

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2023  
(Fourth Semester)

Branch – COMMERCE(COST AND MANAGEMENT ACCOUNTING)

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

1. Share applications account is a \_\_\_\_\_.  
(i) Personal Account (ii) Real Account  
(iii) Nominal Account (iv) Impersonal Account
2. Debenture holders are \_\_\_\_\_.  
(i) Debtors of the company (ii) Creditors of the company  
(iii) External users (iv) Owners of the company
3. A profit and loss appropriation account is made \_\_\_\_\_.  
(i) After the P&L A/c (ii) With the P&L A/c  
(iii) Before the P&L A/c (iv) It can be made any time
4. The value of a share under the net asset approach is determined by \_\_\_\_\_.  
(i) Accessible net assets to equity owners  
(ii) Net assets accessible to holders of debenture  
(iii) The value of preference shareholders net assets  
(iv) None of the precedings
5. The share of outsiders in the net assets in subsidiary company is known as \_\_\_\_\_.  
(i) Outsider's liability (ii) Assets  
(iii) Subsidiary company's liability (iv) Minority interest

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. a. Illustrate the Ram Ltd Purchased assets of Rs. 8,00,000 from Anil Bros. It issued equity shares of Rs. 100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.  
OR  
b. Describe Mr.Senthil is a shareholders in kiran Ltd. Holding 2,000 shares of Rs.10 each. He has paid Rs.2 and Rs.3 per share on application and allotment respectively, but failed to pay Rs.3 and Rs.2 per share for first and second call respectively. Directors forfeit his shares. Give the journal entry.
7. a. Describe the sinking fund method of redeeming debenture in detail.  
OR  
b. Illustrate the Hamid Pasha Ltd. Obtained an overdraft of Rs.5,00,000 from bank for which the company issued 7,000 12% debentures of Rs. 100 each as collateral security. Show how the items appear in balance sheet, if (a) the issue of debentures need not be recorded in the books (b) the issue of debentures must be recorded in the books.
8. a. Write short notes on "Managerial Remuneration".  
OR  
b. Draft the profit & loss account of the company final accounts.
9. a. Calculate the amount of goodwill on the basis of three years purchases 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

Cont....

- b. The profits of Thilaga Ltd. For the last 5 years were as follows:

|      | Rs.    |
|------|--------|
| 1994 | 15,000 |
| 1995 | 18,000 |
| 1996 | 22,000 |
| 1997 | 25,000 |
| 1998 | 27,000 |

Compute the value of goodwill of Thilaga Ltd. On the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits:

|  |                 |
|--|-----------------|
| 10. a. Cost of Control / Goodwill                  | <b>Rs.</b>      |
| Share capital 40,000 Equity shares of Rs. 10/-each | 4,00,000        |
| Reserves and surpluses                             | 2,50,000        |
| Secured loan                                       | 2,50,000        |
| Other Liabilities                                  | <u>1,00,000</u> |
|  | 10,00,000       |

On the above date H Ltd. acquired 30,000 Equity shares in S Ltd. on the above date for Rs. 7,50,000 fixed assets of S Ltd. were appreciated by Rs. 1,50,000 find out cost of control / Goodwill.

OR

- b. The following are the Balance Sheet of H and S as at 31st December on which date H acquires all the shares of S:

|                   | H               | S               |                       | H               | S               |
|-------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|
|                   | Rs.             | Rs.             |                       | Rs.             | Rs.             |
| Share Capital     | 5,00,000        | 1,00,000        | Sundry Assets         | 7,50,000        | 1,90,000        |
| Reserve           |                 | 25,000          | Shares in S (at cost) | 2,00,000        |                 |
| Profit & Loss A/c | 1,00,000        | 15,000          |                       |                 |                 |
| Creditors         | 3,50,000        | 50,000          |                       |                 |                 |
|                   | <u>9,50,000</u> | <u>1,90,000</u> |                       | <u>9,50,000</u> | <u>1,90,000</u> |

Show the consolidated Balance Sheet.

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks (5 x 6 = 30)

11. a. X Co Ltd issued 4,000 shares of Rs. 10 each at a premium Rs.2 per share. The amount was payable as under:

- On application Rs.3 per share
- On allotment Rs.4 per share (including premium)
- On first call Rs.3 per share
- On second call Rs.2 per share

The company received application for 5,000 shares and the allotment was made as under :

- a. Application for 200 shares – Nil
- b. Application for 800 shares – Fully Accepted
- c. Application for Rs.4,000 shares – 3,200 shares

All money was duly except the first call on 200 shares and final call on 300 shares. Pass journal entry and prepare balance sheet of X Co ltd.

OR

- b. MTL Ltd. invited applications for 20,000 shares of Rs. 100 each payable:

- Rs.25 on application
- Rs.35 on allotment
- Rs.40 on call

25,000 shares were applied for the directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received. Give journal entries and show the balance sheet of the company.

12. a. What are the rules regarding redemption of preference shares?

OR

- b. The balance sheet of exchange Ltd., as on 31-3-2009 was as following:

| Liabilities  | Rs.       | Assets        | Rs.       |
|--|-----------|---------------|-----------|
| Share Capital:<br>50,000 Equity shares of Rs.10 each, fully paid | 5,00,000  | Sundry assets | 9,20,000  |
| 4,000 Redeemable preference shares of Rs. 100 each fully paid    | 4,00,000  | Bank Balance  | 6,00,000  |
| Profit and loss A/c  | 5,20,000  |               |           |
| Creditors  | 1,00,000  |               |           |
|  | 15,20,000 |               | 15,20,000 |

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended balance sheet.

13. a. The summarized Balance as on 31.12. 2008 of Raja Ltd. as under:

| Particulars   | Dr. (Rs)         | Cr. (Rs)         |
|---|------------------|------------------|
| Equity Share Capital (authorized and subscribed in shares or ₹.100 each)        |                  | 4,00,000         |
| 8% Preference Share Capital (authorized and subscribed in shares of ₹.100 each) |                  | 2,00,000         |
| Plant at Cost   | 3,00,000         |                  |
| Land & Building at cost   | 5,00,000         |                  |
| Depreciation up to 31.12.07 On Plant  |                  | 1,00,000         |
| On Land and Buildings   |                  | 1,50,000         |
| Dividend Equalization Reserve   |                  | 10,000           |
| Investment in shares  | 2,00,000         |                  |
| Stock   | 70,000           |                  |
| Cash at Bank  | 60,000           |                  |
| Debtors   | 50,000           |                  |
| Profit & Loss Account – 01.01.08  |                  | 25,000           |
| Creditors   |                  | 30,000           |
| Income-tax deducted at source on dividend                                       | 2,200            |                  |
| Establishment Expenses  | 15,000           |                  |
| Rent & taxes  | 6,000            |                  |
| Audit Fee (including Rs.1,000 paid for other services)                          | 2,500            |                  |
| Managing Director's minimum remuneration  | 12,000           |                  |
| Directors' fees   | 2,000            |                  |
| Sundry Expenses   | 6,000            |                  |
| Dividend (gross)  |                  | 10,000           |
| Miscellaneous Receipts  |                  | 2,300            |
| Trading Account Balance   |                  | 3,04,400         |
| Income-tax for previous year not provided for                                   | 6,000            |                  |
| <b>Total</b>  | <b>12,31,700</b> | <b>12,31,700</b> |

You ascertain that:

- Depreciation is to be charged on the written down value of Plant @ 10% , Land & Building @ 5%
  - The directors propose to recommend a dividend of 15% on equity shares.
  - Provision for taxation is to be made @ 55%
  - The Managing Director is entitled to 5% of the net profits subject to a minimum of ₹.12,000 p.a
  - A sum of ₹.15,000 is to be transferred to Dividend Equalization Reserve.
- Prepare Final Accounts.

OR

- b) From the following particulars, determine the maximum remuneration available to a full time director of manufacturing company.

The profit and loss account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

- Depreciation(including special depreciation of Rs.40,000) Rs. 1,00,000
- Provision for income tax Rs.2,00,000
- Donation to political parties Rs. 50,000
- Ex-gratia payment to a worker Rs.10,000
- Capital profit on sale of assets Rs. 15,000

14. a. A firm earned net profits during the last three years as follows:

|          | Rs     |
|----------|--------|
| I Year   | 36,000 |
| II Year  | 40,000 |
| III Year | 44,000 |

The capital in investment of the firm is Rs.1,00,000.

A fair return on the capital, having regard to the risk involved, is 10%

Calculate the value of goodwill on the basis of 3 years purchase of super profit.

OR

- b. The average net profits of a business as adjusted for valuation of goodwill amounted to Rs.2,35,450. The net tangible assets employed were of the value of Rs.14,50,000. But upon valuation, they amounted to Rs.15,00,000. Assuming that 10% represented a fair commercial return, calculate the amount of goodwill by capitalizing super profit.

15. a. The following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. as on 31<sup>st</sup> December 2004.

Balance Sheet as on 31st Dec. 2004

| Liabilities                      | H Ltd  | S Ltd  | Assets           | H Ltd  | S Ltd  |
|----------------------------------|--------|--------|------------------|--------|--------|
|                                  | Rs.    | Rs.    |                  | Rs.    | Rs.    |
| Share Capital of Re. 1 per share | 10,000 | 8,000  | Buildings        | 4,000  |        |
| Reserves                         | 4,000  | 3,000  | Plant            | 1,000  | 6,000  |
| Bills Payable                    | 2,000  | 1,000  | Stock            | 4,000  | 6,000  |
| Creditors                        | 5,000  | 4,000  | Shares in S Ltd  | 6,000  |        |
| Profit & Loss A/c                | 4,000  | 2,000  | Debtors          | 5,000  | 3,000  |
|                                  |        |        | Bills Receivable | 3,000  | 2,000  |
|                                  |        |        | Cash             | 2,000  | 1,000  |
|                                  | 25,000 | 18,000 |                  | 25,000 | 18,000 |

Debtors of H Ltd. include Rs 2,000 due from S Ltd. and Bills payable of H Ltd. included a bill of Rs 500 accepted in favour of S Ltd. A Loan of Rs 1,000 given by H Ltd. to S Ltd. was also included in the items of debtors and creditors respectively. Rs 500 was transferred by S Ltd. from Profit and Loss Account to Reserve out of current year's profit. Shares were purchased on 30th June 2004 at par.

Prepare consolidated Balance Sheet.

OR

- b. X Ltd. purchased 750 shares in Y Ltd. on 1.7.2006. The following were their Balance Sheets on 31.12.2006.

| Liabilities            | X Ltd.   | Y Ltd.   | Assets             | X Ltd.   | Y Ltd.   |
|------------------------|----------|----------|--------------------|----------|----------|
|                        | Rs.      | Rs.      |                    | Rs.      | Rs.      |
| Share Capital :        |          |          | Buildings          | 2,05,000 | 1,25,000 |
| Shares of Rs. 100 each | 3,00,000 | 1,00,000 | Stock              | 1,00,000 | 80,000   |
| General Reserve        |          |          | Debtors            | 1,00,000 | 40,000   |
| 1.1.2006               | 1,00,000 | 70,000   | Investments        | 1,00,000 | -        |
| Profit & Loss A/c      | 1,00,000 | 60,000   | (in Y Ltd.)        |          |          |
| Creditors              | 80,000   | 40,000   | Bills Receivable   | 40,000   | 45,000   |
| Bills Payable          | 50,000   | 20,000   | Bank               | 60,000   | 20,000   |
| Current Account :      |          |          | Current Accounts : |          |          |
| X Ltd.                 | -        | 20,000   | Y Ltd.             | 25,000   | -        |
|                        | 6,30,000 | 3,10,000 |                    | 6,30,000 | 3,10,000 |

Further:

1. Bills Receivable of X Ltd. include Rs. 10,000 accepted by Y Ltd.
  2. Debtors of X Ltd. include Rs. 20,000 payable by Y Ltd.
  3. A cheque of Rs. 5,000 sent by Y Ltd. on 20th December was not yet received by X Ltd. till 31st December 2006.
  4. Profit and Loss Account of Y Ltd. showed a balance of Rs. 20,000 on 1st January 2006.
- You are required to prepare a consolidated Balance sheet of X Ltd. and Y Ltd. as on 31st December 2006.