

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BVoc DEGREE EXAMINATION DECEMBER 2023
(Third Semester)

Branch – BANKING, STOCK & 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. Share allotment account is a -----.
(i) Personal account (ii) Real account
(iii) Nominal account (iv) Impersonal account
2. Preference shareholders receive-----.
(i) fixed rate of interest (ii) flexible rate of interest
(iii) fixed rate of dividend (iv) flexible rate of dividend
3. Profit prior to incorporation belongs to -----.
(i) the company (ii) the vendor
(iii) both the company and the vendor (iv) none of the above
4. Super profit is the difference between
(i) Capital employed and Average capital employed
(ii) average profit and normal profit
(iii) Current year profit and previous year profit
(iv) Current year profit and Expected future profit
5. Cash Flow Statement is dealt in
(i) AS-1 (ii) AS-3 (iii) AS-2 (iv) AS-6

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. (a) Kalish 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 Kalish Ltd., if such issue is (a) at par (b) at a premium of 20% and (c) at a discount of 10%?
(OR)
(b) X Ltd. forfeited 30 shares of Rs.10 each fully called up, held by Murugan for non-payment of allotment money of Rs.3 per share and first and final call of Rs.4 per share. He had paid the application money of Rs.3 per share. These shares were reissued to David for Rs.8 per share. Pass necessary journal entries for forfeiture & reissue of shares.
7. (a) Modern Fibres Ltd., has part of its share capital as 5,000 Redeemable Preference Shares of Rs.100 each. When the shares became due for redemption, the company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of Rs.10 each.
Show the journal entries in the books of the company.
(OR)
(b) 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?
8. (a) Advance Petro Ltd. was incorporated on 1-3-96 to acquire a spice powder merchant's business as from 1-1-96. The purchase consideration was agreed at Rs.60,000 to be satisfied by issue of 6,000 equity shares of Rs.10 each. The shares were issued to Vendor on 1-4-96. You are required to apportion the interest paid to Vendor between Pre and post incorporation periods assuming the rate of interest is 6% p.a.
(OR)
(b) From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.

Cont...

8 (b) Cont...

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

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

9. (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 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 profits of Thilaga Ltd. for the last 5 years were as follows:

	Rs.
1994	18,000
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) Point out the objectives of accounting standards:

(OR)

(b) Explain the treatment of Refund of Government Grants as per AS-12.

SECTION -C (30 Marks)

- Answer Any **THREE** questions

ALL questions carry **EQUAL** Marks (3 x 10 = 30)

11. A Ltd. invited applications for 10,000 equity shares of Rs.100 each at a premium of Rs.10 per share. Payment was to be made as follows:

On application – Rs. 20

On allotment – Rs. 40 (including premium)

On first call – Rs. 30

On final call – Rs. 20

Applications totaled for 13,000 shares. Applications for 2,000 shares were rejected and allotment of shares was made proportionately to the remaining applicants. The directors made both the calls and all the moneys received except the final call on 300 shares which were forfeited after the required notices were served. Later 200 of the forfeited shares were reissued as fully paid @ Rs.85 per share.

Journalise the transactions and prepare the balance sheet.

12. A company has 4,000 7% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on Dec. 31, 2007, at a premium of 5%. The company has sufficient profits. The following issues are made for the redemption purpose.

a) 1000, Equity shares of Rs. 100 each at a premium of 10%.

b) 1000, 5% debentures of Rs. 100 each.

The issue was fully subscribed and all the amounts were received. The redemption was duly carried out. Write journal entries.

Cont...

13. Moon and Star Co. Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985.

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 & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.86)	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		
Advertisements	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 Profit & Loss Account for the year ended 31.12.2003 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 15.08.03 for 6 months ending June 30, 1985 @ 6%.
 - Provide for corporate dividend tax @ 17%.
14. Healy Ltd. and Moly Ltd. propose to amalgamate.

Balance Sheets of Healy Ltd. & Moly Ltd. as on 31.12.1998

Liabilities Ltd.	Healy Rs.	Moly Ltd. Rs.	Assets Ltd.	Healy Rs.	Moly Ltd. Rs.
Share capital: Equity shares of Rs. 10 each	4,00,000	2,00,000	Fixed assets less depreciation	5,00,000	1,50,000
General reserve	3,00,000	20,000	Investment (face value Rs.2,00,000 6% G.P.notes)	2,00,000	--
P & L A/c	1,00,000	30,000	Current assets	3,00,000	1,50,000
Current liabilities	2,00,000	50,000		10,00,000	3,00,000
	10,00,000	3,00,000			

Net profit

Year	Healy Ltd. Rs.	Moly Ltd. Rs.
1996	1,50,000	46,000
1997	1,44,000	45,000
1998	1,50,000	56,000

Goodwill for the purpose of amalgamation may be taken as 3 years' purchase of average super profits of trading on the basis of 10% normal profit on closing capital invested. The current assets of Healy Ltd. are to be taken as Rs. 4,30,000 and that of Moly Ltd. a Rs.1,75,000. Ascertain the value of goodwill.

(OR)

15. What are the fundamental assumptions underlying the preparation and presentation of financial statement as per AS-I?