

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION MAY 2025
(Fourth Semester)

Branch - CORPORATE SECRETARYSHIP

CORPORATE ACCOUNTING - I

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

| Module No. | Question No. | Question | K Level | CO |
|------------|--------------|---|---------|-----|
| 1 | 1 | When preference shares are redeemed out of profits, which account is created? a) Capital Reserve b) General Reserve c) Capital Redemption Reserve d) Securities Premium Reserve | K1 | CO1 |
| | 2 | Which of the following statements is correct regarding the issue of shares at a premium? a) Premium amount must be credited to share capital Account b) Premium amount must be credited to Securities Premium Reserve Account c) Premium amount is treated as revenue profit d) Premium amount is distributed as dividend | K2 | |
| 2 | 3 | Profit prior to incorporation is treated as: a) Revenue Profit b) Capital Profit c) Deferred Revenue Expenditure d) Free Reserves | K1 | CO2 |
| | 4 | As per Schedule III of the Companies Act, 2013, which of the following is NOT a part of financial statements? a) Balance Sheet b) Profit & Loss Account c) Statement of Changes in Equity d) Auditor's Report | K2 | |
| 3 | 5 | In an internal reconstruction, which account is created to adjust fictitious assets and losses? a) Goodwill Account b) Capital Reserve Account c) Profit & Loss Account d) Reconstruction Account | K1 | CO3 |
| | 6 | The balance arising from capital reduction is transferred to: a) Share Capital Account b) Securities Premium Account c) Capital Reduction Account d) Capital Reserve Account | K2 | |
| 4 | 7 | As per AS 14, when two or more companies combine to form a new company, it is called: a) Amalgamation in the nature of merger b) Amalgamation in the nature of purchase c) Absorption d) External Reconstruction | K1 | CO4 |
| | 8 | In case of absorption, which company ceases to exist? a) Purchasing Company b) Vendor Company c) Both d) None | K2 | |
| 5 | 9 | Goodwill is generally valued using which of the following methods? a) Average Profit Method b) Super Profit Method c) Capitalization Method d) All of the above | K1 | CO5 |
| | 10 | Which of the following is NOT a method of share valuation? a) Net Asset Method b) Yield Method c) Super Profit Method d) Intrinsic Value Method | K2 | |

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

| Module No. | Question No. | Question | K Level | CO |
|------------|--------------|--|---------|-----|
| 1 | 11.a. | Modern Fibers 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. | K1 | CO1 |

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| | | | | | | | | | |
|---|-------|---|---------|---------|------------------------|----|-----|---------|---------|
| | (OR) | | | | | | | | |
| | 11.b. | Ambassadors Ltd., issued 2,000 shares of Rs. 100 each at a premium of 10%, payable as follows: Rs. 25 on application, Rs. 35 on allotment (including premium), Rs. 20 on first call, Rs. 30 on final call. 1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited. Give journal entries and prepare balance sheet. | | | | K1 | CO1 | | |
| 2 | 12.a. | Pankajam Mills Ltd., was incorporated on 31 st July 1977 to purchase the business of Hemalatha & Co., as on 1 st April 2020. The books of accounts disclosed the following on 31 st march 2021. 1. Sales for the year Rs.32, 10,400 (1 st April to 31 st July, 2020 Rs.8,02,600, 1 st July 2020 to 31 st march 2021, Rs.24, 07,800) 2. Gross profit for the year Rs.4,12,800; managing director's salary Rs.12,000; Preliminary expenses written off Rs.18, 000. Company Secretary's salary Rs.58, 000. 3. Bad debts written off Rs.14, 890 (prior to 31 st July Rs.4, 020, after 31 st July Rs.10,870) 4. Depreciation on machinery Rs.25, 200: general expenses 51,000: advertising Rs.7, 400: interest on debentures Rs.20, 000. You are required to prepare a statement apportioning properly the net profit of the company as between (a) profits available for distribution (b) profits prior to incorporation. | | | | K2 | CO2 | | |
| | (OR) | | | | | | | | |
| | 12.b. | How to calculate managerial remuneration in a company. | | | | | | | |
| 3 | 13.a. | Bee Ltd., has 60,000 equity shares of Rs.100 each, Rs. 80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 per share to Rs.60 per share fully paid up by cancelling the unpaid amount. Give Journal Entries. | | | | K3 | CO3 | | |
| | (OR) | | | | | | | | |
| | 13.b. | Kay Limited has an issued capital of Rs. 5 lakh in 50,000 shares of Rs. 10 each, on which Rs. 8 per share has been called up. The company now decides to reduce the share capital to share of Rs. 8 each, fully paid, by cancelling the unpaid amount of Rs. 2 per share, Pass journal entry. | | | | | | | |
| 4 | 14.a. | A Ltd takes over B Ltd and agrees to issue to shareholders of B Ltd. 10000 shares of Rs.10 each paid up but having a market value of Rs.15 each and 1000 debentures of Rs.100 each at a discount of 5% in B Ltd. B Ltd, Also has trade creditors of Rs. 100000. Find out the Purchase consideration. | | | | | | | |
| | (OR) | | | | | | | | |
| | 14.b. | Given below are the Balance Sheets of A Ltd., and B Ltd., as on 31st December, in which date the Companies were amalgamated and a new Company C Ltd., was formed. Calculate Purchase Consideration. | | | | K4 | CO4 | | |
| | | Liabilities | A Ltd., | B Ltd., | Assets | | | A Ltd., | B Ltd., |
| | | Equity Shares of Rs. 10 each | 7000 | 6000 | Sundry fixed assets | | | 8500 | 7000 |
| | | Reserves | 2000 | 4000 | Sundry current assets | | | 2,000 | 3000 |
| | | Sundry creditors & other liabilities | 1500 | 1000 | Miscellaneous expenses | | | - | 1000 |
| | | Total | 10,500 | 11,000 | | | | 10,500 | 11,000 |
| It was agreed that Sundry Fixed Assets of A Ltd., would be valued at 71,000 and that of B Ltd., at Rs. 95,000. C Ltd., would issue the requisite number of Equity Shares of Rs. 10 each at 10% premium to discharge claim of the Equity Shareholders of A Ltd., & B Ltd., How many shares of C Ltd., should be issued to take over the business of the two merging Companies? | | | | | | | | | |
| 5 | 15.a | A firm earned net profits during the last three years as follows: 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 three years purchase of super profit. | | | | K5 | CO5 | | |

| (OR) | | | K5 | CO5 |
|-------|---|--|----|-----|
| 15.b. | Average capital employed is Kausik Ltd. is Rs.35,00,000 where as net trading profit before tax for the last three years have been Rs.14,75,000;Rs.14,55,000 and Rs.15,25,000.In these three years, the managing director which was paid a salary of Rs.10,000 p.m. but now he would be paid a salary of Rs.12000 p.m. normal rate of return expected in the industry in which Kaushik Ltd. Is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years purchase of the super profits. | | | |

SECTION -C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks (3 × 10 = 30)

| Module No. | Question No. | Question | K Level | CO | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------|--------------|--|---------------|------|-----------------|--------|------------------|------|----------------------|-----|---------------------|------|--|--|-----------------|------|--|--|-------------|-------|--|--|--------------|-----|--|--|---------------|------|--|--|-------------|-----|--|--|--------------|------|--|--|---------------|-------|--|--|--|-------|--|-------|----|-----|
| 1 | 16 | <p>X Co. Ltd., issued 4,000 shares of Rs.10 each at a premium of 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 applications for 5,000 shares and the allotment was made as under: (i) Applicants for 200 shares – Nil (ii) Applicants for 800 shares – Full (iii) Applicants for 4,000 shares – 3,200 shares All moneys were duly received except the first call on 200 shares and final call on 300 shares. Pass journal entries and prepare balance sheet of X Co. Ltd.,</p> | K5 | CO1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 17 | <p>Flat Pvt Ltd was incorporated on 1st July 2015 to take over the running business of mr. sha with effect from 1st April 2015. Following is the information for the year ended 31st march 2016 was drawn up.</p> <table><tr><td>To Commission</td><td>2625</td><td>By Gross Profit</td><td>98,000</td></tr><tr><td>To Advertisement</td><td>5250</td><td>By Bad Debt realised</td><td>500</td></tr><tr><td>To M.D Remuneration</td><td>9700</td><td></td><td></td></tr><tr><td>To Depreciation</td><td>2800</td><td></td><td></td></tr><tr><td>To Salaries</td><td>18000</td><td></td><td></td></tr><tr><td>To Insurance</td><td>600</td><td></td><td></td></tr><tr><td>To Rent & Tax</td><td>3000</td><td></td><td></td></tr><tr><td>To Discount</td><td>350</td><td></td><td></td></tr><tr><td>To Bad Debts</td><td>1250</td><td></td><td></td></tr><tr><td>To Net Profit</td><td>54925</td><td></td><td></td></tr><tr><td></td><td>98500</td><td></td><td>98500</td></tr></table> <p>Following details are available 1. The average monthly turnover from July 2015 onwards was double than that of the previous months 2. The rent for first 3 months was paid at 200 p.m and thereafter at a rate increased by Rs.50 p.m 3. Bad debts Rs.350 related to sale effect after 1st Sep 2015, and realization of bad debts was in respect of debts written off during 2013 4. Advertisement expenses were directly proportionate to the sales. You are required to find out profit prior to incorporation and state treatment thereof in the books of the company.</p> | To Commission | 2625 | By Gross Profit | 98,000 | To Advertisement | 5250 | By Bad Debt realised | 500 | To M.D Remuneration | 9700 | | | To Depreciation | 2800 | | | To Salaries | 18000 | | | To Insurance | 600 | | | To Rent & Tax | 3000 | | | To Discount | 350 | | | To Bad Debts | 1250 | | | To Net Profit | 54925 | | | | 98500 | | 98500 | K4 | CO2 |
| To Commission | 2625 | By Gross Profit | 98,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Advertisement | 5250 | By Bad Debt realised | 500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To M.D Remuneration | 9700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Depreciation | 2800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Salaries | 18000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Insurance | 600 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Rent & Tax | 3000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Discount | 350 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Bad Debts | 1250 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To Net Profit | 54925 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 98500 | | 98500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 18 | Explain the procedure for reduction and reorganization of capital. | K6 | CO3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 4 | 19 | <p>X Limited and Y Limited agreed amalgamate by transferring their undertakings to a new company Z Company Limited formed for that purpose. On the date of amalgamation balance sheet of the company were as under:</p> <table border="1"> <tr> <th>Liabilities</th><th>X Co.,</th><th>Y Co.,</th><th>Assets</th><th>X Co.,</th><th>Y Co.,</th></tr> <tr> <td>Equity share capital : shares of Rs. 10 each</td><td>5,00,000</td><td>3,00,000</td><td>Sundry assets</td><td>4,80,000</td><td>3,22,000</td></tr> <tr> <td>5% debentures</td><td>2,00,000</td><td>1,00,000</td><td>Free hold property</td><td>2,00,000</td><td>1,00,000</td></tr> <tr> <td>Reserve fund</td><td>-</td><td>50,000</td><td>Investments</td><td>50,000</td><td>20,000</td></tr> <tr> <td>Profit and loss account</td><td>30,000</td><td>20,000</td><td>Debtors</td><td>2,50,000</td><td>1,50,000</td></tr> <tr> <td>Mortgage loan</td><td>50,000</td><td>-</td><td>Preliminary expenses</td><td>20000</td><td>8000</td></tr> <tr> <td>Sundry creditors</td><td>2,20,000</td><td>1,30,000</td><td></td><td></td><td></td></tr> <tr> <td></td><td>10,00,000</td><td>6,00,000</td><td></td><td>10,00,000</td><td>6,00,000</td></tr> </table> <p>The Purchase consideration consisted of: 1. Discharge of debentures in X Company Limited and Y Company limited by the issue of equivalent amount of 6% in Z Limited. 2. The assumptions of liabilities of the companies. 3. Issue of shares at a premium of rupees 2 per share of equity shares of ₹ 10 each in Z Limited. For the purpose of amalgamation, the assets are to be revalued as under:</p> <table border="1"> <tr> <th>Particulars</th><th>X Co.,(Rs.)</th><th>Y Co.,(Rs.)</th></tr> <tr> <td>Goodwill</td><td>1,00,000</td><td>75,000</td></tr> <tr> <td>Sundry assets</td><td>4,10,000</td><td>2,80,000</td></tr> <tr> <td>Freehold property</td><td>2,60,000</td><td>1,40,000</td></tr> <tr> <td>Investments</td><td>51,000</td><td>20,000</td></tr> <tr> <td>Debtors</td><td>2,25,000</td><td>1,35,000</td></tr> </table> <p>Opening journal entries in the books of new company and also balance sheet.</p> | Liabilities | X Co., | Y Co., | Assets | X Co., | Y Co., | Equity share capital : shares of Rs. 10 each | 5,00,000 | 3,00,000 | Sundry assets | 4,80,000 | 3,22,000 | 5% debentures | 2,00,000 | 1,00,000 | Free hold property | 2,00,000 | 1,00,000 | Reserve fund | - | 50,000 | Investments | 50,000 | 20,000 | Profit and loss account | 30,000 | 20,000 | Debtors | 2,50,000 | 1,50,000 | Mortgage loan | 50,000 | - | Preliminary expenses | 20000 | 8000 | Sundry creditors | 2,20,000 | 1,30,000 | | | | | 10,00,000 | 6,00,000 | | 10,00,000 | 6,00,000 | Particulars | X Co.,(Rs.) | Y Co.,(Rs.) | Goodwill | 1,00,000 | 75,000 | Sundry assets | 4,10,000 | 2,80,000 | Freehold property | 2,60,000 | 1,40,000 | Investments | 51,000 | 20,000 | Debtors | 2,25,000 | 1,35,000 | K5 | CO4 |
|--|-------------|--|----------------------|-----------|----------|--------|--------------------------|----------|--|-----------|---------------------|---------------|----------------|----------|---------------|----------|----------|--------------------|---------------|----------|--------------|---|---------------------|-------------|--------|--------|-------------------------|-----------|--------|-----------|----------|----------|---------------|--------|---|----------------------|-------|------|------------------|----------|----------|--|--|--|--|-----------|----------|--|-----------|----------|-------------|-------------|-------------|----------|----------|--------|---------------|----------|----------|-------------------|----------|----------|-------------|--------|--------|---------|----------|----------|----|-----|
| Liabilities | X Co., | Y Co., | Assets | X Co., | Y Co., | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity share capital : shares of Rs. 10 each | 5,00,000 | 3,00,000 | Sundry assets | 4,80,000 | 3,22,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5% debentures | 2,00,000 | 1,00,000 | Free hold property | 2,00,000 | 1,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reserve fund | - | 50,000 | Investments | 50,000 | 20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit and loss account | 30,000 | 20,000 | Debtors | 2,50,000 | 1,50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortgage loan | 50,000 | - | Preliminary expenses | 20000 | 8000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sundry creditors | 2,20,000 | 1,30,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 10,00,000 | 6,00,000 | | 10,00,000 | 6,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Particulars | X Co.,(Rs.) | Y Co.,(Rs.) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Goodwill | 1,00,000 | 75,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sundry assets | 4,10,000 | 2,80,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Freehold property | 2,60,000 | 1,40,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investments | 51,000 | 20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debtors | 2,25,000 | 1,35,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 20 | <p>On 31 st Dec .1998.The balance sheet of a limited company disclosed the following position.</p> <table border="1"> <tr> <th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr> <tr> <td>Issued capital in Rs. 10</td><td>8,00,000</td><td>Fixed assets</td><td>10,00,000</td></tr> <tr> <td>Profit and loss a/c</td><td>40,000</td><td>Current assets</td><td>4,00,000</td></tr> <tr> <td>Reserves</td><td>1,80,000</td><td>Goodwill</td><td>80,000</td></tr> <tr> <td>5% debentures</td><td>2,00,000</td><td></td><td></td></tr> <tr> <td>Current liabilities</td><td>2,60,000</td><td></td><td></td></tr> <tr> <td></td><td>14,80,000</td><td></td><td>14,80,000</td></tr> </table> <p>On Dec. 31 1998,the fixed assets were independently valued at Rs. 7,00,000 and the goodwill at Rs. 1,00,000.The net profits for the three years were : 1996 – Rs.1,03,200 ; 1997 – Rs.1,04,000 and 1998 – Rs.1,03,300 of which 20 % was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10 % .compute the value of the company's share by (a) the net assets method and (b) the yield method.</p> | Liabilities | Rs. | Assets | Rs. | Issued capital in Rs. 10 | 8,00,000 | Fixed assets | 10,00,000 | Profit and loss a/c | 40,000 | Current assets | 4,00,000 | Reserves | 1,80,000 | Goodwill | 80,000 | 5% debentures | 2,00,000 | | | Current liabilities | 2,60,000 | | | | 14,80,000 | | 14,80,000 | K5 | CO5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Liabilities | Rs. | Assets | Rs. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Issued capital in Rs. 10 | 8,00,000 | Fixed assets | 10,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit and loss a/c | 40,000 | Current assets | 4,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reserves | 1,80,000 | Goodwill | 80,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5% debentures | 2,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liabilities | 2,60,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 14,80,000 | | 14,80,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Z-Z-Z END