

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)  
BCoin DEGREE EXAMINATION DECEMBER 2018  
(Fourth Semester)

Branch - COMMERCE (COST & MANAGEMENT ACCOUNTING)

**CORPORATE ACCOUNTING -1**

Time : Three Hours

Maximum : 75 Marks

**SECTION-A (20 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks (10 x 2 = 20)

- 1 What is Share? What are the types of shares which can be issued by companies?
- 2 What are the characteristics of Debentures?
- 3 Distinguish between 'Ex-interest and Cum-interest'.
- 4 What is the significance of minimum new issue of shares?
- 5 What are intangible assets?
- 6 State the meaning of noncurrent assets.
- 7 What is the nature of goodwill?
- 8 What are the modes of winding up?
- 9 Give the meaning of 'Subsidiary Company'?
- 10 Explain 'Cost of Control'.

**SECTION - B (25 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 5 = 25)

- 11 a Kailash Ltd., purchased the business of Mani Bros, for Rs.54,00,000 payable in fully paid shares of Rs.100 each. What entries will be made in the books of Kailash Ltd., if such issue (a) at par (b) at a premium of 20% and (c) at a discount of 10%  
OR  
b A Company issues 10000 equity shares of Rs.10 each at par. The issue was underwritten by K & Co. for maximum commission permitted by law. The public applied for and received 8000 shares. Give journal entries in the company's books.
- 12 a The following extract from the balance sheet of Gayathri Co.Ltd., as on 31.12.2008, is given to you.

Share Capital:	
2,00,000 Equity shares of Rs.10 each	Rs.20,00,000
3,00,000 6% Redeemable Preference shares of Rs.10 each	Rs.30,00,000
Capital Reserve	Rs.15,00,000
General Reserve	Rs.9,00,000
Profit & Loss A/c	Rs.25,50,000

The Company exercises its option to redeem the preference shares on E January 2009. The Company has sufficient cash. Give journal entries to record the redemption.

OR

- b On 1.4.1997, Rama Ltd., issued 2,500 8% debentures of Rs.100 each at 5% discount. Holders of the debentures have option to convert their holdings into equity shares of Rs.100 each at a premium of Rs.25 per share at any time within 3 years. On 31.3.1998, holders of 500 debentures notified their intention to override the option Show the necessary journal

13 a You are required to calculate the Time ratio for the Pre and Post incorporations periods from the following particulars:

- a) Date of incorporation: 1<sup>st</sup> June 1999
- b) Period of Financial accounts: April 1999 to March 2000
- c) Total Wages Rs.4,800
- d) Number of Workers: Pre Incorporation Period:5  
Post Incorporation Period:25

Also divided the total wages between pre and post incorporation periods.

OR

- b The following ledger balances were extracted from the books of Varan Ltd., as on 31.3.2013: Land & Building Rs.2,00,000; 12% Debentures Rs.2,00,000; Share Capital Rs.10,00,000(Equity shares of Rs.10 each fully paid up); Plant & Machinery Rs.8,00,000; Goodwill Rs.2,00,000; Investment in shares of Raja Ltd., Rs.2,00,000; General Reserve Rs. 1,95,000; Stock in Trade Rs. 1,00,000; Bills Receivable Rs.50,000; Debtors Rs. 1,50,000; Creditors Rs. 1,00,000; Bank Loan(unsecured) Rs. 1,00,000; Provision for tax Rs.50,000; Proposed dividend Rs.55,000.

Prepare the balance sheet of the company as per Revised Schedule VI, Part I of the Companies Act 1956.

14 a From the following information calculate the value of goodwill 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 p.a.
- v) Sundry assets of the firm Rs.7,54,762.
- vi) Sundry Liabilities of the firm Rs.31,329.

OR

- b From the following details ascertain unsecured creditors to be shown in statement of affairs:

Creditors for goods	Rs.80,000
Bills Payable	Rs.8,000
Loan from Bank(unsecured)	Rs.20,000
Bank Overdraft	Rs.6,000
Loan on security of Machinery	Rs.40,000
Estimated realizable value of Machinery	Rs.32,000
Contingent Liabilities	Rs.31,000 (20% expected to rank) Rs.25,000 (10% expected to rank)

15 a P Ltd., acquired 65% shares of Q Ltd., on 1.10.2002. P&L a/c in the books of Q Ltd., showed a debit balance of Rs.40,000 on 1.4.2002. On 31.3.2003, the balance sheet of Q Ltd., showed P&L a/c balance of Rs. 1,20,000. Calculate Capital Profits and Revenue Profits.

OR

- b Balance Sheet as on 31.12.2000

Liabilities	H Ltd. Rs	S Ltd. Rs	Assets	H Ltd. Rs	S Ltd. Rs
Share Capital: Rs.1 each	10,000	5,000	Sundry Assets	16,000	10,000
Reserve	5,000	-	5,000 shares in	<; non	

**SECTION - C (30 Marks)**Answer any **THREE** Questions**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

- 16 In January 1998 Green Ltd., issued 2,000 shares of Rs.100 each at a discount of 5%. The issue was fully subscribed by paying Rs.20 per share on application. The balance was payable as to Rs.25 on allotment (with adjustment of discount); Rs.20 on first call and Rs.30 on first call.

All the calls were made and received with an exception of final call on 200 shares held by one Mr.Zahir. Pass journal entries to record the above and show the resultant balance sheet.

- 17 On 30<sup>th</sup> June 1998, the balance sheet of Sandhya Ltd., stood as follows:

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	10,00,000	Sundry Assets	14,00,000
Redeemable Pref. Share Capital	4,00,000	Bank	5,00,000
P&L A/c	3,00,000		
Sundry Creditors	2,00,000		
	19,00,000		19,00,000

On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs.110. The Company also issued 8% debentures totaling Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and the balance sheet after redemption.

- 18 The Silver Ore Co. Ltd was formed on 1.4.1997 with an authorised capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares had been issued and subscribed but there were calls in arrears on 100 shares. From the following trial balance as on March 31, 1998, prepare Statement of Profit & Loss and Balance sheet.

	Rs.		Rs.
Cash at Bank	1,05,500	Share Capital	5,19,750
Plant	40,000	Sale of silver	1,79,500
Mines	2,20,000	Interest on F.D upto Dec.31	3,900
Promotion expenses	6,000	Dividend on investment	3,200
Advertising	5,000		
Cartage on plant	1,800		
Furniture & Buildings	20,900		
Administrative Expenses	28,000		
Repairs to plant	900		
Coal and Oil	6,500		
Royalties paid	10,000		
Railway track & wagons	17,000		
Wages of miners	74,220		
Cash	530		
Investment - shares of tin mines	80,000		
Brokerage on above	1,000		
6% F.D. in Syndicate Bank	89,000		
	7,06,350		7,06,350

Adjustments:

- Depreciate Plant and Railways by 10%; Furniture & Buildings by 5%
- Write off a third of the promotion expenses

T Ltd., was placed in voluntary liquidation on 31.12.1982 when its Balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Issued Share Capital: 50,000 equity shares of Rs.10 each fully paid 5,00,000 Less: Calls in arrear 25,000	4,75,000	Freehold Factory	5,80,000
6,000,5% cumulative preference shares of Rs.100 each fully paid	6,00,000	Plant & Machinery	2,89,000
Share Premium A/c	50,000	Motor Vehicles	57,500
5% Debentures A/c	1,00,000	Stock	1,86,000
Interest on Debentures	2,500	Debtors	74,000
Bank Overdraft	58,000	Profit & Loss A/c	2,14,000
Creditors	1,15,000		
	14,00,500		14,00,500

The preference dividend are in arrear from 1979 onwards.

The Company's articles provide that on liquidisation, out of the surplus assets remaining after remaining of liquidation costs and outside liabilities, there shall be paid firstly all arrears of preference dividend, secondly the amount paid up on the preference shares together with a premium there on of Rs.10 per share, and thirdly the balance remaining shall be paid to the equity share holders.

The Bank Overdraft was guaranteed by the directors who were called up on by the bank to discharge their liability under the guarantee. The directors paid the amount to the bank.

The Liquidator realised the assets as follows:

Freehold factory - Rs.7,00,000; Plant & Machinery - Rs.24,00,000; Motor Vehicles - Rs.59,000; Stock - Rs. 1,50,000; Debtors - Rs.60,000; Call in arrears- Rs.25,000.

Creditors were paid less discount of 5%. The debentures and accrued interest were repaid on 31.3.1983.

Liquidation expenses were Rs.3,820 and the liquidator's remuneration was 2% on the amounts realised.

Prepare the Liquidator's statement of account.

From the balance sheets given below, prepare consolidated Balance Sheet of 'Union Ltd' and its subsidiary 'State Ltd',

Balance Sheet as on 30.06.1990

Liabilities	Union Ltd., Rs.	State Ltd., Rs.	Assets	Union Ltd., Rs.	State Ltd., Rs.
Share Capital: (Rs.10 each)	1,40,000	40,000	Land & Buildings	90,000	30,000
General Reserve	30,000	9,000	Plant	45,000	16,000
Profit & Loss A/c	15,000	12,000	Debtors	20,000	8,000
Creditors	30,000	8,000	Stock	16,000	5,000
			Investment: 3,000 shares in State Ltd.,	37,000	
			Bank	7,000	10,000
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