

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BVoc DEGREE EXAMINATION MAY 2024
(Fifth Semester)

Branch – BANKING, STOCK AND INSURANCE

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. Share application is a
 - a) Personal Account
 - b) Nominal Account
 - c) Real Account
 - d) Impersonal Account
2. Discount on reissue of forfeited shares should not exceed
 - a) 5% subscribed capital
 - b) 10 % reissued capital
 - c) The amount received so far on forfeited shares
 - d) Impersonal account
3. Debenture holders are the
 - a) Debtors of the company
 - b) shareholders of the company
 - c) Creditors of the company
 - d) Owner of the company
4. Dividend is paid on
 - a) Authorized capital
 - b) Issued capital
 - c) Called up capital
 - d) Paid up capital
5. Merging of two companies is called
 - a) Amalgamation
 - b) Absorption
 - c) Internal reconstruction
 - d) External reconstruction

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

- 6 a) State the Kinds of Companies?

(OR)

b) P Ltd. Issued 5000 shares of Rs.10 each at a premium of Rs.5 per share. The amount was payable as Rs.3 on application, Rs.7 on allotment (incl. Premium) and the balance on first and final call. All shares were subscribed and money duly received. Show the journal entries.

7 a) From the following balances, prepare the Balance Sheet of a Company in the prescribed format.

Goodwill - Rs.1,50,000
Investments - Rs.2,00,000
Share capital - Rs.5,00,000
Reserves - Rs.1,10,000
Securities premium - Rs.15,000
Preliminary expenses - Rs.10,000
Profit and Loss A/c (Cr) - Rs.25,000
Debentures - Rs.2,50,000
Other fixed assets - Rs.4,70,000
Stock - Rs.80,000
Debtors - Rs.60,000
Bank balance - Rs.30,000
Unsecured loan - Rs.65,000
Sundry creditors - Rs.35,000.

(OR)

b) Star Ltd. has part of their share capital in 2,500 6% Redeemable Preference shares of Rs.100 each. The company decided to redeem the Preference Shares at premium of 10%. The general reserve of the company shows a credit balance of Rs.3,00,000. The directors decide to

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utilize 60% of the reserve in redeeming the preference shares and the balance is to be met from the proceeds of fresh issue of sufficient number of shares of Rs.10 each. The premium is to be met from the years Profit and Loss appropriation account. Give journal entries to record the above transactions.

8 a) How to choose the share valuation method?

(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 is 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.

9 a) Jayalakshmi Ltd. issued 1,00,000 equity shares. The whole of issue was underwritten as: A: 50%; B: 25%; C: 25%

Applications for 80,000 shares were received in all, out of which applications for 20,000 shares had the stamp of A, those for 10,000 shares that of B and those of 20,000 shares that of C. The remaining applications for 30,000 shares did not bear any stamp.

You are required to determine the liability of the underwriters.

(OR)

b) The balance sheet of Saraswathi Co. Ltd. disclosed the following position as on 31st December 1998.

Liabilities	Rs.	Assets	Rs.
Share Capital		Goodwill	1,65,000
6,000 equity shares of Rs.100	6,00,000	Investments	5,25,000
Each	75,000	Stock	6,60,000
Profit & Loss A/c	2,25,000	Sundry Debtors	3,90,000
General Reserve	4,50,000	Cash at Bank	60,000
6% Debentures	1,50,000		
Sundry Creditors	3,00,000		
Workmen's Savings bank A/c			
	18,00,000		18,00,000

The profits for the past five years were:

1994 – Rs. 30,000; 1995 – Rs. 70,000; 1996 – Rs. 50,000; 1997 – Rs. 55,000 and 1998- Rs.95,000.

- The market value of investments was Rs.3,30,000.
- Goodwill is to be valued at three years purchase of the average annual profits for the last five years. Find the intrinsic value of each share.

10 a) Determine the Factors Affecting Valuation of Shares.

(OR)

b) A liquidator is entitled to receive remuneration @ 2% of the assets realized and 3% on the amount distributed among the unsecured creditors, the assets realized Rs. 70,00,000 against which payment was made as follows:

Liquidation expenses: Rs. 50,000
 Preferential creditors: Rs. 1,50,000
 Secured creditors: Rs. 40,00,000
 Unsecured creditors: Rs. 30,00,000.

Calculate the total remuneration payable to the liquidator.

SECTION - C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

11 a) Classify the classes of shares?

(OR)

b) Moon and Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2005 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2005.

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 and Loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (up to 31.3.2006)	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		
Advertisement	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

You are required to prepare Statement of Profit and Loss for the year ended 31.12.2005 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 15.8.2005 for 6 months ending 30 June 2005 @ 6%.

Provide for corporate dividend tax @17%.

12 a) ABC 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 ABC Limited.

(OR)

b) Saravana Kumar Co. Ltd was formed with a capital of Rs.10,00,000 in Rs.10 shares, the whole amount being issued to the public. The underwriting of these shares was as follows:

A - Rs.35,000; B - Rs.30,000; C - Rs.20,000; D - Rs.10,000; E - Rs.3,000; F - Rs.2,000

All the marked application forms were to go in relief of the underwriters whose stamp they bear. The application forms marked by the underwriters were:

A - Rs.10,000; B - Rs.22,500; C - Rs.20,000; D - Rs.7,500; E - Rs.5,000; F - Nil

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Applications for 20,000 shares were received on forms not marked. Draw up a statement showing the number of shares each underwriter had to take up.

13 a) Following is the balance sheet of Murty Co. Ltd. as on 31st March 1998.

Liabilities	Rs.	Assets	Rs.
60,000 equity shares of Rs. 100 each, fully paid	60,00,000	Goodwill at cost	5,00,000
Capital Reserve	2,00,000	Plant & Machinery	
General Reserve	13,90,000	Less depreciation	17,00,000
Profit & Loss A/c	30,000	Furniture & Fixtures	
Sundry creditors	25,70,000	Less depreciation	6,00,000
Provision for taxation	15,00,000	Stock	32,00,000
Proposed dividend	13,20,000	Sundry Debtors	20,00,000
		Cash	49,10,000
		Preliminary expenses	1,00,000
	1,30,10,000		1,30,10,000

The following additional information is provided to you:

- The reasonable return on capital employed in the industry in which Murty Co. Ltd is engaged is 18%
- The rate of tax is 50%. The balance in provision for taxation account is in respect of profit for the year ended 31st March 1998.
- The year 1997-98 was a normal year and the prospects for 1998 -99 are equally good.

Calculate value of goodwill at four years' purchase of super profits of the company.

(OR)

b) Healy Ltd. and Moly Ltd. propose to amalgamate

BALANCE SHEET OF HEALY LTD. & MOLY LTD. AS ON 31-12-1998

Liabilities	Healy Ltd. Rs.	Moly Ltd. Rs.	Assets	Healy Ltd. Rs.	Moly Ltd. Rs.
Share capital			Fixed Assets less		
Equity Shares			Depreciation	5,00,000	1,50,000
Of	4,00,000	2,00,000	Investments (face		
Rs. 10 each	3,00,000	20,000	value		
General Reserve	1,00,000	30,000	Rs.2,00,000 6%	2,00,000	-
P & L A/c	2,00,000	50,000	G.P. Notes)	3,00,000	1,50,000
Current			Current		
Liabilities			Liabilities		
	10,00,000	3,00,000		10,00,000	3,00,000

Net Profit

Year	Healy Ltd Rs.	Moly Ltd. Rs.
1996	1,50,000	46,000
1997	1,44,000	45,000
1998	1,50,000	56,000

Goodwill for the purpose of amalgamation may be taken as 3 years' purchase of average super profits of trading on the basis of 10% normal profit on closing capital invested. The current assets of Healy Ltd are to be taken as Rs. 4,30,000 and that of Moly Ltd as Rs. 1,75,000. Ascertain the value of goodwill.

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14 a) The authorised capital of Y Limited is Rs.5,00,000 consisting of 2,000 6% preference shares of Rs.100 each and 30,000 equity shares of Rs.10 each. Following was the Trial Balance of X Limited as on 31-3-2016.

TRIAL BALANCE
as on 31.3.2016

	Rs.	Rs.
Investment in shares at cost	50,000	
Purchases	4,90,500	
Selling expenses	79,100	
Stock on 1-4-2015	1,45,200	
Salaries and wages	68,500	
Cash on hand	12,000	
Interim preference dividend for the half year to 30-9-2015	6,000	
Bills Receivable	41,500	
Interest on Bank Overdraft	7,800	
Interest on Debentures up to 30-9-2015	3,750	
Sundry Debtors and Creditors	50,100	87,850
Freehold property at cost	4,86,500	
Furniture at cost less Depreciation of Rs.15,000	35,000	
6% Preference share capital		2,00,000
Equity share capital fully paid up		2,00,000
5% Mortgage Debentures secured on freehold properties		1,50,000
Income Tax paid in advance for 2015-16	10,000	
Dividends		4,250
Surplus A/c (1-4-2015)		28,500
Sales (Net)		6,70,350
Bank Overdraft secured by hypothecation of stocks and receivables		1,50,000
Audit fees	5,000	
	14,90,950	14,90,950

You are required to prepare the Statement of Profit and Loss for the year ended 31.3.2016 and the Balance Sheet as on that date after taking into account the following:

- Closing stock was valued at Rs.1,42,500.
- Purchases include Rs.5,000 worth of goods and articles distributed among valued customers.
- Salaries and wages include Rs.2,000 being wages incurred for installation of electrical fittings which were recorded under "Furniture".
- Bills receivable include Rs.1,500 being dishonoured bills, 50% of which had been considered irrecoverable.
- Bills receivables of Rs.2000 maturing after 31-3-2016 were discounted.
- Depreciation on furniture is to be charged at 10% on written down value.
- Interest on debentures for the half year ending on 31-3-2016 was due on that date.
- Provide provision for taxation Rs.4,000.
- Salaries and wages include Rs.10,000 being the Directors' remuneration.
- Sundry Debtors include Rs.6000 Debts due for more than six months.
- Corporate Dividend Tax is to be ignored.

(OR)

b) The following is the summarised balance sheet of Rahul limited as at 31.12.1998.

Liabilities	Rs.	Assets	Rs.
3,000 6% cumulative preference share of Rs. 100 each, fully paid	3,00,000	Land and buildings	2,60,000
1,000 equity shares of Rs. 100 each fully paid	1,00,000	Plant & Machinery	1,75,000
1,000 equity shares of Rs. 100 each, Rs. 50 paid up	50,000	Stock	37,250
Bank loan (secured on stock and debtors)	25,000	Debtors	15,000
Current liabilities	50,000	Cash in hand	250
Pref. dividend arrears Rs. 36,000		Profit & Loss A/c	37,500
	5,25,000		5,25,000

Under the articles of the Association of the company, the preference shares are preferential as to dividend (whether declared or not) and capital.

The company went into voluntary liquidation and sold the fixed assets, stock and debtors for sum of Rs. 3,75,000 payables in cash. The expenses of liquidation were Rs. 250. A call of rupees 50 per share is made by the liquidator on 1000 equity shares which are partially paid up. The money called is fully paid up. You are required to prepare the liquidators final statement of account.

15 a) Discuss briefly about the statement of profit and loss and the balance sheet as per schedule VI to the companies Act 1956.

(OR)

b) On 31st Dec 1998, the Balance Sheet of Sri Ltd. was as follows:

Liabilities	Rs.	Assets	Rs.
<i>Share Capital</i>		Land and Buildings	6,60,000
15,000 equity shares of Rs.100		Plant & Machinery	2,85,000
each fully paid	15,00,000	Stock	10,50,000
Profit & Loss A/c	3,09,000	Sundry Debtors	4,65,000
Sundry Creditors	2,31,000		
Bank Overdraft	60,000		
Provision for taxation	1,35,000		
Dividend equalisation fund	2,25,000		
	24,60,000		24,60,000

The net profit of the company, after deducting all working charges and providing for depreciation and taxation were as under:

1994 – Rs. 2,25,000; 1995 – Rs. 2,88,000; 1996 – Rs. 2,70,000; 1997 – Rs. 3,00,000; and 1998 – Rs. 2,85,000

On 31st Dec. 1998, Land & buildings were valued at Rs. 7,50,000 and Plant & Machinery at Rs.4,50,000. In view of the nature of the business, it is considered that 10% is a reasonable return on capital.

Calculate the value of the company's share after taking into account the revised values on fixed assets and your own valuation of goodwill based on four years purchase of the annual super profits.

Z-Z-Z

END