

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MCom (CS) DEGREE EXAMINATION MAY 2018  
(First Semester)

Branch – CORPORATE SECRETARYSHIP

ADVANCED CORPORATE ACCOUNTING-I

Time : Three Hours

Maximum : 75 Marks

SECTION -A (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks (5 x 6 = 30)

- 1 a What is share forfeiture? What entry to be passed for share forfeiture and reissue of share?
- OR
- b X Co. Ltd., issued prospectus inviting application for 10,000 shares of Rs. 10 each payable as follows :  
On application – Rs. 2 per share, on allotment Rs. 4 per share and on 1 and final call Rs. 4 per share. The issue is fully subscribed and paid off. Pass journal entries.
- 2 a Briefly explain the rules relating to managerial remuneration.
- OR
- b The accounts of the Thackery Ltd. showed an amount of Rs. 3,00,000 to the credit of profit & loss account on 31-3-1998 out of which the directors decided to place Rs. 60,000 to general reserve and Rs. 42,000 to debenture redemption fund. At the annual general meeting held on 15-6-1998, it was decided to place Rs. 20,000 to a development reserve and to pay a bonus of 2 ½ % of the profit to the directors as additional remuneration. The payment of the half-yearly dividends on Rs. 5,00,000 6% cumulative preference shares on Sept. 30, 1997 and March, 31, 1998 was confirmed and a dividend @ 10% was declared on the equity share capital of the face value of Rs. 6,00,000. the balance of Profit & Loss Account is to be carried forward to next year profit & Loss Appropriation A/c showing the above arrangements.
- 3 a Briefly explain the methods of calculating purchase consideration.
- OR
- b The following list of reconstruction has been approved for B Ltd :
- a. The shareholders to receive in lieu of their present holding of 50,000 shares of Rs. 10 each, the following :
- i) Fully paid equity shares equal to 2/5 of their building
- ii) 10% preference shares, fully paid, to the extent of 1/5 of the above new equity shares and
- iii) Rs. 60,000 14% second debentures.
- b. An issue of Rs. 50,000 12% first debentures was made and allotted, payment for the same being received in cash forthwith.
- c. Goodwill which stood at Rs. 1,50,000 was completely written off.
- d. Plant and Machinery which stood at Rs. 1,00,000 was written down to Rs. 75,000.
- e. Freehold and lease hold premises which stood at Rs. 1,75,000 were written down to Rs. 1,50,000.
- Give journal entries in the books of the company necessitated by the above reconstruction.

Cont...

- 4 a From the following particulars, compute the value for Equity Share under Net Assets Method :

Total Assets at Market value	49,80,000
Total Outside Liabilities	19,00,000
2,00,000 Equity shares of Rs. 10 each	20,00,000

OR

- b 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 employed 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 year's purchase of super profits.

- 5 a What do you mean by rebate on bills discount? What entry that you pass in the books to record it?

OR

- b The revenue account of a life assurance company shows the life Assurance Fund on 31-12-1988 at Rs. 62, 21,310, before taking into account the following :

	Rs.
a) Claims covered under reinsurance	12,000
b) Bonus utilized in reduction of life insurance premium	4,500
c) Interest accrued on securities	8,260
d) Outstanding premiums	5,420
e) Claims intimated but not admitted	26,500

Calculate the correct Life Assurance Fund.

**SECTION -B (45 Marks)**

Answer any **THREE** questions

**ALL** questions carry **EQUAL** Marks (3 x 15 = 45)

- 6 Ashok Company Limited issued a prospectus inviting applications for 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows :  
 On Application – Rs. 2;                      On Allotment – Rs. 5 (including premium);  
 On first call – Rs. 3;                              On Final Call – Rs. 2

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. Rahim to whom 40 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited. Ravi, the holder of 60 shares failed to pay the two calls, and his shares were forfeited after the second call. Of the forfeited shares, 80 shares were sold to Kannan credits as fully paid for Rs. 9 per share, the whole of Rahim's shares being included. Show journal entries in the books of the Company.

- 7 M Co Ltd with an authorized capital of Rs. 5,00,000 divided into equity share of 100 each on 31-12-2016 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger 31-12-2016 :

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 (31-3-2017)	6,720	Reserve	25,000
Salaries	18,500	Loan from M. D	17,100

7 Cont...

Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisement	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Call in arrears	5,000		
	<b>6,60,270</b>		<b>6,60,270</b>

You are required to prepare Profit and Loss account for three year ending 31-12-2016 and the balance sheets as on that date. The following further information is given

- 1) Closing stock was valued Rs. 1,91,500
- 2) Depreciate plant @ 15% and furniture @10%
- 3) A tax provision of Rs. 8,000 is considered necessary
- 4) The directors declared an interim dividend on 15-8-2016 for 6 months ending 31-06-2016 @ 6%

8 The following is the balance sheet of X Ltd. as on 31-3-1996 :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Land & Buildings	5,00,000
1,00,000 shares of Rs. 10 each	10,00,000	Plant & Machinery	7,50,000
General reserve	1,25,000	Furniture	12,500
Dividend equalization reserve	1,00,000	Stock	3,00,000
Profit & Loss a/c	25,500	Work in progress	1,50,000
12% debenture	5,00,000	Sundry debtors	1,25,000
Sundry creditors	1,50,000	Cash at bank	63,000
	<b>19,00,500</b>		<b>19,00,500</b>

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 journal entries in the books of A Ltd.

9 On 31<sup>st</sup> December 1995, the Balance Sheet of a Limited Company disclosed the following position :

Liabilities	Rs.	Assets	Rs.
Capital :		Fixed Assets	5,00,000
40,000 Equity shares of Rs. 10 each	4,00,000	Current Assets	2,00,000
Reserves	90,000	Goodwill	40,000
Profit & Loss Account	20,000		
5% debentures	1,00,000		
Current Liabilities	1,30,000		
	<b>7,40,000</b>		<b>7,40,000</b>

Cont...

9. Cont...

On 31<sup>st</sup> December 1995, the Fixed Assets were independently valued at Rs. 3,50,000 and the Goodwill at Rs. 50,000. The Net profits for the three years were : 1993 – Rs. 51,600; 1994 – Rs. 52,000 and 1995 – Rs. 51,650 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 investment return may be taken at 10%. Compute the value of the company's share by (i) net Asset Method (ii) Yield Method.

10 From the following information, prepare profit and loss account of Swadesh Bank Ltd., for the year ended 31<sup>st</sup> Dec 1987.

	Rs. ('000)
Interest on fixed deposits	430
Interest on loans	650
Discount on bills discounted	415
Interest on overdrafts	210
Interest on cash credits	410
Interest on saving bank deposits	125
Salaries and allowances	140
Rent, taxes, insurance and lighting	40
Lockers rent	5
Repairs to bank property	2
Commission's fee and allowances	24
Director's fees and allowances	25
Transfer fee	2
Provident fund contribution	12
Local committee fees and allowances	10
Audit fees	12
Printing and stationary	4
Loss on sale of government securities	5
Loss on sale of furniture	2
Postage and telegrams	2
Depreciation	10
Advertisement	4
Legal charges	3

**Additional Information :**

- i) Rebate on bills discounted on 31<sup>st</sup> Dec., 1986 – Rs. 19,000.
- ii) Rebate on bills discounted on 31<sup>st</sup> Dec., 1987 – Rs. 26,000.
- iii) Bad debts to be written off – Rs. 40,000
- iv) Provide for taxation – Rs. 50,000

Z-Z-Z

END