEBI guidelines, should not exceed -----%.	K1	CO1
c) ----- is writing off of intangible assets.	K1	CO1
d) Under Capitalisation method, goodwill is taken as the difference between the capitalised value of the business and the -----.	K1	CO1
e) Discount on issue of debentures being a -----loss, can be written off against capital profit.	K1	CO1
2. State whether the following statements are True or False:		(5 x 1 = 5)
a) Partly paid-up shares cannot be redeemed.	K1	CO1
b) When the value of net assets taken over is more than the purchase price agreed to be paid, the excess amount should be debited to Goodwill a/c.	K1	CO1
c) Debentures can be issued at discount and can be redeemed at par.	K1	CO1
d) Partner's Salary is debited to the Post Incorporation Period.	K1	CO1
e) Calls in advance is shown as other current liability.	K1	CO1
3. Choose the correct answer to the following:		(5 x 1 = 5)
a) Interest on calls in advance has to be paid at -----. a) 4% b) 6% c) 8% d) 9%	K2	CO1
b) Discount received from creditors should be divided between pre and post incorporation period in -----. A) Sales ratio B) Purchase ratio C) Adjusted Sales ratio D) None of the above.	K2	CO1
c) Dividend is paid on -----. A) Authorised Capital B) Issued Capital C) Called up Capital D) Paid up Capital	K2	CO1
d) Under the yield method, the value of equity share is calculated on the presumption that the company would be -----. A) wound up B) continued C) reconstructed D) None of the above.	K2	CO1
e) Any gain on revaluation of assets at the time of Internal Reconstruction will be credited to -----. a) Capital Reserve A/C b) Capital Reduction A/C c) General Reserve A/C d) Revaluation A/C.	K2	CO1
4. Answer the following questions:		(5 x 1 = 5)
a) What do you mean by right issue?	K2	CO1
b) Distinguish between forfeiture of shares and surrender of shares.	K2	CO1
c) Define Super Profit.	K2	CO1
d) Write a short note on Consolidation of Shares.	K2	CO1
e) Calculate the Yield value per share from the information given below:	K2	CO1

40,000 equity shares of Rs.10 each fully paid. Normal Rate of Return 8% and Expected Rate of Return 12%.

SECTION B

Answer any TWO questions:

(2 x 10 = 20)

- | 5. | Explain in detail the requirements for the redemption of preference shares as per the Companies Act 2013. | K3 | CO2 | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------|---|-------------|-----|---------------------|----------|----------------------------|----------|----------------------|--------|--------------------------|----------|------------------------------|----------|------------------------|-----------|---------------------------------|--------|--------------------------|--------|------------------------------|--------|------------------------------|----------|----|-----|
| 6. | <p>S Ltd issued 40,00 equity shares of Rs.10 each at par. The entire issue was underwritten as follow:</p> <p>A – 24,000 shares (Firm underwriting 3,200 shares)
 B – 10,000 shares (Firm underwriting 4,000 shares)
 C – 6,000 shares (Firm underwriting 1,200 shares)</p> <p>The total applications including firm underwriting were for 28,400 shares. The marked applications were as under:
 A – 7,200 shares, B – 9,000 shares, C – 3,200 shares.</p> <p>The underwriting contract provided that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten.</p> <p>Determine the liability of the underwriters and the amount of commission payable to them assuming it is the maximum allowed by law and shares underwritten firm are treated as unmarked applications.</p> | K3 | CO2 | | | | | | | | | | | | | | | | | | | | | | |
| 7. | <p>Determine the maximum remuneration payable to the part time directors and manager of X Ltd under section 309 and 387 of the Companies Act, from the following particulars. Before charging any such remuneration the P&L A/c showed a credit balance of Rs.23,10,000 for the year ended 31st March 2017 after considering the following items:</p> <table border="1" style="margin-left: 40px; border-collapse: collapse; width: 60%;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Capital Expenditure</td> <td style="text-align: right;">5,25,000</td> </tr> <tr> <td>Subsidy received from Govt</td> <td style="text-align: right;">4,20,000</td> </tr> <tr> <td>Special Depreciation</td> <td style="text-align: right;">70,000</td> </tr> <tr> <td>Multiple shift allowance</td> <td style="text-align: right;">1,05,000</td> </tr> <tr> <td>Bonus to foreign technicians</td> <td style="text-align: right;">3,15,000</td> </tr> <tr> <td>Provision for taxation</td> <td style="text-align: right;">28,00,000</td> </tr> <tr> <td>Compensation to injured workmen</td> <td style="text-align: right;">70,000</td> </tr> <tr> <td>Ex-gratia to an employee</td> <td style="text-align: right;">35,000</td> </tr> <tr> <td>Loss on sale of fixed assets</td> <td style="text-align: right;">70,000</td> </tr> <tr> <td>Profit on sale of investment</td> <td style="text-align: right;">2,10,000</td> </tr> </tbody> </table> | Particulars | Rs. | Capital Expenditure | 5,25,000 | Subsidy received from Govt | 4,20,000 | Special Depreciation | 70,000 | Multiple shift allowance | 1,05,000 | Bonus to foreign technicians | 3,15,000 | Provision for taxation | 28,00,000 | Compensation to injured workmen | 70,000 | Ex-gratia to an employee | 35,000 | Loss on sale of fixed assets | 70,000 | Profit on sale of investment | 2,10,000 | K3 | CO2 |
| Particulars | Rs. | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital Expenditure | 5,25,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Subsidy received from Govt | 4,20,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Special Depreciation | 70,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Multiple shift allowance | 1,05,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Bonus to foreign technicians | 3,15,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for taxation | 28,00,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Compensation to injured workmen | 70,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Ex-gratia to an employee | 35,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss on sale of fixed assets | 70,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit on sale of investment | 2,10,000 | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | What are the provisions of the Companies Act to be fulfilled in regard to the Reduction of Share Capital? | K3 | CO2 | | | | | | | | | | | | | | | | | | | | | | |

SECTION C

Answer any TWO questions:

(2 x 10 = 20)

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|-----|--|----|-----|
| 9. | On 1 st January 2018, X Ltd makes an issue of 10,000 equity shares of Rs.10 each with premium of 10% payable on application Rs.2; on allotment Rs.3 including premium and on first and final call Rs.6, three months after allotment. All moneys were received but as regard to the call of Rs.6, a shareholder holding 200 shares did not pay the amount due. Another shareholder who was allotted 300 shares paid the call the money along with the allotment. Show the necessary journal entries to record the above transactions. | K4 | CO3 |
| 10. | <p>Determine the amount of fresh issue of shares from the information given below relating to K Ltd:</p> <p>Redeemable Preference Shares Rs.60,000
 Premium on redemption 5%
 Profit and Loss Account balance Rs.20,000
 General Reserve balance Rs.14,000
 Securities Premium Rs.2,000
 Fresh issue is to be made at a discount of 10%</p> | K4 | CO3 |

Pass necessary Journal entries to record the fresh issue and redemption of preference shares.

11. A company was incorporated on 1st May 2016 acquiring the business of a sole trader with effect from 1st January 2016. The accounts of the company were closed for the first time on 3rd September 2016, disclosing a gross profit of Rs.1,68,000. The establishment expense were Rs.42,660, Directors fees Rs.3,000 per month, Preliminary expenses written off Rs.4,000, Rent up to June, 2016 was Rs.300 per month which was thereafter increased to Rs.750 per month. Salary to the manager was at Rs.1,500 per month who was appointed a director at the time of incorporation of the company.
Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs.24,60,000, the monthly average of which for the first four months 2016 was half of the remaining period.
12. Analyse the factors that should be considered in valuing goodwill and explain at least any three methods of the valuation of goodwill.

SECTION D

Answer any ONE question:

(1 x 20 = 20)

13. K5 CO4

Liabilities	Rs.	Assets	Rs.
10,000 8% Redeemable Preference Share of Rs.10 each fully paid	1,00,000	Fixed Assets	4,00,000
20,000 7%redeemable preference shares of Rs.10 each, Rs.5 per share paid up	1,00,000	Investments	1,00,000
20,000 Equity shares of Rs.10 each fully paid	2,00,000	Stock	40,000
Securities Premium	80,000	Debtors	60,000
General Reserve	60,000	Bank	2,00,000
Capital Reserve	70,000		
Profit and Loss A/C	90,000		
Current Liabilities	1,00,000		
Total	8,00,000	Total	8,00,000

The following is the summarized balance sheet of N Ltd as on 31st December,2019
On 1/1/2020 the company redeemed the preference shares at a premium of 10%. To pay off the preference shareholders, it sold investments realising Rs.95,000. All payments were made except to shareholders of 60 shares who could not be traced. On 1/5/2020, the company issued fully paid bonus shares in the ratio of one for every share held on that date. Give the necessary journal entries and prepare the balance sheet after the redemption.

14. K5 CO4

The following is the Balance Sheet of U Ltd on 31st December,2018

Liabilities	Rs.	Assets	Rs.
6,000 6% preference shares of Rs.100 each	6,00,000	Goodwill	45,000
12,000 equity shares of Rs.100 each	12,00,000	Land and Building	6,00,000
8% Debentures	3,00,000	Plant and Machinery	9,00,000
Bank Overdraft	3,00,000	Stock	1,30,000
Creditors	1,50,000	Debtors	1,40,000
		Cash	15,000
		Profit and Loss A/C	7,00,000
		Preliminary Expense	20,000
	25,50,000		25,50,000

On the above date, the company adopted the following scheme of reconstruction:

- 1) The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.
 - 2) The debenture holders took over stock and debtors in full satisfaction of their claims.
 - 3) The Land and building to be appreciated by 30% and plant and Machinery to be depreciated by 30%.
 - 4) The fictitious and intangible assets are to be eliminated.
 - 5) Expenses of reconstruction amounted to Rs.5,000.
- Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance Sheet.

SECTION E

Answer any ONE question:

(1 x 20 = 20)

15. N Ltd., invited applications for 3,00,000 Equity Shares of Rs.10 each. The shares were issued at a premium of Rs.1 per share. The amount was payable as follows: On Application Rs.2, On Allotment Rs.4 (including Premium) and Rs. 5 on First and Final Call.
- Applications totalled for 6,11,000 shares. The Board of Directors rejected applications for 11,000 shares and made allotment on all remaining applications on a pro rata basis. Paul to whom 300 shares had been allotted did not pay the allotment money and subsequently the call money. Raju who held 450 shares, did not pay the call. Their shares were forfeited three months after making of the call. All the forfeited shares were re-issued as fully paid-up to Suraj at Rs.9 per share. Pass the necessary Journal Entries to give effect to the above and prepare Bank Account and Forfeited Shares Account.

K6 CO5

16. The following is the trial balance of V Ltd., as on 31st March, 2021

K6 CO5

Debits	Rs.	Credits	Rs.
Stock 1/4/2020	7,50,000	Purchase Returns	1,00,000
Purchases	24,50,000	Sales	34,00,000
Wages	3,00,000	Discount	30,000
Carriage Inwards	9,500	Profit and Loss A/C	1,59,000
Furniture	1,70,000	Share Capital Rs.100 each	10,00,000
Salaries	75,000	Creditors	1,75,000
Rent	40,000	General Reserve	1,55,000
Trade Expenses	60,500	Bills Payable	70,000
Dividend Paid for 2019-20	90,000		
Debtors	2,85,000		
Plant and Machinery	2,90,000		
Bank	4,62,000		
Patents	48,000		
Bills Receivable	59,000		
	50,89,000		50,89,000

Prepare Statement of Profit and Loss for the year ended 31st March, 2021. And a Balance Sheet on that date after taking into account the following adjustments:

- 1) Stock as on 31st March 2021 was valued at Rs.8,81,000
- 2) Make a provision for income tax as 25%
- 3) Depreciate plant and Machinery at 15%; Furniture at 10% and Patents at 5%.
- 4) On 31st March, 2021 outstanding rent amount to Rs.8,000
- 5) The board of directors recommends proposed dividend at 15% p.a
- 6) Provide 3,100 for doubtful debts.
- 7) Provide Rs.52,000 for managerial remuneration.

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