



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2023

UCO 3502 – CORPORATE ACCOUNTING

Date: 04-05-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

Section A

Answer all the questions

1.	Define the following	(5 x 1 = 5 Marks)		
a)	Bonus shares		K1	CO1
b)	Internal reconstruction		K1	CO1
c)	Goodwill		K1	CO1
d)	Underwriting		K1	CO1
e)	Mortgage debentures		K1	CO1
2.	Fill in the blanks	(5 x 1 = 5 Marks)		
a)	Preference shares can be redeemed only when they are _____ paid.		K1	CO1
b)	Consolidation of share capital does not affect the amount of _____.		K1	CO1
c)	When the proposed dividend exceeds 20% of the paid-up capital the percentage of profits to be transferred to reserve is _____.		K1	CO1
d)	Loy Ltd issued shares of Rs. 1,000 each at Rs. 950. The underwriting commission will be paid on _____		K1	CO1
e)	A business had a capital of Ra.1,00,000 at the end of the accounting year. It had earned profits of Rs. 10,000 during the year. The average capital employed of the business will be _____		K1	CO1
3.	Match the following	(5 x1=5 Marks)		
a)	General reserve	Divisible profits	K2	CO1
b)	Alteration of share capital	Transfer to Capital redemption reserve	K2	CO1
c)	Dividends	Credited to Capital reserve	K2	CO1
d)	Asset backing method	Capital reduction account	K2	CO1
e)	Profit prior to incorporation	Intrinsic value method	K2	CO1
4.	True or False (5 x1=5 Marks)			
a)	A company is allowed to convert its fully paid shares into stock		K2	CO1
b)	Debentures will be repaid only at the time of winding up of the company		K2	CO1
c)	If a share of Rs.10 on which Rs.8 has been called and Rs.5 has been received is forfeited, share capital A/c is debited with Rs. 10		K2	CO1
d)	Share capital is Rs.2,00,000, Call in arrears is Rs.10,000, the amount of dividend at 10% is Rs.20,000		K2	CO1
e)	Net asset is Rs.7,20,000, Number of equity shares is 6,000, Intrinsic value of each share is Rs. 120		K2	CO1

Section B

Answer any TWO of the following

(2 X 10 = 20 Marks)

5.	Distinguish between Debentures and Shares.		K3	CO2
6.	<p>a. Success Ltd has 6,000 equity shares of Rs.10 each and capital redemption reserve of Rs. 60,000. The company passed a resolution to issue bonus shares as fully paid in the ratio of 2:1 to the existing shareholders. Pass necessary journal entries for issuing bonus shares.</p> <p>b. Apex Ltd purchased assets of Rs.3,00,000 and acquired liabilities of Rs.30,000. It issued 8% debentures of Rs.100 each at a discount of 10% to satisfy the net purchase price. Pass necessary journal entries in the books of the company.</p>		K3	CO2

- c. Calculate the yield value per share from the information given below:
40,000 Equity shares of Rs.10 each fully paid; Normal rate of return 8%
Expected rate of return 12%

7. Good Ltd was formed with an authorized capital of Rs. 24,00,000 divided into equity shares of Rs.10 each , to acquire the business of Strong and Weak whose balance sheet on the date of acquisition was as follows:

Liabilities	Amount	Assets	Amount
Capital	12,00,000	Freehold premises	14,00,000
General reserve	8,00,000	Stock	4,00,000
Sundry creditors	4,00,000	Sundry debtors	3,00,000
		Cash at bank	3,00,000
	24,00,000		24,00,000

The purchase consideration was agreed upon at Rs. 28,00,000 to be paid in Rs. 24,00,000 fully paid equity shares at Rs. 11 and the balance in cash.
Give journal entries to record the above and prepare the balance sheet of Good Ltd. assuming the vendor's account is finally settled

K3 CO2

8. From the following particulars, determine the maximum remuneration available to a part time director and manager of Bharat Ltd. Profit and loss account showed a credit balance of Rs. 20,00,000 after taking into account the following particulars:

Bonus to foreign technician	20,000	Profit on sale of building Cost price Rs. 90,000 WDV Rs. 70,000	80,000
Repairs	5,000	Interest on debentures	10,000
Donation to University	75,000	Provision for taxation	8,50,000
Compensation to injured worker	5,000	Ex Gratia payment to worker	10,000
Special depreciation	40,000	Loss on sale of vehicle	26,000

K3 CO2

Section C

Answer any TWO of the following

(2 X 10 = 20 Marks)

9. Lucky Ltd invited applications for 10,000 equity shares. The whole of the issue was underwritten by the underwriters as follows:
Ajay – 5,000 shares, Binay – 2,000 shares, Vijay 3,000 shares
In addition there was firm underwriting:
Ajay – 1,000 shares, Binay – 1,500 shares, Vijay 500 shares
Total subscription including firm underwriting was 8,500 shares and the forms included the following marked forms:
Ajay – 2,000 shares, Binay – 1,000 shares, Vijay 1-000 shares.
Show the allocation of liability of the underwriters if the firm underwritten shares are treated as unmarked applications.

K4 CO3

10.	The following is the summarized balance sheet of a company			K4	CO3	
	Liabilities	Amount	Assets			Amount
	10,000 Equity shares of Rs. 100 each	10,00,000	Sundry assets			15,20,000
	4,000 Redeemable Preference share capital of Rs. 100 each	4,00,000	Bank			3,80,000
	General reserve	3,00,000				
	Sundry creditors	2,00,000				
		19,00,000				19,00,000
On 31 st December 2021, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs. 110. The shares were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and balance sheet after redemption.						

11.	Fortune Ltd was registered on 1-7-2021 to acquire the running business of Adani & Co., with effect from 1-4-2021. The following was the Profit and Loss account of the company on 31-3-2022			K4	CO3	
	Particulars	Amount	Particulars			Amount
	To Office rent	4,000	By gross profit			60,000
	To carriage outwards	2,500	By bad debts recovered			5,000
	To director's fees	10,000				
	To bad debts	500				
	To Preliminary expenses	1,000				
	To interest on loan	1,200				
	To interest on debentures	3,000				
	To net profit	42,800				
	65,000		65,000			
<p>a. Sales up to 1-7-2021 were Rs. 5,00,000 out of sales of Rs. 25,00,000 for the year.</p> <p>b. Interest on loan included Rs.200 which was on a loan taken in July 2021. Ascertain profit prior to and after incorporation.</p>						

12.	Discuss the need and different methods of valuation of shares.	K4	CO3
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Section D

Answer any ONE of the following

(2 x 20=20 Marks)

13.	The balance sheet of Deepam Ltd as on 31 st December 2021 was as follows			K5	CO4	
	Liabilities	Amount	Assets			Amount
	35,000 shares of Rs. 10 each	3,50,000	Land and buildings			3,36,000
	Profit & loss A/c	70,000	Plant and Machinery			2,40,000
	Debentures	60,000	Furniture and fittings			20,000
	Trade creditors	60,000	Stock			8,000
	Provision for taxation	36,000	Book debts			24,000
	Proposed dividend	60,000	Cash			8,000
	6,36,000		6,36,000			
<p>The net profits of the company after charging depreciation and taxes were as follows: 2017- Rs. 68,000; 2018- Rs. 66,000; 2019-Rs.72,000; 2020- Rs. 80,000; 2021 -Rs. 66,000. On 31st December 2021 Land and buildings were revalued at Rs. 3,80,000; Plant and machinery Rs.2,84,000; and furniture and fittings at Rs. 16,000. Normal rate of return is 10%. The present value of annuity of Re.1 for 3 years at 10% is Rs. 2.4868. Calculate the value of goodwill</p> <p>a. As per three years' purchase of average super profit for five years</p> <p>b. As per capitalization of super profit method</p> <p>c. As per annuity of three years purchase of super profit method.</p>						

14.	Following is the trial balance of Cherry Ltd for the year ended 31-3-2022.				K5	CO4
	Particulars	Debit	Particulars	Credit		
	Land & Building	5,00,000	Sundry creditors	20,000		
	Plant & Machinery	4,50,000	General reserve	2,00,000		
	Goodwill	30,000	Profit & loss A/c(Cr)	90,000		
	Sundry debtors	50,000	Sales	6,00,000		
	Director fees	5,000	Purchase returns	15,000		
	Purchases	4,00,000	Equity share capital	5,00,000		
	Stock	80,000	8% Debentures	2,00,000		
	Interest on debentures	8,000	Share transfer fees	3,000		
	Cash at bank	50,000				
	Carriage inwards	5,000				
	Salaries	30,000				
	Office rent	10,000				
	Sales returns	10,000				
	16,28,000		16,28,000			
Additional Information:						
a. Closing stock Rs. 1,00,000						
b. Outstanding interest on debentures Rs.8,000						
c. Depreciate: Land & Building @ 5%, Plant and Machinery @ 10%						
d. Provision for taxation Rs. 5,000						
e. Director's recommended proposed dividend @ 10% Prepare the final accounts of the company.						

SECTION E

Answer any one of the following (1 x 20 = 20 Marks)

15.	<p>Sterling Ltd issued 20,000 shares of Rs. 10 each payable as follows: Rs.3 on application, Rs.5 on allotment, Rs.2 on first and final call. The company received 30,000 applications from the public. Allotment was made pro-rata to the applicants for 24,000 shares, the remaining applications were refused. All the amounts due on the shares were received except the call money on 1,000 shares which were forfeited after due notice. Later 800 of the forfeited shares were reissued for Rs.8 per share. Prepare necessary journal entries in the books of the company.</p>	K6	CO5																								
16.	<p>The position of Sick Ltd as on 31-12-2021 was as follows:</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount</th> <th>Assets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>12,000 equity shares of Rs. 10 each</td> <td>1,20,000</td> <td>Plant & Machinery</td> <td>1,80,000</td> </tr> <tr> <td>6%, 1,000 preference shares of Rs. 100 each</td> <td>1,00,000</td> <td>Goodwill</td> <td>50,000</td> </tr> <tr> <td>5% debentures</td> <td>80,000</td> <td>Stock</td> <td>60,000</td> </tr> <tr> <td>Creditors</td> <td>20,000</td> <td>Profit & loss A/c</td> <td>30,000</td> </tr> <tr> <td></td> <td>3,20,000</td> <td></td> <td>3,20,000</td> </tr> </tbody> </table> <p>The company got the following scheme of capital reduction approved by the court.</p> <p>a. The preference shares to be reduced to Rs. 75 each and equity shares by Rs. 4. b. The debenture holders took over the stock in full satisfaction. c. Profit & loss A/c and Intangible assets to be written off. d. Machine to be reduced by Rs.13,000.</p> <p>Show the journal entries and prepare the balance sheet after reconstruction</p>	Liabilities	Amount	Assets	Amount	12,000 equity shares of Rs. 10 each	1,20,000	Plant & Machinery	1,80,000	6%, 1,000 preference shares of Rs. 100 each	1,00,000	Goodwill	50,000	5% debentures	80,000	Stock	60,000	Creditors	20,000	Profit & loss A/c	30,000		3,20,000		3,20,000	K6	CO5
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