PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION MAY 2018
(Fourth Semester)

Branch – **CORPORATE SECRETARYSHIP**

CORPORATE ACCOUNTING -I

Time : Three Hours Maximum : 75 Marks

SECTION-A (20 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (10 x 2 = 20)

1 What is meant by lien on shares?
2 What do you mean by rights issue of shares?
3 What is unclaimed dividend?
4 What do you understand by managerial remuneration?
5 What is amalgamation?
6 What do you mean by external reconstruction?
7 What is holding company?
8 What is meant by revenue profits?
9 Define goodwill.
10 Give formula to find yield value per share.

SECTION - B (25 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

11 a Moon Rays Ltd., issued 50,000 8% debentures of Rs. 10 each to the public at par, to be paid Rs. 4 on application and the balance on allotment.

Applications were received for 48,000 debentures, allotment was made to all applicants and the amount due was received promptly.

Give journal entries to record the transactions and show how they appear in the balance sheet of the company.

OR

b A company has 10,000 9% redeemable preference shares of Rs. 100 each fully paid. The company decides to redeem the shares on 31st Dec 2015 at a premium of 10%. The company makes the following issues:

i) 6,000 equity shares of Rs. 100 each at a premium of 10%
ii) 4,000 8% debentures of Rs. 100 each

The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits.

You are required to give the necessary entries.

12 a From the following data, calculate profit prior to incorporation

Time ratio	-	1 : 2
Sales ratio	-	1 : 3
Gross profit	-	Rs. 1,70,500
Administrative expenses	-	Rs. 69,600
Expenses relating to sales	-	Rs. 18,600
Preliminary expenses	-	Rs. 11,560.

OR

b From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.

The profit & loss account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

Cont ...

12 b Cont ...

		Rs.
i)	Depreciation (including special depreciation of Rs. 40,000)	1,00,000
ii)	Provision for income tax	2,00,000
iii)	Donation to political parties	50,000
iv)	Ex-gratia payment to a worker	10,000
v)	Capital profit on sale of assets	15,000

13 a Spring field Ltd., is absorbed by sports field ltd., the consideration being:
i) The taking over of the trade liabilities of Rs. 40,000
ii) The payment of cost of absorption of Rs. 15,000
iii) The repayment of 'B' debentures of spring field Ltd., of Rs. 2,00,000 at par;
iv) The discharge of 'A' debentures of Rs. 3,00,000 in the vendor Co. at premium of 10% by the issue of 8% debentures in sports field ltd., at par;
v) A payment of Rs. 20 per share in cash and the exchange of 4 fully paid Rs. 10 shares in sports field ltd., at a market price of Rs. 15 per share for every Rs. 50 share in spring field Ltd., which were 40,000 in number.

You are required to find out the purchase consideration.

OR

b Distinguish between pooling of interest method and purchase method.

14 a H Ltd., purchased 75% of shares in S Ltd, on 1.7.15. On 31.12.15 the balance sheet of S Ltd. Showed reserve fund balance on 1.1.15 Rs. 40,000, profit earned during 2015 Rs. 60,000 and preliminary expenses unwritten off Rs. 20,000. Calculate capital profits and revenue profits.

OR

b Prepare a consolidated balance sheet from the following balance sheets:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd Rs.
Capital :			Sundry assets	885	1,510
Re. 1 shares	1,400	1,000	Shares in 'S' Ltd		
Creditors	350	190	900 shares at cost	1125	-
P & L A/c	260	320			
	2010	1510		2010	1510

On the date of acquisition of shares by H Ltd. in S Ltd., the credit balance on latter's profit and loss account was Rs. 220. No dividends have been declared since that date.

15 a Average capital employed in Kausik Ltd. is Rs. 35,00,000 where as net trading profits 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 was paid a salary of Rs. 10,000 p.m. But now he would be paid a salary Rs. 12,000 p.m. Normal rate of return expected in the industry in which Kausik Ltd., is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three year's purchase of the super profits.

OR

b What are the factors affecting the value of shares?

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

16 The balance sheet of 'Y' Ltd. as on 31.12.2014 disclosed the following information:

16 Cont ...

		Rs.
a)	15% debentures	8,00,000
b)	Debentures sinking fund	3,40,000

c) Debenture sinking fund investment represented by Rs. 80,000 own debentures purchased at 98 and the remaining amount by Rs. 2,80,000 4% stock.

On the above date, directors redeemed all the debentures. For this purpose, they realised 4% stock at par. They utilized Rs. 1,20,000 for redemption out of current year's profits. You are required to give journal entries.

17 The following trial balance of Nallis Ltd., asset 30th Dec. 2015 is given to you.

Debits	Rs.	Credits	Rs.
Stock (1.1.2015)	80,000	8.000 equity shares of	
Bank	17,600	Rs. 100 each, Rs. 75 paid	6,00,000
Patents	60,000	6% debentures	2,00,000
Calls-in-arrears	20,000	Sundry creditors	1,00,000
Returns inwards	30,000	General reserve	80,000
Purchases	7,72,000	Sales	10,00,000
Wages	1,08,000	Returns outwards	20,000
Insurance prepaid	400	P & L A/c (Cr)	12,000
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & machinery	4,00,000		
Land & buildings	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

Additional information:

i) The value of stock on 31st Dec 2015 was Rs. 74,000
ii) Outstanding wages totaled Rs. 10.000
iii) A provision 5% is to be credited on sundry debtors for doubtful debts
iv) Depreciate patents @ 10% and plant & machinery @ 7½% and on land & building @ 4%.

You are required to prepare trading and profit & loss A/c for the year ended 31.12.2015 and balance sheet as on that date.

18 The following are the balance sheets of Honey Ltd., and stark Ltd., as on 31.3.2015.

Liabilities	Honey Ltd. Rs.	Stark Ltd. Rs.	Assets	Honey Ltd. Rs.	Stark Ltd Rs.
Share capital:			Fixed assets	2,40,000	5,00,000
Shares of Rs. 10 each	2,00,000	4,00,000	Debtors	40,000	20,000
General reserve	80,000	1,20,000	Stock	60,000	80,000
P & L A/c	20,000	-	Cash	20,000	20,000
Creditors	60,000	1,00,000			
	3,60,000	6,20,000		3,60,000	6,20,000

Stark Ltd. agreed to absorb Honey Ltd. on the following terms:

i) Stark Ltd., to give one share of Rs. 10 each, at an agreed value of Rs. 30 per share for every three shares in Honey Ltd. The shares of stark Ltd are quote in the market at Rs. 45 per share.

18 Cont ...

ii) The trade liability is to be taken over.

Give the required journal entries in the books of stark Ltd., and the balance sheet after the absorption is completed if the amalgamation is in the nature of purchase.

19 The Balance sheets of C Ltd., and D Ltd as at 31st Dec, 2015 are as follows:

Liabilities	C Ltd. Rs.	D Ltd. Rs.	Assets	C Ltd. Rs.	D Ltd Rs.
Share capital (in shares of Rs. 10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
			Goodwill	-	20,000
General reserve	18,000	20,000	Shares in 'D' Ltd. at cost	1,40,000	-
Profit & loss A/c	24,500	23,000			
Creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

In the case of 'D' Ltd., profit for the year ended 31st Dec 2015 is Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of C Ltd., in D Ltd., is 90% acquired on 30th June 2015.

Draft a consolidated balance sheet of 'C' Ltd and its subsidiary.

20 From the following information calculate the value per equity share.

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

Z-Z-Z END