

**PSG COLLEGE OF ARTS & SCIENCE**  
(AUTONOMOUS)  
**BVoc DEGREE EXAMINATION MAY 2025**  
(Third Semester)  
Branch - **BANKING, STOCK & INSURANCE**  
**CORPORATE ACCOUNTING**

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	Discount on issue of shares A/c is shown on ____ a) Assets side A/c b) Liabilities A/c c) Debit Side of P& L A/c d) Credit Side of P& L A/c	K1	CO1
	2	The underwriting commission in case of preference shares/debentures beyond Rs.5 lakhs as per SEBI guidelines, should not exceed: a) 2% b) 2.5% c) 5% d) 1.5%	K2	CO3
2	3	After redemption of debentures, the balance in the sinking fund A/c is transferred to ____ a) Secret reserve b) General reserve c) Capital reserve d) P& L A/c	K1	CO2
	4	The balance of Sinking fund investment A/C after the realization of Investment is transferred to ____ a) Profit & Loss A/c b) Debentures A/c c) Sinking Fund A/c d) Capital Reserve A/c	K2	CO3
3	5	Dividend is paid on ____ a) Authorised capital b) Issued capital c) Called up capital d) Paid up Capital	K1	CO1
	6	Securities premium is shown in the balance sheet of a company under ____ a) Share Capital b) Reserves and Surplus c) Long term borrowings d) Current liabilities	K2	CO3
4	7	For calculating the value of an equity share by yield method, it is essential to know ____ a) Normal rate of return b) Expected rate of return c) Net assets d) Capital Employed	K1	CO1
	8	Under Net assets method, the value of a share depends on the amount that would be available to ____ a) Preference shareholders b) Equity shareholders c) Creditors d) Debenture holders	K2	CO3
5	9	Amortisation of an intangible asset means ____ a) Purchasing asset b) Selling asset c) Recording the asset in books d) Writing off over estimated	K1	CO1
	10	Assets which are acquired for own use and not for resale are known as ____ a) Fixed Assets b) Miscellaneous expenditure c) Current assets d) Investments	K2	CO3

**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.	Kailash 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 Kailash Ltd., if such issue is (a) at par (b) at a premium of 20% and (c) at a discount of 10%.	K3	CO2
		(OR)		

Cont...

	11.b.	A Company issues 10,000 equity shares of Rs.10 each at par. The issue was underwritten by K & Co. for maximum commission permitted by law. The public applied for and received 8,000 shares. Give journal entries in the Company's books and also prepare balance sheet.	K3	CO2																																													
2	12.a.	On 31 <sup>st</sup> March 2018 "A" Ltd. Balance sheet showed 10,000 12% debentures of Rs.100 each outstanding. Interest on debentures is payable on 30 <sup>th</sup> September and 31 <sup>st</sup> March. On 31 <sup>st</sup> August 2018, the company purchased 500 of its own debentures as investment at Rs.97 ex-interest. Pass journal entries supposing that the company cancels all its own debentures on 01 <sup>st</sup> march 2019.	K3	CO2																																													
	(OR)																																																
	12.b.	Explain about the advantages of Sinking funds Investment method.																																															
3	13.a.	The following ledger balances were extracted from the books of Varun Ltd., as on 31.3.2013: Land & Building Rs.2,00,000; 12% Debentures Rs.2,00,000; share capital Rs.10,00,000 (Equity shares of Rs.10 each fully paid up); Plant & Machinery-Rs.8,00,000; Goodwill; Rs.2,00,000; Investment in shares of raja Ltd Rs.2,00,000; General Reserve Rs.1,95,000; Stock in trade Rs.1,00,000; Bills receivable Rs.50,000; Debtors Rs.1,50,000; Creditors Rs.1,00,000; Bank Loan (Unsecured) Rs.1,00,000; Provision for tax Rs.50,000; proposed dividend Rs.55,000. Prepare the balance sheet of the company as per Revised Schedule VI, Part I of the Companies Act 1956.	K4	CO5																																													
	(OR)																																																
	13.b.	<p>Prepare the Balance sheet as at 31<sup>st</sup> March 2010 from the following information of ABC Ltd as required under the Companies Act 1956:</p> <table><tr><th>Particulars</th><th>Amount (Rs)</th><th>Particulars</th><th>Amount (Rs)</th></tr><tr><td>Term Loan</td><td>10,00,000</td><td>Loss for the year</td><td>3,58,000</td></tr><tr><td>Creditors</td><td>11,45,000</td><td>Sundry Debtors</td><td>12,25,000</td></tr><tr><td>Advances</td><td>3,72,000</td><td>Loans from Directors</td><td>2,00,000</td></tr><tr><td>Cash &amp; Bank Balances</td><td>2,75,000</td><td>Provision for Doubtful Debts</td><td>20,200</td></tr><tr><td>Staff advances</td><td>55,000</td><td>Stock</td><td>4,00,000</td></tr><tr><td>Provision for tax</td><td>1,70,000</td><td>Fixed Assets (W.D.V)</td><td>51,50,000</td></tr><tr><td>Securities Premium</td><td>4,75,000</td><td>Finished Goods</td><td>7,50,000</td></tr><tr><td>Loose Tools</td><td>50,000</td><td></td><td></td></tr><tr><td>Investments</td><td>2,25,200</td><td></td><td></td></tr><tr><td>General Reserve</td><td>20,50,000</td><td></td><td></td></tr><tr><td>Capital Work-in Progress</td><td>2,00,000</td><td></td><td></td></tr></table> <p>Additional Information: (a) Share Capital consists of: (i) 30,000 equity shares of Rs.100 each fully paid up (ii) 10,000-10% equity shares of Rs.100 each fully paid up (b) Term loan is secured (c) Depreciation on assets: Rs.5,00,000.</p>			Particulars	Amount (Rs)	Particulars	Amount (Rs)	Term Loan	10,00,000	Loss for the year	3,58,000	Creditors	11,45,000	Sundry Debtors	12,25,000	Advances	3,72,000	Loans from Directors	2,00,000	Cash & Bank Balances	2,75,000	Provision for Doubtful Debts	20,200	Staff advances	55,000	Stock	4,00,000	Provision for tax	1,70,000	Fixed Assets (W.D.V)	51,50,000	Securities Premium	4,75,000	Finished Goods	7,50,000	Loose Tools	50,000			Investments	2,25,200			General Reserve	20,50,000			Capital Work-in Progress
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4	14.a.	Amarnath runs cosmetic store. His net assets on 31 <sup>st</sup> December 2018 announced to Rs.2,50,000. After paying rent of Rs.2,500 a year and a salary of Rs.12,000 to his manager, he earns a profit of Rs.75,000. His landlord is interested in acquiring g the business. 15% is considered to be reasonable return on capital employed. Calculate the value of Goodwill by capitalizing super profits.	K2	CO3																																
	(OR)																																			
	14.b.	<p>Don Allot Ltd., was formed to take over the assets and liabilities of Shri. Laxman and to acquire the adjacent premises. The balance sheet of Shri.Laxman on 31<sup>st</sup> December 2018 was as follows:</p> <table><tr><th>Liabilities</th><th>Rs</th><th>Assets</th><th>Rs</th></tr><tr><td>Trade Creditors</td><td>8,000</td><td>Cash in hand</td><td>2,000</td></tr><tr><td>Capital</td><td>1,60,000</td><td>Cash at Bank</td><td>12,000</td></tr><tr><td></td><td></td><td>Book Debts</td><td>18,000</td></tr><tr><td></td><td></td><td>Stock</td><td>78,000</td></tr><tr><td></td><td></td><td>Furniture</td><td>10,000</td></tr><tr><td></td><td></td><td>Land &amp; Buildings</td><td>48,000</td></tr><tr><td>Total</td><td>1,68,000</td><td>Total</td><td>1,68,000</td></tr></table> <p>The Purchase consideration was agreed at Rs.2,00,000 and was to be paid as under:</p> <ul style="list-style-type: none"><li>i. 5,600 equity shares of Rs.20 each, fully paid</li><li>ii. Rs.68,000 in 6% preference shares of Rs.100 each issued at par.</li><li>iii. Rs.20,000 in cash.</li></ul> <p>All assets and liabilities were valued as per above balance sheet except the book debts which were subject to a bad debts provision of 5%.</p> <p>The company raised further capital by issue of 15,000 equity shares of Rs.20 each.</p> <p>The adjoining premises were purchased for Rs.1,00,000 and additional stock of Rs.1,40,000 was obtained from open market.</p> <p>Record the above transactions in the books of Don Allot Ltd., through journal entries and draft its opening balance sheet.</p>	Liabilities	Rs	Assets	Rs	Trade Creditors	8,000	Cash in hand	2,000	Capital	1,60,000	Cash at Bank	12,000			Book Debts	18,000			Stock	78,000			Furniture	10,000			Land & Buildings	48,000	Total	1,68,000	Total	1,68,000		
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5	15.a.	<p>You are required to ascertain the value of inventories as per AS-2, Valuation inventories in the following cases.</p> <p>(a) A company has four items of material in stock 31.3.2016 whose purchase price and current market value as under:</p> <table><tr><th>Particulars</th><th>Original Purchase Price (Rs)</th><th>Current Market Value (Rs)</th></tr><tr><td>X</td><td>40,000</td><td>45,000</td></tr><tr><td>Y</td><td>80,000</td><td>76,000</td></tr><tr><td>Z</td><td>1,40,000</td><td>1,27,000</td></tr><tr><td>O</td><td>26,000</td><td>35,000</td></tr></table> <p>(b) The following are the costs for the period:</p> <table><tr><th>Particulars</th><th>Per Unit (Rs)</th></tr><tr><td>Material</td><td>80</td></tr><tr><td>Labor</td><td>30</td></tr><tr><td>Production Overhead</td><td>20</td></tr><tr><td>Selling Overhead</td><td>30</td></tr><tr><td>Total</td><td>160</td></tr></table> <p>During the period 80,000 units were produced, of which 10,000 are still in inventory.</p>	Particulars	Original Purchase Price (Rs)	Current Market Value (Rs)	X	40,000	45,000	Y	80,000	76,000	Z	1,40,000	1,27,000	O	26,000	35,000	Particulars	Per Unit (Rs)	Material	80	Labor	30	Production Overhead	20	Selling Overhead	30	Total	160	K4	CO5					
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	15.b.	<p>How would you deal with the following in the context of AS-I, disclosure of Accounting Policies?</p> <p>(a) Method of computation of travelling allowance to employees is changed during the current year, resulting in an addition of Rs.3,000 to the expense.</p> <p>(b) Method of valuation of fixed assets is changed during the year to reflect market values, their by resulting in additional depreciation of Rs.8 lakhs per annum and credit to revaluation reserve of Rs.20 Lakhs.</p> <p>(c) provision for "after sales service" is discontinued, resulting in an annual saving of Rs.80 lakhs.</p>																																		

**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>A Ltd was registered with an authorized capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its Trial balance on 31<sup>st</sup> March 2018.</p> <p style="text-align: center;"><b>Trial Balance of "A" Ltd</b></p> <table><tr><th>Particulars</th><th>Debit Balances (Rs)</th><th>Credit Balances (Rs)</th></tr><tr><td>Goodwill</td><td>25,000</td><td>-</td></tr><tr><td>Cash</td><td>750</td><td>-</td></tr><tr><td>Bank</td><td>39,900</td><td>-</td></tr><tr><td>Purchases</td><td>1,85,000</td><td>-</td></tr><tr><td>Preliminary Expenses</td><td>5,000</td><td>-</td></tr><tr><td>Share Capital</td><td>-</td><td>4,00,000</td></tr><tr><td>12% Debentures</td><td>-</td><td>3,00,000</td></tr><tr><td>P&amp;L A/c</td><td>-</td><td>26,250</td></tr><tr><td>Calls -in-arrears</td><td>7,500</td><td>-</td></tr><tr><td>Premises</td><td>3,00,000</td><td>-</td></tr><tr><td>Plant &amp; Machinery</td><td>3,30,000</td><td>-</td></tr><tr><td>Interim Dividend</td><td>39,250</td><td>-</td></tr><tr><td>Sales</td><td>-</td><td>4,15,000</td></tr><tr><td>Stock (1.4.2017)</td><td>75,000</td><td>-</td></tr><tr><td>Furniture &amp; Fixtures</td><td>7,200</td><td>-</td></tr><tr><td>Sundry Debtors</td><td>87,000</td><td>-</td></tr><tr><td>Wages</td><td>84,865</td><td>-</td></tr><tr><td>General Expenses</td><td>6,835</td><td>-</td></tr><tr><td>Freight &amp; Carriage</td><td>13,115</td><td>-</td></tr><tr><td>Salaries</td><td>14,500</td><td>-</td></tr><tr><td>Directors' fees</td><td>5,725</td><td>-</td></tr><tr><td>Bad debts</td><td>2,110</td><td>-</td></tr><tr><td>Debenture interest paid</td><td>18,000</td><td>-</td></tr><tr><td>Bills payable</td><td>-</td><td>37,000</td></tr><tr><td>Sundry Creditors</td><td>-</td><td>40,000</td></tr><tr><td>General Reserve</td><td>-</td><td>25,000</td></tr><tr><td>Provision for Bad debts</td><td>-</td><td>3,500</td></tr><tr><td><b>Total</b></td><td><b>12,46,750</b></td><td><b>12,46,750</b></td></tr></table> <p>Prepare statement of profit &amp; Loss and balance sheet in proper form after making the following adjustments:</p> <p>(i) Depreciate plant &amp; machinery by 15%</p> <p>(ii) Write off preliminary expenses</p> <p>(iii) Provide for 6 months interest on debentures</p> <p>(iv) Leave bad and doubtful debts provision at 5% on sundry debtors</p> <p>(v) Provide for income tax at 5%.</p> <p>(vi) Stock on 31.3.2018 was Rs.95,000.</p>	Particulars	Debit Balances (Rs)	Credit Balances (Rs)	Goodwill	25,000	-	Cash	750	-	Bank	39,900	-	Purchases	1,85,000	-	Preliminary Expenses	5,000	-	Share Capital	-	4,00,000	12% Debentures	-	3,00,000	P&L A/c	-	26,250	Calls -in-arrears	7,500	-	Premises	3,00,000	-	Plant & Machinery	3,30,000	-	Interim Dividend	39,250	-	Sales	-	4,15,000	Stock (1.4.2017)	75,000	-	Furniture & Fixtures	7,200	-	Sundry Debtors	87,000	-	Wages	84,865	-	General Expenses	6,835	-	Freight & Carriage	13,115	-	Salaries	14,500	-	Directors' fees	5,725	-	Bad debts	2,110	-	Debenture interest paid	18,000	-	Bills payable	-	37,000	Sundry Creditors	-	40,000	General Reserve	-	25,000	Provision for Bad debts	-	3,500	<b>Total</b>	<b>12,46,750</b>	<b>12,46,750</b>	K4	CO5
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2	17	The following is the balance sheet of Harbhajan Singh Ltd., as on June 30 <sup>th</sup> 2020:				K4	CO5																																																																						
		<table><thead><tr><th>Liabilities</th><th>Amount (Rs)</th><th>Assets</th><th>Amount (Rs)</th></tr></thead><tbody><tr><td>Share Capital: 30,000 6% redeemable preference shares of Rs.10 each fully paid</td><td>3,00,000</td><td>Fixed Assets</td><td>10,00,000</td></tr><tr><td>60,000 equity shares of Rs.10 each fully paid</td><td>6,00,000</td><td>Investments</td><td>2,10,000</td></tr><tr><td>Securities premium A/c</td><td>2,90,000</td><td>Current Assets: Stock</td><td>4,40,000</td></tr><tr><td>General Reserve A/c</td><td>4,00,000</td><td>Sundry Debtors</td><td>1,60,000</td></tr><tr><td>Profit &amp; Loss A/c</td><td>2,45,000</td><td>Cash at Bank</td><td>2,20,000</td></tr><tr><td>Sundry Creditors</td><td>1,95,000</td><td></td><td></td></tr><tr><td><b>Total</b></td><td><b>20,30,000</b></td><td><b>Total</b></td><td><b>19,00,000</b></td></tr></tbody></table>	Liabilities	Amount (Rs)	Assets			Amount (Rs)	Share Capital: 30,000 6% redeemable preference shares of Rs.10 each fully paid	3,00,000	Fixed Assets	10,00,000	60,000 equity shares of Rs.10 each fully paid	6,00,000	Investments	2,10,000	Securities premium A/c	2,90,000	Current Assets: Stock	4,40,000	General Reserve A/c	4,00,000	Sundry Debtors	1,60,000	Profit & Loss A/c	2,45,000	Cash at Bank	2,20,000	Sundry Creditors	1,95,000			<b>Total</b>	<b>20,30,000</b>	<b>Total</b>	<b>19,00,000</b>	<p>The Company exercised its option to redeem, on July 1, 2020, the whole of the preference shares at a premium of 5%. To assist in financing the redemption, all the investments were sold, realizing Rs.1,95,000. On September 1, 2020, the company made a bonus issue of seven equity shares fully paid for every six equity shares held on that date. The appropriate resolutions were passed and the above transactions were duly completed. You are required to show the journal entries and the balance sheet of the company as it would appear after completion of the transactions.</p>																																								
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3	18	The Silver Ore Co.Ltd. was formed on 1.4.2017 with an authorized capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares had been issued and subscribed but there were calls in arrears on 100 shares. From the following trial balance as on March 31, 2018, prepare statement of profit & Loss and the balance Sheet.				K4	CO5																																																																						
		<table><thead><tr><th>Particulars</th><th>Amount (Rs)</th><th>Particulars</th><th>Amount (Rs)</th></tr></thead><tbody><tr><td>Cash at Bank</td><td>1,05,500</td><td>Share Capital</td><td>5,19,750</td></tr><tr><td>Plant</td><td>40,000</td><td>Sale of Silver</td><td>1,79,500</td></tr><tr><td>Mines</td><td>2,20,000</td><td>Interest on F.D upto Dec.31</td><td>3,900</td></tr><tr><td>Promotion Expenses</td><td>6,000</td><td>Dividend on Investment</td><td>3,200</td></tr><tr><td>Advertising</td><td>5,000</td><td></td><td></td></tr><tr><td>Cartage on Plant</td><td>1,800</td><td></td><td></td></tr><tr><td>Furniture &amp; Buildings</td><td>20,900</td><td></td><td></td></tr><tr><td>Administrative Expenses</td><td>28,000</td><td></td><td></td></tr><tr><td>Repairs on Plant</td><td>900</td><td></td><td></td></tr><tr><td>Coal and Oil</td><td>6,500</td><td></td><td></td></tr><tr><td>Royalties paid</td><td>10,700</td><td></td><td></td></tr><tr><td>Railway track &amp; wagons</td><td>17,000</td><td></td><td></td></tr><tr><td>Wages of miners</td><td>74,220</td><td></td><td></td></tr><tr><td>Cash</td><td>530</td><td></td><td></td></tr><tr><td>Investment - Shares of tin Mines</td><td>80,000</td><td></td><td></td></tr><tr><td>Brokerage on Above</td><td>1,000</td><td></td><td></td></tr><tr><td>6% F.D in Syndicate Bank</td><td>89,000</td><td></td><td></td></tr><tr><td><b>Total</b></td><td><b>7,06,350</b></td><td><b>Total</b></td><td><b>7,06,350</b></td></tr></tbody></table>	Particulars	Amount (Rs)	Particulars			Amount (Rs)	Cash at Bank	1,05,500	Share Capital	5,19,750	Plant	40,000	Sale of Silver	1,79,500	Mines	2,20,000	Interest on F.D upto Dec.31	3,900	Promotion Expenses	6,000	Dividend on Investment	3,200	Advertising	5,000			Cartage on Plant	1,800			Furniture & Buildings	20,900			Administrative Expenses	28,000			Repairs on Plant	900			Coal and Oil	6,500			Royalties paid	10,700			Railway track & wagons	17,000			Wages of miners	74,220			Cash	530			Investment - Shares of tin Mines	80,000			Brokerage on Above	1,000			6% F.D in Syndicate Bank	89,000			<b>Total</b>
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4	19	<p>Strong Ltd., was formed with a nominal capital of Rs.15,00,000 consisting of 1,00,000 equity shares of Rs.10 each and 5,000 9% preference shares of Rs.100 each, to acquire on 01<sup>st</sup> July 2018, the business of A. Weak.</p> <p>Weak's Balance Sheet as on 30.06.2018 was as follows:</p> <table><tr><th>Liabilities</th><th>Amount (Rs)</th><th>Assets</th><th>Amount (Rs)</th></tr><tr><td>Capital A/C: A.Weak</td><td>7,82,900</td><td>Land &amp; Buildings</td><td>4,00,000</td></tr><tr><td>Trade Creditors</td><td>1,65,800</td><td>Plant &amp; machinery</td><td>2,40,000</td></tr><tr><td>Overdraft at New Bank Ltd.,</td><td>89,500</td><td>Stock</td><td>1,59,000</td></tr><tr><td></td><td></td><td>Debtors</td><td>2,38,600</td></tr><tr><td><b>Total</b></td><td><b>10,38,200</b></td><td><b>Total</b></td><td><b>10,38,200</b></td></tr></table> <p>The company took over all assets and assumed all the liabilities and the consideration was fixed at Rs.11,00,000. In computing this figure Land &amp; buildings were valued at Rs.6,00,000 Plant &amp; Machinery at Rs.2,00,000, stock at Rs.1,50,000 and debtors at book value subject to an allowance of 5% to cover doubtful debts. The transfer of the bank overdraft to the company was agreed by New Bank Ltd., on condition that debentures for Rs.1,00,000 were issued to the bank as collateral security.</p> <p>The purchase price was settled by the issue at par to "weak" of Rs.30,000 equity shares and 2,500 preference shares, the balance being paid in cash. Under writers Ltd., agreed to subscribe for Rs.70,000 equity shares in strong Ltd. At par and these were issued fully paid for cash on 01<sup>st</sup> July 2018. Strong Ltd., paid the formation expenses of Rs.18,750.</p> <p>You are required to prepare:</p> <p>(i) Journal entries, including those relating to cash, to close the books of A. Weak and</p> <p>(ii) Journal Entries and the balance sheet of Strong Ltd. Immediately after the completion of the above transactions.</p>	Liabilities	Amount (Rs)	Assets	Amount (Rs)	Capital A/C: A.Weak	7,82,900	Land & Buildings	4,00,000	Trade Creditors	1,65,800	Plant & machinery	2,40,000	Overdraft at New Bank Ltd.,	89,500	Stock	1,59,000			Debtors	2,38,600	<b>Total</b>	<b>10,38,200</b>	<b>Total</b>	<b>10,38,200</b>	K4	CO5
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5	20	<p>Jeevan ltd., earned a net profit after tax of Rs.90,00,000 during the year ended 31.3.2016.</p> <p>The Company's equity capital is 10,000 shares of Rs.10 each.</p> <p>The Company's has also issued 5,000 20% convertible debentures of Rs.20 each, convertible into shares at par.</p> <p>Compute Basic EPS and Diluted EPS as per AS-20, assuming Income Tax Rate at 30%.</p>	K4	CO5																								

Z-Z-Z END