

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2022
(Fourth Semester)

Branch –COMMERCE (COST & MANAGEMENT ACCOUNTING)

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 1 = 10)

1. Debenture holders are _____
(i) Debtors of the Company (ii) Creditors of the Company
(iii) External users (iv) Owners of the Company
2. Ordinary shares are also called _____
(i) Equity shares (ii) Founder's shares
(iii) Deferred shares (iv) Preference shares
3. When shares are issued at premium amount of premium will be credited to _____
(i) Securities premium account (ii) Share first call account
(iii) Share allotment account (iv) Share forfeited account
4. The maximum amount with which the company is registered is called
(i) Authorized Share Capital (ii) Issued Share Capital
(iii) Subscribed capital (iv) Called up capital
5. When there is an increase in capital by an amount, it is registered on the
(i) Credit or right side of the account (ii) Debit or left side of the account
(iii) Credit or left side of the account (iv) Debit or right side of the account
6. The unfavourable balance of Profit and Loss account should be
(i) Subtracted from liabilities (ii) Subtracted from capital
(iii) Subtracted from current assets (iv) Added in liabilities
7. Which of the following methods are used for the valuation of goodwill?
(i) Super profit method (ii) Weighted profit method
(iii) Average profit method (iv) All of the above
8. Which of the following is not essential to calculate the yield value per share?
(i) Super profit (ii) Paid-up value
(iii) Normal return rate (iv) Expected return rate
9. At the time of _____ intercompany debts and acceptances are to be cancelled out.
(i) Merger (ii) Absorption
(iii) Internal reconstruction (iv) Consolidation
10. Holdings of minority will _____ by the number of bonus shares received by them.
(i) Increase (ii) Decrease
(iii) Remain same (iv) Shortage

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SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 7 = 35)

11. a Rajan Ltd. purchased the business of Raghu Bros. for Rs.45,00,000 payable in fully paid shares of Rs.100 each. What entries will be made in the books of Rajan Ltd, if such an issue is made:
- at par
 - at a premium of 10%
 - at a discount of 10%

OR

- b R.R.Ltd. issued 10,000 shares of Rs.10 each, payable as under:

	Rs
On application	3 per share
On allotment	4 per share
On first and final call	3 per share

30,000 shares were applied for. The directors accepted applications for 10,000 shares. All moneys due were fully received. Give journal entries and prepare the Balance sheet of the Company.

12. a XYZ Ltd. issued 200, 15% debentures of Rs 100 each on January 01, 2010 at discount of 10% redeemable at premium of 10% out of profits. Give journal entries at the time of issue and redemption of debentures if debentures are to be redeemed in lump sum at the end of 4th year. The directors decided to transfer the minimum amount to debenture redemption reserve on December 31, 2014.

OR

- b Give the necessary journal entries at the time of redemption of debentures in each of the following cases.
- X Ltd. issued 5,000, 9% debentures of Rs 100 each at par and redeemable at par at the end of 5 years out of capital.
 - X Ltd. issued 1,000, 12% debentures of Rs 100 each at par. These debentures are redeemable at 10% premium at the end of 4 years
 - X Ltd. issued 12% debentures of the total face value of Rs 1,00,000 at premium of 5% to be redeemed at par at the end of 4 years
 - X Ltd. issued Rs 1,00,000, 12% debentures at a discount of 5% but redeemable at a premium of 5% at the end of 5 years

13. a Ganesh Ltd., was registered on 01-07-1997 to acquire the running business of Suneel & Co., with effect from 1-1-97. The following was the Profit and Loss account of the company on 31-12-97.

Particulars	Rs.	Particulars	Rs.
To Office expenses	54,000	By Gross Profit b/d	2,25,000
To Formation expenses (written off)	10,000		
To Stationery & Postage	5,000		
To Selling Expenses	60,000		
To Director's Fees	20,000		
To Net Profit	76,000		
	2,25,000		2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio 1:2 before and after incorporation respectively.

OR

Cont...

- b S & R Co., Ltd was incorporated on July 1, 1992 to purchase the business of Nisha Bros., as on 1-4-92. Certificate of Commencement of business was received on 1-8-92. The accounts for the year ended 31-3-93 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 in pre incorporation period. Calculate profit earned in the pre and post incorporation periods.

14. a The following particulars are available in respect of the business carried by Mr. Raj
- (i) Capital invested – Rs. 50,000
 - (ii) Trading results
 - 1990 Profit Rs. 12,200
 - 1991 Profit Rs. 15,000
 - 1992 Loss Rs. 2,000
 - 1993 Profit Rs. 21,000
 - (iii) Market rate of interest on investment 8%
 - (iv) Rate of risk return on capital invested in business 2%
 - (v) Remuneration from alternative employment of the proprietor (if not engaged in business) – Rs. 3,600 p.a

Compute the value of goodwill of the business on the basis of 3 years purchase of super profit taking average of the last four years.

OR

- b Explain the factors affecting the valuation of shares.

15. a The following is the Balance sheet of S Ltd. as on 31st March, 2010.

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	2,90,000
Equity shares of Rs. 10 each	2,70,000	Investment	2,75,000
General Reserve Profit & Loss A/c	3,60,000	Current Assets	1,30,000
Current liabilities	85,000	Preliminary Expenses	20,000
	7,15,000		7,15,000

H Ltd. acquired 25,000 shares in S Ltd. on 31st March, 2010 at a cost of Rs. 2,75,000. Fixed assets were revalued at Rs. 3,28,000. Find minority interest

OR

- b Elucidate the advantages and disadvantages of holding companies.

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SECTION - C (30 Marks)Answer any **THREE** Questions**ALL** Questions Carry **EQUAL** Marks

(3 x 10 = 30)

16. A company that was incorporated on 1 January 2019 issued a prospectus inviting applications for 500,000 equity shares at \$10 each per share. The whole issue was fully underwritten by four individuals, as shown in the following:
- A: 200,000 shares
B: 150,000 shares
C: 100,000 shares
D: 50,000 shares
- Applications were received for 450,000 shares, of which the marked applications were as follows:
- A: 220,000 shares
B: 90,000 shares
C: 110,000 shares
D: 10,000 shares
- Calculate the liabilities of individual underwriters.
17. ABC Ltd. issued 3,000, 14% Debentures of Rs 100 each at a discount of 5% on January 1, 2012. Interest on these debentures is payable annually on December 31 each year. The debentures are redeemable at par in three equal instalments at the end of the third, fourth and fifth year. Prepare 14% Debentures Account, Discount on Issue of Debentures Account and Debenture Interest Account in the books of the company.
18. A company was incorporated on 1st May 1984 acquiring the business of a sole trader with effect from 1st January 1984. The accounts of the company were closed for the first time on 30th September 1984, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs. 42,660, directors' fees Rs. 3,000 per month, preliminary expenses written off Rs. 4000, rent upto June, 1984 was Rs. 300 per month which was thereafter increased to Rs.750 per month. Salary to the manager was at Rs.1,500 per month who was appointed a director at the time of incorporation of the company.
- Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs.24,60,000, the monthly average of which for the first four months of 1984 was half of that of the remaining period.
19. Following is the balance sheet of Maruthy 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:

- i) The reasonable return on capital employed in the industry in which Maruthy Co.Ltd is engaged is 18%
- ii) 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.
- iii) 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.

20. The balance sheets of R Ltd. and S Ltd. as at December, 31st 2010 given below.

Liabilities	R Ltd.	S Ltd.	Assets	R Ltd.	S Ltd.
Share capital (Rs.10 each)	8,00,000	2,00,000	Fixed Assets	7,00,000	2,00,000
General Reserve	2,00,000	80,000	Investment 16,000 shares in S Ltd.	2,00,000	
Profit and Loss A/c	1,00,000	60,000	Current Assets	3,00,000	1,60,000
Creditors	1,00,000	20,000			
	12,00,000	3,60,000		12,00,000	3,60,000
	0	0			

S Ltd. had a credit balance of Rs. 80,000 in the General Reserve when R Ltd. acquired share in S Ltd. S Ltd. decided to capitalize Rs. 40,000 out of post-acquisition profits earned by making a bonus issue of one share for every five shares held.

Prepare a consolidated Balance sheet as December, 31st 2010.

Z-Z-Z

END