

# 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:*

*(10 X 2 = 20)*

- 1) State any two provisions under the Companies Act for the use of share premium.
- 2) Write a short note on 'Own Debentures'.
- 3) What is Internal Reconstruction?
- 4) Rs.10,00,000 Equity Capital of Rs.100 each converted into Equity shares of Rs.10 each. Pass the Journal Entry.
- 5) What is Purchase Consideration? State the methods to compute Purchase Consideration.
- 6) Determine the amount of Fresh Issue of Shares from the following information given below relating to Karthik Ltd: Redeemable Preference Shares: ₹ 6,00,000, Premium on redemption: 10%, Profit & Loss A/c Balance: ₹ 1,80,000, General Reserve: ₹ 1,20,000 and Securities Premium: ₹ 45,000. Fresh issue is to be made at 5% Premium.
- 7) Calculate the amount of goodwill on the basis of three years purchase of the last five year's average profits. The profits for the last five years are:

Year	I	II	III	IV	V
Profits (₹)	48,000	72,000	1,00,000	30,000	50,000

- 8) Define Goodwill.
- 9) Distinguish between calls in arrears and calls in advance.
- 10) 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% and Expected Rate of Return 12%.

#### Section B

*Answer any four questions:*

*(4X10 = 40)*

- 11) Explain the methods for the redemption of Debentures
- 12) On 1<sup>st</sup> 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 money along with the allotment. Show the necessary journal entries to record the above transactions.
- 13) Nature Ltd. made an issue of 30,000 shares which were underwritten as follows:  
A - 15,000 shares, B - 9,000 shares and C- 6,000 shares.  
In addition, there was Firm Underwriting as follows:  
A - 1,500 shares, B - 750 shares and C- 2,250 shares.  
The total subscriptions including Firm underwriting were for 22,800 shares.  
The following marked form were included in the subscriptions.  
A - 4,500 shares, B - 6,750 shares and C- 2,550 shares.  
Compute the liabilities of each underwriter, if the benefit of Firm Underwriting is given to individual underwriters.
- 14) A Company was incorporated on 30<sup>th</sup> June 2014 to acquire the business of Mohan as from 1<sup>st</sup> January 2014. The accounts for the year ended 31<sup>st</sup> December 2014, disclosed the following:  
(a) There was a gross profit of ₹ 2,40,000,  
(b) The sales for the year amounted to ₹ 12,00,000 of which ₹ 5,40,000 were for the first six months.

(c) The expenses debited to profit and loss account included:

Particulars	Amount (₹)
Director's fees	15,000
Bad Debts	3,600
Advertising ( Under a monthly contract of ₹ 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.

15) 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 31<sup>st</sup> March 2017 after considering the following items:

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

16) What is the procedure to be followed for reducing share capital?

17) Analyze the factors that should be considered in valuing goodwill and explain at least any three methods of the valuation of goodwill.

### Section C

*Answer any two question:*

*(2 X 20 = 40)*

18) D Ltd., issued a prospectus, inviting applications for 5,00,000 shares of Rs.10 each at a premium of Rs.5 per share, payable as follows:

On application - Rs.2.50 per share, On allotment - Rs. 7.50 per share (including premium), On 1<sup>st</sup> Call - Rs.4.00 per share, On Final Call – Rs.1 per share.

Applications were received for 7,50,000 shares and allotment was made pro-rata to the applicants of 6,00,000 shares, the remaining applications being refused. Mr. X to whom 10,000 shares were allotted, failed to pay the final call money and Mr. Y to whom 15,000 shares were allotted failed to pay the last two calls and both their shares were forfeited. All the forfeited shares were reissued to Mr. AB for Rs.8 per share as fully paid. The company incurred Rs.50,000 towards expenses on issue of shares. Pass journal entries to record the issue of shares by the company.

19) The summarized Balance Sheet of Ambit Co. Ltd. as at 31<sup>st</sup> December 2016 was as follows:

Liabilities	₹	Assets	₹
Authorised & Issued Capital:		Land & Buildings	15,00,000
2,00,000 Equity shares of ₹ 10 each fully paid	20,00,000	Plant & Machinery	10,00,000
10,000 6% Cumulative Preference shares of ₹ 100 each fully paid	10,00,000	Goodwill	2,00,000
Bank Overdraft	7,00,000	Patents & Trade marks	1,00,000
Sundry Creditors	5,00,000	Stocks	4,00,000
		Sundry Debtors	3,00,000
		Preliminary Expenses	1,00,000
		Profit & Loss A/c	6,00,000
<b>Total</b>	<b>42,00,000</b>	<b>Total</b>	<b>42,00,000</b>

A scheme of capital reduction was approved on the following terms:

- The preference shareholders agree that their shares be reduced to fully paid shares of ₹ 50 each and to accept equity shares of ₹ 5 each fully paid in lieu of the dividend arrears.
- The Equity shareholders agree that their shares be reduced to a fully paid value of ₹ 5 each.
- The authorized capital of the company is to remain at ₹ 30,00,000 divided into 4,00,000 equity shares of ₹ 5 each and 20,000 6% Cumulative Preference Shares of ₹ 50 each.
- All the intangible and fictitious assets are to be eliminated and bad debts of ₹ 50,000 and obsolete stock of ₹ 80,000 are to be written off.

Write the Journal Entries to record the capital reduction and prepare the revised Balance Sheet.

20) On 31<sup>st</sup> December 2018, the following was the balance sheet of a firm:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts		Fixed assets:	
A	55,000	Factory building	33,000
B	55,000	Plant & Machinery	42,000
Sundry Creditors	40,000	Furniture	5,000
		Current Assets:	
		Stock at cost	15,000
		Sundry Debtors	35,000
		Cash in hand & at Bank	20,000
<b>Total</b>	<b>1,50,000</b>	<b>Total</b>	<b>1,50,000</b>

On 1<sup>st</sup> January 2019, the firm was converted into a limited company on the following terms:

- Debtors and Creditors of the firm were not to be taken over as well as the cash balances.
- Assets were revalued as to furniture at ₹3,000, Plant & Machinery at ₹ 40,000 and the building at ₹ 35,000.
- Preliminary expenses amounting to ₹ 2,000 were disbursed by the firm to be recovered from the company.
- As purchase consideration, the partners were to be allotted at par 13,000 equity shares of ₹ 10 each. They were also entitled to receive ₹ 20,000 in cash.

Give journal entries and prepare the Balance Sheet as at 1<sup>st</sup> January 2019, of the limited company, assuming the authorized capital to be ₹ 2,00,000 made up wholly of equity shares of ₹ 10 each.

21) Following balances have been extracted from the books of Jenitha Company Ltd. as on 31<sup>st</sup>

March 2014:

Particulars	Debit	Credit
Machinery	1,60,000	
Land & Building	6,74,000	
Depreciaton on Machinery	16,000	
Purchases	4,00,000	
Closing Stock	1,50,000	
Wages	1,20,000	
Sales		10,00,000
Salaries	80,000	
Bank Overdraft		2,00,000
10% Debentures ( issued on 1st April 2013)		1,00,000
Equity Share Capital- Shares of ₹ 100 each ( fully paid)		2,00,000
Preference Share Capital - 1,000 6% Shares of ₹ 100 each ( Fully paid)		1,00,000
Total	16,00,000	16,00,000

The Board of Directors of Jenitha Company Ltd. had decided to make the following appropriations:

- (i) To declare an equity dividend @ 10% on paid up capital.
- (ii) To pay dividend on the preference share capital in full.
- (iii) To transfer ₹ 2, 00,000 to general reserve.

Prepare statement of Profit and Loss for the year ended 31<sup>st</sup> March 2014 and the Balance Sheet as on that date.

#####