

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2023
(Fourth Semester)

Branch – COMMERCE (COST & MANAGEMENT ACCOUNTING)

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

- 1 Premium on issue of shares can be used for _____.
(i) Distribution of dividend (ii) Writing off capital losses
(iii) Transferring to general reserve (iv) Paying fees to directors
- 2 Capital redemption reserve is created _____.
(i) To meet legal requirements (ii) Out of share forfeiture A/c
(iii) Out of securities premium A/c (iv) Voluntarily
- 3 Dividend received by a financial company is shown in the statement of profit and loss as _____.
(i) Other income (ii) Revenue from operation
(iii) Any of the above (iv) None of the above
- 4 Goodwill is shown in company's balance sheet under the head _____.
(i) Investments (ii) Current assets
(iii) Fixed assets (iv) Miscellaneous expenditure
- 5 A holding company is one which holds more than _____.
(i) 50% of share capital of subsidiary company
(ii) 2/3rd share capital of subsidiary company
(iii) 75% of share capital of Government company
(iv) 40% of share capital of Government Company

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 a) Kandan Ltd issued 40,000 shares of Rs.10 each payable in full an application as per a 'private placement agreement'. The company received application for 40,000 shares. Applications were accepted in full. Show journal entries in the books of Kandan Ltd.
OR
b) Bharat Ltd issued 1, 50,000 equity shares. The whole of the issue was underwritten as follows:
A-50%; B-25%; and C-25%
Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares and the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp. Determine the liability of the underwriters.
- 7 a) B Ltd had issued 50,000 redeemable preference shares of Rs.10 each, Rs.8 paid. In order to redeem these shares, the company issued for cash 30,000 equity shares of Rs.10 each at a premium of Rs.2 per share. Out of the cash proceeds the redeemable preference shares were paid and the balance was met out of the reserve fund which stood at Rs.2, 50,000. Give journal entries in the books of the company.
OR
b) X Ltd issued 5,000 8% debentures of Rs.100 each at par on 1-4-2010 which is repayable at 10% premium at the end of 4 years. Give journal entries for issue and redemption if
a) The redemption is out of profits
b) The redemption is out of capital.

Cont...

- 8 a) The following is the Trial balance of A Ltd as on 30.6.2010.

Particulars	Debit Rs.	Credit Rs.
Stock on 30.6.2009	7500	
Purchases and sales	24,500	35,000
Wages	5,000	
Discounts	700	500
Salaries	750	
Rent	495	
Insurance	1,705	
Profit & Loss A/c (2009)		1,503
Dividend paid	900	
Capital		10,000
Debtors and Creditors	3,750	1,750
Machinery	2,900	
Cash at bank	1,620	
Reserve		1,550
Bad debts	483	
	50,303	50,303

- i) Stock on 30.6.2009 Rs.8,200
 ii) Depreciate machinery at 10%
 iii) Provide 5% discount on debtors
 iv) Provide 2 1/2 % discount on creditors
 v) Six months insurance was unexpired at Rs.75 per annum
 vi) One month's rent @ Rs.540 per annum was due on 30th June
 vii) Provide managing director's commission, 15% on the net profits before deducting his commission.

You are required to prepare statement of profit & loss account for the year ended 30.6.2009 and the Balance sheet on that date.

OR

- b) What is the maximum rate of managerial remuneration in case of a public limited company?
 9 a) Calculate the amount of goodwill on the basis of three years purchase of the last five years' average profits. The profits for the last five years are:

	Rs.
I Year	4,800
II Year	7,200
III Year	10,000
IV Year	3,000
V Year	5,000

OR

- b) The following particulars relate to a limited company which went into voluntary liquidation:

	Rs.
Preferential creditors	25,000
Unsecured creditors	58,000
6% debentures	30,000

The assets realized Rs.80,000. The expenses of liquidation amounted to Rs.1,500 and the liquidator's remuneration was agreed at 2^{1/2}% on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors.
 Show the liquidator's final statement of account.

- 10 a) How do you calculate cost of control?

OR

- b) H Ltd. acquired 3,000 equity shares in S Ltd. on 1st April 2017. On 31st December 2017 the Balance sheet of S Ltd. was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital: 4,000 equity shares of Ra,100 each	4,00,000	Sundry assets	6,40,000
General reserve On 1.1.2017	80,000		
Profit & loss A/c Balance on 1.1.2017 20,000 Profit for 2017 80,000	1,00,000		
Sundry creditors	60,000		
	6,40,000		6,40,000

Ascertain capital profits and revenue profits.

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SECTION - C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a) Wye Ltd issued for public subscription 20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:
 On application – Rs.2 per share
 On allotment - Rs.5 per share
 On first call - Rs.2 per share
 On second call – Rs.3 per share
 Applications were received for 30,000 shares. Allotment was made pro-rata to the applicants for 24,000 shares, the remaining applications were refused. Money over paid on application was utilized towards sums due on allotment.
 Akbar, to whom 800 shares were allotted, failed to pay allotment and calls money and Babar to whom 1,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second call was made. All the forfeited shares were sold to Charles as fully paid up at Rs.8 per share.
 Show the journal entries in the books of Wye Ltd.

OR

- b) Varshan Ltd. issued 40,000 shares of Rs.10 each at a premium of Rs.2 per share. The shares were payable as follows:
 Rs.2 on application
 Rs.5 on allotment (including premium)
 Rs.5 on first & final call.
 All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these was reissued as fully paid at Rs.8 per share.
 Give the necessary journal entries, prepare the bank A/c and the balance sheet of the company.

- 12 a) The balance sheet of Exchange Ltd. as on 31.3.2019 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital: 50,000 Equity shares of Rs.10 each, fully paid	5,00,000	Sundry assets	9,20,000
4,000 Redeemable preference shares of rs.100 each fully paid	4,00,000	Bank balance	6,00,000
Profit and loss A/c	5,20,000		
Creditors	1,00,000		
	15,20,000		15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended balance sheet.

OR

- b) Explain the different methods of redemption of debentures.
- 13 a) Moon and Star Co.Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2015 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

Trial balance of Moon & Star Co.Ltd.

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. 2016)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

13 a) Cont...

You are required to prepare statement of profit & loss for the year ended 31.12.2015 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs.1, 91,500
- Depreciation on plant at 15% and on furniture at 10% should be provided
- A tax provision of Rs.8, 000 is considered necessary.
- The directors declared an interim dividend on 15.8.2015 for 6 months ending June 30, 2015 @ 6%
- Provide for corporate dividend tax @ 17%

OR

- b) 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 31st March 2018.

	Debit balance Rs.	Credit balance 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 (Cr)	-	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 (1.4.97)	75,000	-
Furniture & Fixtures	7,200	-
Sundry debtors	87,000	-
Wages	84,865	-
General expenses	6,835	-
Freight and carriage	13,115	-
Salaries	14,500	-
Director's 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
	12,46,750	12,46,750

Prepare statement of profit & loss and balance sheet in proper form after making the following adjustments:

- Depreciate plant and machinery by 15%
- Write off preliminary expenses
- Provide for 6 months interest on debentures
- Leave bad and doubtful debts provision at 5% on sundry debtors
- Provide for income tax at 50%
- Stock on 31.3.2018 was rs.95, 000
- Provide for corporate dividend tax @ 17%

- 14 a) The balance sheet of James company Ltd. as on 31st December 2018 was as follows:

liabilities	Rs.	Assets -	Rs.
20,000 shares of Rs.10 each	2,00,000	Land & Buildings	1,68,000
Profit & loss	40,000	Plant & Machinery	1,20,000
Debentures	30,000	Furniture & Fittings	10,000
Trade Creditors	40,000	5% (tax free) Govt.bonds	40,000
Provision for taxation	18,000	Stock	4,000
Proposed dividend	30,000	Book debts	12,000
		Cash	4,000
	3,58,000		3,58,000

Cont...

14 a) Cont...

The net profits of the company after charging depreciation and taxes were as follows:

	Rs.
2014	34,000
2015	38,000
2016	36,000
2017	40,000
2018	38,000

On 31st December 2018 Land & Building were revalued at Rs.1, 90,000; Plant & Machinery at Rs.1, 42,000; and Furniture and fittings at Rs.8, 000.

10% represents a fair commercial rate of return on investment in the company. Calculate the value of goodwill basing it at five years purchase of the average super profits for the last five years.

OR

- b) P Ltd. was placed in voluntary liquidation on 31.12.2012 when its balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Issued share capital: 50,000 equity shares of Rs.10 each fully paid 5,00,000 Less: calls in arrear 25,000 -----	4,75,000	Freehold factory	5,80,000
6,000 5% cumulative preference Shares of Rs.100 each fully paid	6,00,000	Plant & machinery	2,89,000
Securities premium A/c	50,000	Motor vehicles	57,500
5% debentures A/c	1,00,000	Stock	1,86,000
Interest on debentures	2,500	Debtors	74,000
Bank overdraft	58,000	Profit & loss A/c	2,14,000
Creditors	1,15,000		
	14,00,500		14,00,500

The preference dividends are in arrears from 2009 onwards.

The company's articles provide that on liquidation, out of the surplus assets remaining after payment of liquidation costs and outside liabilities, there shall be paid firstly all arrears of preference dividend, secondly the amount paid up on the preference shares together with a premium thereon of Rs.10 per share, and thirdly the balance then remaining shall be paid to the equity shareholders.

The bank overdraft was guaranteed by the directors who were called upon by the bank to discharge their liability under the guarantee. The directors paid the amount to the bank.

The liquidator realized the assets as follows:

	Rs.
Free hold factory	7,00,000
Plant & machinery	2,40,000
Motor vehicles	59,000
stock	1,50,000
Debtors	60,000
Calls in arrears	25,000

Creditors were paid less discount of 5%. The debentures and accrued interest was repaid on 31.3. 2013.

Liquidation expenses were Rs.3, 820 and the liquidator's remuneration was 2% on the amounts realized.

Prepare the liquidator's statement of account.

- 15 a) On 31st March, 2016 the balance sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S 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 S Ltd. (at cost)	2,80,000	-
Profit & Loss A/c	90,000	55,000	Stock	1,05,000	1,77,000
	1,20,000	80,000	Other current assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	4,05,000

Cont...

15 a) Cont...

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

- i) H Ltd. acquired the shares on 31st July, 2015.
 - ii) S Ltd. earned profit of Rs. 45,000 for the year ended 31st March, 2016.
 - iii) In January 2016 S Ltd. sold to H 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 H Ltd.
Give your working notes.

OR

- b) X Ltd. purchased 750 shares in Y Ltd. on 1.7.2014. The following were their balance sheets on 31.12.2014.

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Share capital: Shares Of Rs. 100 each	3,00,000	1,00,000	Buildings	2,05,000	1,25,000
Gen. reserve on 1.1.2014	1,00,000	70,000	stock	1,00,000	80,000
Profit & loss A/c	1,00,000	60,000	debtors	1,00,000	40,000
Creditors	80,000	40,000	Investment in Y Ltd	1,00,000	-
Bills payable	50,000	20,000	Bills receivable	40,000	45,000
Current account: X Ltd	-	20,000	Cash at bank	60,000	20,000
			Current Account: Y Ltd	25,000	-
	6,30,000	3,10,000		6,30,000	3,10,000

Additional information:

- a) Bills receivable of X Ltd. include rs. 10,000 accepted by Y Ltd.
 - b) Debtors of X Ltd. include Rs. 20,000 payable by Y Ltd.
 - c) A cheque of Rs. 5,000 sent by Y Ltd. on 28th December was not yet received by X Ltd. on 31st December 2014.
 - d) Profit and loss A/c of Y Ltd. showed a balance of Rs. 20,000 on 1.1.2014
- You are required to prepare a consolidated balance sheet of X Ltd. and Y Ltd. as on 31.12.2014.

Z-Z-Z

END