

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION DECEMBER 2019
(Fourth Semester)

Branch - **CORPORATE SECRETARYSHIP**

CORPORATE ACCOUNTING -1

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks

(10x2 = 20)

- 1 What is share? List out various kinds of shares.
- 2 What is debenture? What are its characteristics?
- 3 List out the expenses which are to be divided on "time basis" while computing profit prior to Incorporation.
- 4 State any two items that appear under employees benefit expenses.
- 5 Write a note on purchase consideration.
- 6 What do you mean by amalgamation in the nature of purchase and merger?
- 7 Define "Holding company".
- 8 What is consolidated balance sheet?
- 9 Define "Goodwill"
- 10 How do you determine valuation of shares?

SECTION - B (25 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

- 11 a W Ltd. purchase land and building costing Rs.20,00,000 and in a payment allotted 20,000 equity shares of Rs.100 each as fully paid. Further the company issued 40,000 equity shares to the public. The shares were payable as follows: on application Rs.20, on allotment Rs.40, on call Rs.40. The public applied for all the shares which are allotted. All moneys were received. Give Journal Entries.

OR

- b On 1.4.2017, R Ltd. issued 2500, 8% debentures of Rs.100 each at 5% discount. Holders of the debentures have option to convert their holdings into equity shares of Rs.100 each at a premium of Rs.25 per share at any time within 3 years.

On 31.3.18, holders of 500 debentures notified their intention to exercise the option. Show the necessary journal entries in the company's books relating to issue and conversion of the debentures.

- 12 a S & R Co., Ltd was incorporated on July 1,1992 to purchase the business of Nisha Bros., as on 1.4.12 certification of commencement of business received on 1.8.12. The accounts for the year ended 31.3.13 disclosed net profits of Rs.80,000 after charging the following:

1. Directors salary - Rs. 10,000.
 2. Salaries - Rs.20,000 (4 employees in pre-incorporation period and six employees in post incorporation period).
 3. Wages - Rs.10,200(5 workers at Rs,80 per month in Pre-incorporation period and 10 workers at Rs.100 per month in post incorporation period).
- The sales were Rs.3,00,000 of which Rs.75,000 were Pre-incorporation period. Calculate profit earned in the pre and post incorporation periods.

OR

- b Explain the accounting treatment of interim dividend and final dividend.

Cont...

13a M ltd. and N ltd. agreed to amalgamate on the basis of the following balance sheet as on 31.3.17,

Liabilities	M (Rs.)	N (Rs.)	Assets	M (Rs.)	N (Rs.)
Share capital Rs.25 each	75,000	50,000	Goodwill	30,000	
Profit and Loss a/c	7,500	2,500	Fixed Assets	31,500	38,800
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation Fund		2,500	Debtors	8,000	5,200
			Bank	1,500	2,500
	86,000	58,500		86,000	58,500

i The assets and liabilities are to be taken over by a new company formed called P ltd., at book values. P ltd.'s capital is Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000 9% preference shares of Rs. 10 each.

P ltd. issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price. Pass journal entries in the books of P Ltd. and prepare its balance sheet, if the amalgamation is in the nature of purchase.

OR

b Following is the balance sheet of Sarny Ltd. As on 31.3.2014

Liabilities	Rs.	Assets	Rs.
Share capital: 8% preference shares of Rs. 100 each	3,75,000	Fixed assets	16,25,000
Equity shares of Rs.10 each	7,50,000	Investments	3,00,000
General reserve	4,50,000	Current Assets	2,50,000
7% debenture	3,50,000		
Current liabilities	2,50,000		
	21,75,000		21,75,000

Romy Ltd. Agreed to take over the business of Sarny Ltd.

Calculate purchase consideration under Net payment method on the basis of the following:

a. Romy Ltd. Agrees to discharge the 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.

b. Preference shares are discharged at a premium of 10% by issuing 10% preference shares of Rs.100 each in Romy Ltd.

c. For every 2 equity shares in Sarny Ltd. 3 equity shares of Rs.10 each in Romy Ltd. Will be issued in addition to cash payment of Rs.3 per equity share in Sarny Ltd.

14 a The following balance sheet of H lid and its subsidiary S ltd, as on 31.3.15

Liabilities	H Ltd. (Rs.)	S Ltd. (Rs.)	Assets	H Ltd. (Rs.)	S Ltd. (Rs.)
Share capital: Rs. 10 each fully paid	6,00,000	2,00,000	Machinery	3,00,000	1,00,000
General reserve	1,50,000	70,000	Furniture	70,000	45,000
Profit & Loss a/c	70,000	50,000	70% shares in S ltd. At cost	2,60,000	
Creditors	90,000	60,000	Stock	1,75,000	1,89,000
			Debtors	55,000	30,000
			Cash at Bank	50,000	10,000
			Preliminary expenses	—	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

H ltd., acquired the shares of S ltd. On 30th June 2014. On 1st April 14, S~ltd's general reserve and profit and loss account stood at Rs.60,000 and Rs.20,000 respectively. No part of the preliminary expenses was written off in the year ended 31.3.15.

Prepare consolidated balance sheet of FI ltd, and its subsidiary S ltd., as on 31.3.15.

OR

14 Cont...

b The balance sheets of C Ltd. and D Ltd. as at 31.12.2016 are as follows:

Liabilities	C Ltd (Rs.)	D Ltd (Rs.)	Assets	C Ltd (Rs.)	D Ltd (Rs.)
Share capita(in shares of Rs.10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
General reserves	18,000	20,000	Goodwill	-	20,000
Profit & Loss a/c	24,500	23,000	Shares in D ltd, at cost	1,40,000	-
creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

n the case of D Ltd., profit for the year ended 31.12.2016 is Rs.12000 and transfer to reserve is Rs.5000. The holding of C Ltd. in D Ltd. is 90% acquired on 30th June 2016. Draft a consolidated balance sheet of C Ltd. and its subsidiary.

15 a From the following information calculate the value per equity share:

- 5,000, 8% preference shares of Rs.100 each. Rs.5,00,000.
- 75,000 equity shares of Rs.10 each, Rs.8 per share paid up Rs.6,00,000.
- Expected profits per year before tax Rs.2,80,000.
- Rate of Tax 50%.
- Transfer to general reserve every year 20% of the profit.
- Normal rate of earnings 10%

OR

b From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

- Average capital employed in the business Rs.20,00,000.
- Rate of interest expected from capital having regard to the risk involved is 10%
- Net trading profits of the firm for the past three years were Rs.3,50,400; Rs.2,80,300; and Rs.3,10,100.
- Fair remuneration to the partners for their services is Rs.48,000 per annum.
- Sundry Assets of the firm are Rs.23,50,400 and current liabilities are Rs.95,110.

SECTION - C (30 Marks)Answer any **THREE** Questions**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

16 A company issued 10,000 equity shares of Rs.10 each at a premium of Rs.3 per share payable Rs.5 on application; Rs.5 (including premium) on allotment and the balance on call. All the shares offered were applied for and allotted. All the moneys due on allotment were received except on 200 shares. Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money was not received. Pass the necessary journal entries to record the above and also show how this will appear in the balance sheet of the company.

17 Give the format of profit and loss and Balance sheet as per revised Schedule VI.

18 The following are the balance sheet of X Ltd. as on 31.3.16.

Liabilities	Rs.	Asset	Rs.
Share capital: 200000 shares of Rs. 10 each	20,00,000	Land & building	10,00,000
General reserves	2,50,000	Plant & machinery	15,00,000
Dividend equalization reserve	2,00,000	Furniture	25,000
Profit & Loss a/c	51,000	Stock	6,00,000
12% debentures	10,00,000	Work-in-Progress	3,00,000
Sundry creditors	3,00,000	Sundry debtors	2,50,000
		Cash at bank	1,26,000
	38,01,000		38,01,000

18 Cont...

The company was absorbed by A ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of sundry creditors and a payment of Rs.7 in cash and one share of Rs.5 in A ltd. at the market value of Rs.8 per share for every share in X ltd. The cost of liquidation of Rs. 15,000 is to be met by the purchasing company. Close the books of X Ltd., and pass the necessary journal entries in the books of A ltd.

- 19 On 31 march 2016, the Balance sheet of A ltd., and its subsidiary B ltd. stood as follows:

Liabilities	A ltd (Rs.)	B ltd (Rs.)	Assets	A ltd (Rs.)	B ltd (Rs.)
Equity share capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General reserve	1,50,000	70,000	75% shares in B Ltd. (at cost)	2,80,000	
Profit & Loss a/c	90,000	55,000	Stock	1,05,000	1,77,000
Creditors	1,20,000	80,000	Other current assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	11,60,000

Draw a consolidated balance sheet as at 31st march 2016 after taking into consideration the following information:

- A Ltd. acquired the shares on 31st July, 2015.
- B Ltd. earned profit of Rs.45,000 for the year ended 31st March 2016.
- In January 2016 B ltd. sold to A Ltd., goods costing Rs. 15,000 for Rs.20,000. On 31st march 2016 half of these goods were lying as unsold in the godown of A ltd. Give your working notes.

- 20 The following is the summarized Balance sheet of Adams Ltd as on 30.9.18

Liabilities	Rs.	Assets	Rs.
Share capital: 30,000 equity shares of Rs.10 each	3,00,000	Freehold Property	1,20,000
Reserves & surplus:		Plant	50,000
General reserve 1,20,000		Stock	3,10,000
Capital reserve 40,000		Debtors	2,03,000
Profit & Loss a/c 1,20,000	2,80,000	Bank	1,17,000
Current liabilities & Provisions:		Cash	1,700
Creditors 93,700			
Income tax payable 11,500			
Proposed dividend 34,500			
Bills Payable 82,000	2,21,700		
	8,01,700		8,01,700

Net Profit (before taxation) for the past three years ended: '■

- 30.9.16-Rs.1,38,000, 30.9.17 - Rs.1,83,000, 30.9.18 - Rs.1,97,000.
- Freehold property was valued early in 2018 at Rs. 1,60,000.
- Average yield in this type of business is 15% on capital employed. It is the practice of the company to transfer 25% of the profits to reserve. You are required to find out the value of each equity share on the basis of above mentioned facts.

Z-Z-Z

END