

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BVoc DEGREE EXAMINATION MAY 2024  
(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 Application account is a-----.  
A. Personal Account                      B. Real Account  
C. Nominal account                      D. Impersonal Account
2. Redeemable preference shares can be redeemed out of -----.  
A. amount realized on sale of investments  
B. divisible profits otherwise available for dividend  
C. proceed of fresh issue of shares  
D. both B and C
3. Profit prior to incorporation should be credited to-----.  
A. goodwill account                      B. revenue reserve account  
C. capital reserve account                      D. none of the above
4. Which of the following methods are used for the valuation of goodwill?  
A. Super profit method                      B. Weighted profit method  
C. Average profit method                      D. All of the above
5. Valuation of Inventories dealt in:  
A. AS-1                                      B. AS-3  
C. AS-2                                      D. AS-6

SECTION - B (15 Marks)

Answer ALL Questions

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

6. (a) Batliboi Co. Ltd., issued 50,000 equity shares of Rs.10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of company when  
(a) Shares are issued at par    (b) Shares are issued at a premium of 10% and  
(c) Shares are issued at a discount of 10%.

(or)

- (b) Nalli & Co. Ltd. was registered with an authorized capital of Rs.20,00,000 divided into 20,000 shares of Rs. 100 each. The company offered 12,000 shares to the public which were payable. Rs. 20 per share on application, Rs. 40 per share on allotment and Rs. 40 on call. Application for 18,000 shares were received on which the directors allotted as follows:

Applicants for 10,000 shares – full  
Applicants for 5,000 shares – 2,000 shares  
Applicants for 3,000 shares – Nil

The excess application money was adjusted towards allotment. All the money due on allotment and call was fully received. Make the necessary entries in the company's books.

7. (a) 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
Profit & Loss A/c	3,00,000		
Sundry Creditors	2,00,000		
	19,00,000		19,00,000

On the above data, 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 the balance sheet after redemption.

(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) A company was incorporated on 1<sup>st</sup> July 1996 to acquire a running business from 1<sup>st</sup> April 1996. When accounts were finalized on 31<sup>st</sup> March 1977, the following facts were noted.

(1) Sales for the year were Rs.4,80,000

(2) The trends of sales were as under during the specified months.

April, July, September, December – Average sales. May, August, October and February 50% of the average sales.

You are required to find out the sales ratio for the purpose of ascertaining profits prior to incorporation.

(OR)

- (b) The following are the balances extracted from the company records. Calculate the remuneration of the managing director at 5% of the Net Profit, after Charging such Commission.

Net Profit	Rs. 38,786
Items considered for arriving at the above net profit:	
a) Provision for taxation	39,000
b) Managing Director's remuneration paid	12,000
c) Formation expenses written off	4,000
d) Directors fees	2,500
e) Provision for doubtful debts	1,200
f) Depreciation allowable as per income tax rules	12,000
g) Depreciation written off	12,880
h) Ex-gratia payment to employee (without any liability to the company)	2,000

9. (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) A runs a Chemist Shop. His net assets as on 31<sup>st</sup> March 1996 amounted to Rs.20,00,000. After paying a rent of Rs.45,000 a year and a salary of Rs.30,000 to the chemist, he earns a profit of Rs.2,10,000. His Landlord, who happens to be an expert chemist, is interested in purchasing the shop. 8% is considered to be a reasonable return on capital employed. What can 'A' expect as payment for goodwill?

Cont...

10. (a) What are the main features of the Cash Flow Statement? Explain with special reference to AS 3?

(OR)

(b) Point out the significance of accounting standards.

**SECTION - C (30 Marks)**

Answer ANY THREE Questions

ALL Questions Carry EQUAL Marks (3 x 10 = 30)

11. Gopu industrial Ltd. issued 50,000 shares of Rs.20 each at par. The following are the details of the accounts payable.

Date	Call	Rs. Per share
1997 June 30	Application	4
1997 Sept. 30	Allotment	5
1997 Dec. 31	First call	3

Except Rajan, a shareholders holding 1,000 shares who failed to pay the allotment amount and the first call, all the other amounts were received. On March 15, 1998, the shares of Rajan were forfeited. Show the journal entries in the books of the company for the above transactions.

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.

13. Following is the trial balance of Sriram Co. Ltd as at 31<sup>st</sup> March 2017

	Rs.	Rs.
Stock 31 <sup>st</sup> March 2013	75,000	-
Sales	-	3,50,000
Purchases	2,45,000	-
Wages	50,000	5,000
Discount	-	-
Furniture and fittings	17,000	-
Salaries	7,500	-
Rent	4,950	-
Sundry expenses	7,050	15,030
Surplus account 31 <sup>st</sup> March 2013	-	-
Dividends paid	9,000	1,00,000
Share capital	-	17,500
Debtors and creditors	37,500	-
Plant and Machinery	29,000	-
Cash and Bank	16,200	-
Reserve	-	15,500
Patents and Trade Mark	4,830	-
	5,03,030	5,03,030

Prepare statement of profit and loss for the year ended 31<sup>st</sup> March 2014 and balance sheet as at that date. Take into consideration the following adjustments:

- Stock on 31<sup>st</sup> March, 2014 was valued at Rs.82,000
- Depreciation on fixed assets @ 10%
- Make a provision for income tax @ 50%
- Ignore corporate dividend tax.

14. Following is the balance sheet of Maruthy Co. Ltd. as on 31<sup>st</sup> 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 less depreciation	17,00,000
General reserve	13,90,000	Furniture & fixtures less depreciation	6,00,000
Profit & Loss A/c	30,000	Stock	32,00,000
Sundry creditors	25,70,000	Sundry debtors	20,00,000
Provision for taxation	15,00,000	Cash	49,10,000
Proposed dividend	13,20,000	Preliminary expenses	1,00,000
	1,30,10,000		1,30,10,000

The following additional information is provided to you:

- (i) The reasonable return on capital employed in the industry in which Maruthy Co. Ltd. is engaged is 18%.
  - (ii) The rate of tax is 50%. The balance in provision for taxation account is in respect of profit for the year ended 31<sup>st</sup> March 1998.
  - (iii) 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.
15. Explain the disclosure requirements of AS-1.

Z-Z-Z      END