

Reg. No. :

Code No. : 20469 E Sub. Code : SMCO 51

B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2020.

Fifth Semester

Commerce — Main

CORPORATE ACCOUNTING — I

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. The rate of discount on shares cannot exceed
 - (a) 3%
 - (b) 6%
 - (c) 5%
 - (d) 10%
2. Profit on reissue of shares transferred to
 - (a) Capital reserve A/c
 - (b) Revenue reserve A/c
 - (c) Profit and Loss A/c
 - (d) Capital redemption reserve A/c

3. Trade payables are recorded in _____
- (a) Asset side of balance sheet
 - (b) Liability side of Balance sheet
 - (c) P and L a/c
 - (d) None of the above
4. Dividend usually paid on
- (a) Authorised capital
 - (b) Issued capital
 - (c) Paid up capital
 - (d) Called up capital
5. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as _____
- (a) Amalgamation
 - (b) Absorption
 - (c) Internal reconstruction
 - (d) External reconstruction
6. If the intrinsic values of shares exchanged are not equal, the difference is paid in _____
- (a) Cash
 - (b) Debenture
 - (c) Preference share
 - (d) Assess

7. Loss prior to incorporation should be debited to
- (a) revenue reserve
 - (b) goodwill A/c
 - (c) capital A/c
 - (d) Preliminary expenses A/c
8. If the whole of the issue of shares or debentures is underwritten it is known as
- (a) Partial underwriting
 - (b) Incomplete underwriting
 - (c) Complete underwriting
 - (d) None of the above
9. Yield value depends on _____
- (a) future maintainable profit
 - (b) paid-up equity capital
 - (c) normal rate of return
 - (d) none of the above
10. Goodwill is to be valued when _____
- (a) amalgamation takes place
 - (b) one company takes over another company
 - (c) a partner is admitted
 - (d) all of the above

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) The directors of Logu Ltd., forfeited 2000 shares Rs. 10 each for non-payment of final call of Rs. 2.50. 1,800 of these shares were re-issued for Rs. 6 per share fully paid up. Give the necessary journal entries.

Or

- (b) Redemption of 10,000 preference shares of Rs. 100 each was carried out of reserves and out of the issue of the 4,000 shares of Rs. 100 each @ Rs. 95. What is the amount of capital redemption reserve amount that's required?

12. (a) Write a note on corporate Dividend Tax.

Or

- (b) How will you deal with provision for tax in final accounts of companies?

13. (a) Sri Ltd was taken over by Ram Ltd. The following position was mutually agreed upon

	Sri Ltd	Ram Ltd
No. of shares	60,000	90,000
Face value of shares	Rs. 100	Rs. 10
Net assets	Rs. 3,60,000	Rs. 72,00,000

Ascertain intrinsic values of the shares.

Or

- (b) Siva Ltd agreed to purchase the business of Krishna Ltd on the following terms:

- (i) For each of the 10,000 shares of Rs. 10 each in Krishna Ltd 2 shares in Siva Ltd of Rs. 10 each will be issued at an agreed value of Rs. 12 per share., in addition, Rs. 4 per share cash also will be paid
- (ii) 10% debenture worth Rs. 80,000 will be issued to settle the Rs. 60,000 11% debenture in Krishna Ltd.
- (iii) Rs. 10,000 will be paid towards expenses of winding up.

Calculate the purchase consideration.

14. (a) Durga, a small scale industrialist decided to covert his firm into a limited company with effect from 1st April 2016. But he obtained the certificate of incorporation on 1st August 2016 and the certificate to commence business on 1st October 2016. His accounts were closed on 31st December 2016.

Find out the tie ratio for the purpose of ascertaining pre incorporation profit.

Or

- (b) G Ltd issued 60,000, 10% debentures of Rs. 100 each, 60% of the issue was underwritten by D. Applications for 56,000 debentures were received by the company. Determine the liability of D.
15. (a) Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:

	Rs.
I year	4,800
II year	7,200
III year	10,000
IV year	3,000
V year	5,000

Or

- (b) Ascertain the value of an equity share under net worth method from the following data assuming preference shares have priority as to the payment of capital only

Rs.

10% preference	
shares of Rs. 10	
each fully paid	6,00,000
Equity shares of	
Rs. 10 each	
fully paid	8,00,000
Net assets	
available to	
shareholders:	
28,00,000	

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Lotus Ltd. had an authorised capital of Rs. 50,00,000 divided into shares of Rs. 100 each. It issued 10,000 shares at discount of 4% payable as follows:
Rs. 20 on applications,
Rs. 46 on allotment and
Rs. 30 on first and final call.
Applications were received for 9,000 shares and all the shares allotted. All money due was received.
Pass Journal entries and show the extracts from balance sheet.

Or

- (b) A company wishes to redeem to preference shares amounting to Rs. 1,00,000 at a premium of 5% and for this purpose issued 5,000 equity shares of Rs. 10 each at a premium of 5%. The company has also a balance of Rs. 1,00,000 on general reserve and Rs. 50,000 on profit and loss account. Pass the necessary journal entries to record the above transactions.
17. (a) On 1st December, 2016 Bala Ltd. was incorporated with authorised capital of Rs. 1 core. On 30th November, 2017 the following is its trial balance:

	Dr.	Cr.
	Rs.	Rs.
Equity share capital (fully paid up shares of Rs. 10 each of which 1,00,000 shares are issued for consideration other than cash Rs. 10,00,000)		25,00,000
Capital reserve		2,00,000
Fixed assets-cost	8,00,000	
Purchases (net)	60,00,000	
Sales (net)		75,00,000

	Dr.	Cr.
	Rs.	Rs.
Expenses	4,00,000	
Depreciation	1,00,000	
Provision for depreciation		1,00,000
Bank-current account-scheduled bank	2,00,000	
Interim dividend	3,00,000	
Liability for interim dividend		1,80,000
Creditors for goods		10,00,000
Creditors for expenses		20,000
Prepaid expenses	50,000	
Advance from customers		1,00,000
Advance to suppliers	1,50,000	
Customers dues	32,00,000	
Tax payment	4,00,000	
	<u>1,16,00,000</u>	<u>1,16,00,000</u>

On 30th November, 2017, the cost of unsold stock is Rs. 3,50,000 customers dues are unsecured but considered good and are due for less than six months. Provide for taxation at 35%. Directors have proposed final dividend of Rs. 2,00,000 and appropriation to general reserve of Rs. 2,50,000.

Prepare statement of profit and loss for the year ended 30th November, 2017.

Or

(b) Write a detailed note on shareholders' funds.

18. (a) 'X Ltd'. and Y 'Ltd' agree to amalgamate as from 31st December 2013 on which date their respective balance sheets were as follows:

Liabilities		X Ltd.	Y Ltd.	Assets		X Ltd.	Y Ltd.
Share capital :				Cash in hand		100	50
Shares of Rs. 1 each		80,000	25,000	Cash at bank		3,400	450
Sundry creditors		3,000	1,000	Sundry debtors		22,500	6,000

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
Reserves	7,500	4,000	Plant	12,000	4,500
Profit and			Stock	15,000	7,000
Loss A/c	2,500	1,000	Premises	30,000	10,000
			Patent	10,000	3,000
	<u>93,000</u>	<u>31,000</u>		<u>93,000</u>	<u>31,000</u>

Draw up the balance sheet of the new company 'AB' Ltd which was incorporated to take over the amalgamated concerns and state the number of shares in the new company which will be allotted to the shareholders of the old companies. (Assume the same face value)

Or

- (b) Explain the various method of calculating purchase consideration.

19. (a) From the following particulars, ascertain profit prior to and after incorporation.

(i) Time ratio-3:5

(ii) Sales ratio-4:6

(iii) Gross profit-Rs. 10,00,000

(iv) Expenses debited to profit and loss A/c were:

	Rs.		Rs.
Salaries	96,000	Advertisement	50,000
General expenses	12,000	Preliminary	
Discount on sales	40,000	expenses	70,000
		Rent and	
		rates	15,000
		Printing and	
		stationary	65,000

(v) Incomes credited to profit and loss account were:

Rent received Rs. 18,000

Interest received Rs. 50,000.

Or

- (b) Varathan Ltd. issued 30,000 equity shares of Rs. 10 each. The issue was underwritten as follows:

A : 30%

B : 30%

C : 20%

However, the company received application for 25,000 share only. Determine the liability of the underwriters.

20. (a) From the following information calculate the value of good will on the basis of three years purchase of the super profit:
- (i) Average capital employed in the business Rs. 7,00,000
 - (ii) Net trading profit of the firm for the past three years Rs. 1,07,600; Rs. 90,700 and Rs. 1,12,500
 - (iii) Rate of interest expected from capital having regard to the risk involved 12%
 - (iv) Fair remuneration to the partner for their services Rs. 12,000 per annum.
 - (v) Sundry assets of the firm Rs. 7,54,762
 - (vi) Sundry liabilities of the firm-Rs. 31,329.

Or

- (b) X Ltd. has 10,000 equity shares of Rs. 10 each, Rs. 8 paid and 1,00,000 6% preference shares of Rs. 10 each fully paid. The company has a practice of transferring 20% of the profit to general reserve every year. If the expected profit (based on past years' performance) before tax is Rs. 2,00,000 and the rate of tax is 50%. You are required to calculate the value of equity share. It may be assumed that normal rate of dividend is 20%.
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