

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2022

UCO 3502 – CORPORATE ACCOUNTING

(19 & 20 BATCHES)

Date: 18-06-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART A

Answer any all questions:

10x2=20marks

1. What is cum and Ex- Interest?
2. What is capital profit?
3. What is pro rata allotment?
4. What is minority interest?
5. What is capital reserve?
6. Define underwriting
7. Nazra Ltd, issued 10,000 shares of Rs.100 each at par. The whole issue has been underwritten by John & Co for a commission of 5 %. The company received applications only for 5,000 shares. All the applications were accepted. Give journal entries, assuming that all amounts due have been received.
8. How much amount should be transferred to CRR a/c?
 - a. X company Ltd redeems 1,00,000 9% preference shares of Rs 10each at par out of revenue profits
 - b. P Company Ltd redeems 20,000 8% preference shares of Rs 100 each at premium of 10% out of the profits otherwise available for dividend.
9. Define Goodwill.
10. Write a note on Capital Reduction.

PART B

Answer any four questions.

4x10=40marks

11. 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 8,000 shares and the forms included the following marketed forms:
A- 2,000 shares
B- 1,000 shares
C- 1,000 shares
Show the allocation of liability of the underwriters
12. A company has 10,000 9% redeemable preference shares of Rs 100 each fully paid. The company decides to redeem the shares on 31st Dec 1997 at a premium of 10%. The company makes the following issues:

a. 6,000 equity shares of Rs100 each at a premium of 10%

b. 4,000 8% Debentures of Rs 100 each

The issue was fully subscribed and allotments were made. The redemption was duly carried out.

The company has sufficient profits.

You are required to give a necessary entry.

13. Determine the maximum remuneration payable to the part time directors and Manager of Barat Ltd (a manufacturing company) under section 309 and 387 of the Companies Act 1956 from the following particular:

Before charging any such remuneration, the P&L a/c showed a credit balance of Rs23, 05,000 for the year ended 31st March 1998 after taking into account the following matters:

Particulars	Rupees
Profit on sale of investment	2,05,000
Subsidy received from government	4,10,000
Loss on sale of fixed asset	65,000
Ex-gratia to an employee	30,000
Compensation paid to injured workman	75,000
Provision for taxation	2,79,000
Bonus to foreign technicians	3,12,000
Multiple to shift allowance	1,00,000
Special depreciation	75,000
Capital expenditure	5,10,000

Company is providing depreciation as per Section 350 of the Companies Act 1956.

14. State the conditions and procedure for the issue of Redeemable Preferences Shares.

15. A company was incorporated on 1st May 1984 acquiring the business of a sole trader with effect from 1st January 1984. The accounts of the company were closed for the first time on 30th September 1984, disclosing a gross profit of Rs 1, 68,000. The establishment expenses were Rs 42,660 directors fees Rs 3,000 per month, preliminary expenses written off Rs 4,000, rent upto June 1984 was Rs 300 per month which was thereafter increased to Rs 750 per month. Salary to the manager was Rs 1500 per month who was appointed a director at a 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 then monthly average of which for the first four months of 1984 was half of that of the remaining period.

16. Explain the different methods of valuation of shares.

17. What is "acquisition of Business"? Explain the methods computing purchase consideration on acquisition of Business.

PART- C

ANSWER ANY TWO QUESTIONS

2X20=40MARKS

18. The following is the trial balance of A Ltd as on 30.6.90

Particulars	Debit Rs	Credit Rs
Stock on 30.6.89	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
Dividend paid	900	--
Capital		10,000
Debtors and creditors	3,750	1,750
Machinery	2,900	----
Cash at bank	1,620	----
Reserves	----	1,550
Bad debts	483	
	<u>50,303</u>	<u>50,303</u>

Adjustments:

1. Stock on 30.6.90 Rs 8,200
2. Depreciate machinery at 10%
3. Provide 5% discount on debtors
4. Provide 2 ½% discount on creditors
5. Six months insurance was unexpired at Rs 75 per annum
6. One month rent at Rs 540 per annum was due on 30th June
7. Provide managing directors commission 15% on the net profits before detecting his commission.

You are required to prepare statement of profit and loss a/c for the year ended 30-6-90 and balance sheet on that date.

19. The following is the balance sheet of Week Ltd on 31-3-2003

Liabilities	Rs.	Asset	Rs.
20,000 equity shares of Rs 10 each	2,00,000	Patents	40,000
500 10% preference shares of Rs 100 each	50,000	Buildings	2,00,000
8% debentures	1,00,000	Machinery	1,30,000
Creditors	3,30,000	Stock	80,000
Outstanding expenses	20,000	Debtors	55,000
		P&L a/c	1,95,000

7,00,000

7,00,000

With a view to reconstruct the company that is proposed:

1. To reduce equity share paid up amount by Rs 9 each
2. To reduce 10% preference shares by Rs 40 each
3. To reduce 8% debentures by 10%
4. To reduce trade creditors claim by one third
5. To reduce machinery by Rs 60,000
6. To reduce inventory by Rs 10,000
7. To provide Rs 15,000 for bad debts
8. To write off all the intangible assets

Pass journal entries to give effect to the above scheme and show the company's balance sheet after reconstruction

20. Write short notes on:

- a. Pro -rata of assets
- b. Marked applications
- c. Capital profit
- d. Profit prior to incorporation

21. The ever shine Co.Ltd offered 5,000 shares of Rs100 each to the public at Rs 95 payable as under:

Rs15 on application

Rs30 on allotment

Rs25 on first call

Rs25 on final call

All the shares were applied for and allotted. Annand to whom 500 shares were allotted paid the whole of the sum due along with allotment (under arrangement with directors). Assume all sums were received.

Pass journal entries to record the above and show the figure in balance sheet.
