

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BVoc DEGREE EXAMINATION DECEMBER 2023
(Fifth Semester)

Branch – BANKING, STOCK AND INSURANCE

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 An Issue of Shares that is not a public issue but offered to a selected group of persons is called _____
 (i) Public offer (ii) Private placement of shares
 (iii) Initial public offer (iv) ESOP
- 2 Which of the following cannot be utilized for redemption of preference shares?
 (i) General Reserve (ii) Revenege Reserve
 (iii) Capital Reserve (iv) Workmen's fund
- 3 The company's final accounts are prepared in _____ form.
 (i) Vertical (ii) Horizontal
 (iii) Both (i) & (ii) (iv) No. Prescribed format
- 4 Which of the following methods are not used for the valuation of goodwill
 (i) Super Profit Method (ii) Average Profit Method
 (iii) Weighted Profit Method (iv) Yield Method
- 5 Under Double account system, the balance sheet is prepared in _____ parts
 (i) Three (ii) Two
 (iii) One (iv) Six

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

- 6 a) State the Different types of Shares.
OR
- b) Bharat Trading Co. Ltd. with a registered capital of Rs.100000 issued 5000 equity shares of Rs.10each, payable Rs.2 on application, Rs.2 on allotment, Rs.3 on first call and Rs.3 on final call. Pass journal entries assuming the shares issued were fully subscribed and the money has been received.
- 7 a) Redemption of 20,000 preference shares of Rs.100 each was carried out by utilization of reserves and by issue of 8,000 Equity shares of Rs.100 each at Rs.125. How much should be credited to capital redemption reserve a/c?
OR
- b) Timex Ltd., issued 1,000 8% debentures of Rs.100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows:
 i) Issued at par, redeemable at par,
 ii) Issued at a discount of 5%, repayable at par.
 iii) Issued at premium of 10%, repayable at par.
 iv) Issued at par, redeemable at a premium of 10%.
 v) Issued at a discount of 5%, repayable at a premium of 10%.
- 8 a) From the following balances, prepare the Balance sheet of a company in the prescribed format.
 Goodwill Rs.1,50,000: Investments Rs.2,00,000: Share capital Rs.5,00,000: Reserves Rs.1,10,000: Securities premium Rs.15,000: Preliminary expenses Rs.10,000: Profit and Loss A/c (Cr)Rs.25,000: Debentures Rs.2,50,000. Other fixed assets Rs.4,70,000: Stock Rs.80,000: Debtors Rs.60,000: Bank Balance Rs.30,000: Unsecured Loan Rs.65,000; Sundry creditors Rs.35,000.
OR
- b) Ganesh Ltd., was incorporated on 1st May 2016 to purchase the running business of Vinayak and Co., with effect from 1st January 2016. The company obtained certificate of commencement of business on 24th August 2016. Calculate the time ratio, if the accounts were finalized on 31st December 2016.

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- 9 a) A liquidator is entitled to receive remuneration @ 2% of the assets realized and 3% on the amount distributed among the unsecured creditors, the assets realized Rs. 70,00,000 against which payment was made as follows:

Liquidation expenses: Rs. 50,000
 Preferential creditors: Rs. 1,50,000
 Secured creditors: Rs. 40,00,000
 Unsecured creditors: Rs. 30,00,000.

Calculate the total remuneration payable to the liquidator.

OR

- b) Goodwill is to be valued at 3 years purchase of five year's average profits. The profits for the last five years of the firm were:

2014 – Rs.2,400; 2015 – Rs.3,000; 2016 – Rs.3,400; 2017 – Rs.3,200; 2018 – Rs.4,000.

Calculate the amount of Goodwill.

- 10 a) Compute the amount to be charged to Revenue A/c from the information given below:

Original Cost of an asset	Rs.15,00,000
Present cost of replacement	Rs.20,00,000
Amount spent on replacement	Rs.21,50,000

OR

- b) Given the meaning and Significance of Human Resource Accounting.

SECTION - C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a) Wye Ltd. issued for public subscription 20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:

On application	- Rs.2 per share
On allotment	- Rs.5 per share
On first call	- Rs.2 per share
On second call	- Rs.3 per share

Applications were received for 30,000 shares. Allotment was made pro-rata to the applicants for 24,000 shares, the remaining applications were refused. Money over paid on application was utilized towards sums due on allotment. Akbar to whom 800 shares were allotted, failed to pay allotment and calls money and Babar to whom 1,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second call was made. All the forfeited shares were sold to Charles as fully paid up at Rs.8 per share. Show the journal entries in the books of Wye Ltd.

OR

- b) Kalyan Kumar Co. Ltd was formed with a capital of Rs.10,00,000 in Rs.10 shares, the whole amount being issued to the public. The underwriting of these shares was as follows:

A - Rs.35,000; B - Rs.30,000; C - Rs.20,000; D - Rs.10,000; E - Rs.3,000; F - Rs.2,000

All the marked application forms were to go in relief of the underwriters whose stamp they bear. The application forms marked by the underwriters were:

A - Rs.10,000; B - Rs.22,500; C - Rs.20,000; D - Rs.7,500; E - Rs.5,000; F – Nil

Applications for 20,000 shares were received on forms not marked. Draw up a statement showing the number of shares each underwriter had to take up.

- 12 a) The following balances appear in the ledger of a company as on 30.6.2014.

Share Capital :	Rs.
Equity Shares (fully paid up)	6,00,000
Redeemable Preference shares (fully paid up)	3,00,000
General reserve	2,00,000
Profit & Loss A/c (Cr.balance)	1,25,000
Securities premium account	50,000

The company decided to redeem the preference shares at a premium of 10% out of its general reserve and undistributed profits. Give journal relating to redemption of the preference shares.

OR

- b) A Company issued 6% Debentures of Rs.10,00,000 with a condition that they should be redeemed after 3 years at 10% premium. The amount allocated for the redemption of debentures is invested in 5% State Government Securities. The Sinking Fund Table shows that Rs.0.317209 at 5% compound interest in 3 years will become Re.1. Pass Journal entries and Prepare ledger accounts for all the three years.

- 13 a) Moon and Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2005 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2005.

Trial balance of Moon & Star Co. Ltd

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit and Loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (up to 31.3.2006)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisement	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Statement of Profit and Loss for the year ended 31.12.2005 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs.1,91,500.
- Depreciation on plant at 15% and on furniture at 10% should be provided.
- A tax provision of Rs.8,000 is considered necessary.
- The directors declared an interim dividend on 15.8.2005 for 6 months ending 30 June 2005 @ 6%. Provide for corporate dividend tax @17%.

OR

- b) Ramu and Gopu in partnership floated a Limited Company i.e., Kosai Ltd. The company was incorporated on 31st March 2014 though the partnership business was transferred to the company on 1st January 2014 itself. Business was carried on till 31st December 2014 on which date the following P & L A/c was prepared.

Profit and loss account of Kosai Ltd. For the year ended 31.12.2014

Particulars	Rs.	Particulars	Rs.
To Office rent	4,000	By Gross profit b/d	80,000
To Salaries	20,000	By Bad debts recovered	4,000
To Advertising	5,000		
To Partner's salary	3,000		
To Carriage	2,000		
To Provision for Doubtful debts	1,000		
To Interest on Loan	2,000		
To Underwriting commission	1,000		
To Insurance	3,000		
To Discount allowed	2,000		
To Net Profit c/d	<u>41,000</u>		
	<u>84,000</u>		<u>84,000</u>

Additional information:

- The company's sales were uniform till the end of June but thereafter recorded an increase of 50% on an average.
 - The partner's salary was for the period before incorporation.
 - Interest on loan included Rs.500 which was on a loan taken in July 2014.
 - Bad debts recovered were from debtors written off in the year 2011.
- You are required to ascertain the amount of profit available for dividend.

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14 a) Following is the balance sheet of Maruthy Co. Ltd. as on 31st March 1998.

Liabilities	Rs.	Assets	Rs.
60,000 equity shares of Rs. 100 each, fully paid	60,00,000	Goodwill at cost	5,00,000
Capital Reserve	2,00,000	Plant & Machinery	
General Reserve	13,90,000	Less depreciation	17,00,000
Profit & Loss A/c	30,000	Furniture & Fixtures	
Sundry creditors	25,70,000	Less depreciation	6,00,000
Provision for taxation	15,00,000	Stock	32,00,000
Proposed dividend	13,20,000	Sundry Debtors	20,00,000
		Cash	49,10,000
		Preliminary expenses	1,00,000
	1,30,10,000		1,30,10,000

The following additional information is provided to you:

- The reasonable return on capital employed in the industry in which MaruthyCo.Ltd is engaged is 18%
 - The rate of tax is 50%. The balance in provision for taxation account is in respect of profit for the year ended 31st March 1998.
 - The year 1997-98 was a normal year and the prospects for 1998 -99 are equally good.
- Calculate value of goodwill at four years' purchase of super profits of the company.

OR

b) The following is the summarized Balance sheet of a company as at 31.12.2017

Liabilities	Rs.	Assets	Rs.
Share capital :		Fixed Assets	38,00,000
10,000 5% preference shares of Rs.100 each fully paid	10,00,000	Investments	10,25,000
2,00,000 equity shares of Rs.10 each fully paid	20,00,000	Stock-in-trade	5,72,000
General reserve	15,00,000	Sundry debtors	12,78,000
Profit & Loss A/c	12,00,000	Cash at bank	2,25,000
6% debentures	8,00,000		
Sundry creditors	2,75,000		
Outstanding expenses	<u>1,25,000</u>		
	69,00,000		69,00,000

For the purpose of valuation of shares, fixed assets are to be depreciated by 10% and investments are to be revalued at Rs.10,80,000. Debtors will realise Rs.12,14,100. Interest on debentures is accrued due for 9 months and preference dividend for 2017 is also due; neither of these has been provided for in the Balance sheet. Calculate the value of each equity shares.

15 a) The following balances appeared in the books of Universal Electric Supply Corporation Ltd. as on 31.12.2013.

Particulars	Debit Balances Rs.	Credit Balance Rs.
Equity Shares	-	6,00,000
Debentures	-	2,00,000
Land on 31.12.2013	1,50,000	-
Land Purchased during the year	60,000	-
Mains-including cost of laying to 31.12.13	1,60,000	-
Mains expended during the year	76,000	-
Machinery on 31.12.2013	5,50,000	-
Machinery purchased during the year	66,000	-
Sundry Creditors	-	1,000
Depreciation Fund Account	-	2,50,000
Sundry Debtors for Current Supplied	40,000	-
Other Book Debts	500	-
Stores in Hand	6,000	-
Cash in Hand	4,000	-
Cost of Generation of Electricity	30,000	-
Cost of Distribution of Electricity	9,000	-
Sales of Current	-	1,50,000
Meter Rent	-	5,000
Rent, rates & Taxes	12,000	-
Establishment Expenses	21,000	-
Interest on Debentures	10,000	-
Interim Dividend	20,000	-
Depreciation	20,000	-
Net Revenue A/c Balance on 31.12.2013	-	28,500
	<u>12,34,500</u>	<u>12,34,500</u>

From the above balances, prepare the Revenue A/c, Net Revenue A/c, Capital A/c and General Balance sheet.

OR

b) Explain various approaches for the valuation of Human Resources.