



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com.DEGREE EXAMINATION –CORPORATE SECRETARYSHIP

THIRD SEMESTER – APRIL 2019

16/17UBC3MC01– CORPORATE ACCOUNTING

Date: 24-04-2019
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

Part – A

Answer all Questions:

(10 x 2 = 20 Marks)

1. Define underwriting of shares.
2. What is Rights Issue ?
3. What is weighted sale ratio ?
4. What are the objectives of financial statement ?
5. Write the journal entry for Bonus issue of shares.
6. What is firm underwriting ?
7. PR Ltd., issued 50,000 equity shares of Rs.10 each at a discount of 10% in order to utilize the proceeds to redeem 80,000 12% preference shares of Rs.10 each. The balance amount required for redemption has been adjusted in Reserve Fund being Rs.400000. Journalise.
8. Timex Ltd., issued 8% debenture of Rs.100 each. Give appropriate journal entries in the books of the company, if the debenture were issued at a discount of 5%, repayable at a premium of 10%.
9. Arumugam, a sole trader, decided to convert his business into a limited company. From the following relevant dates, you required to compute the Time Ratio for the purpose of ascertaining profit prior to incorporation.
 - (a) date of sale of the business to the company 31-12-1994
 - (b) date of obtaining certificate of incorporation 1-5-1995
 - (c) date of obtaining certificate to commence business 16-7-1995
 - (d) date of finalizing the first accounts of the company 30-9-1995
10. The following underwriting of share take place: A – 6,000 shares; B – 2,500 ; C – 1,500 shares. The issue of 10,000 shares. The total subscription was 7,100 shares and the forms included the following marked forms – A – 1,000 shares; B – 2,000 shares ; C- 500 shares. Show the allocation of liability of underwriters.

Part – B

Answer any Four Questions

(4x10=40 Marks)

11. Briefly explain the different types of underwriting.
12. What are the advantages and limitations of cash flow statement.
13. Write the differences between 'Debenture' and 'share'.
14. New Ventures Ltd., was incorporated on 1-1-2000 with an authorised capital of 5000 equity shares of Rs.10 each to take over the running business of Rundown brothers as from 1-10-99. The following is the summarised profit and loss account for the year ended 30-9-2000

Particulars	Rs.	Rs.
Sales - 1-10-99 to 31-12-99	6,000	
1-1-2000 to 30-9-2000	19,000	
	-----	25,000
Cost of sales	16,000	
Administrative expenses	1,768	
Selling commission	875	
Goodwill written off	200	
Interest paid to vendors (loan repaid on 1-2-2000)	373	
Distribution expenses (60% variable)	1,250	
Preliminary expenses written off	330	
Debentures interest	320	
Depreciation	444	
Directors' fees	100	
	-----	21,660

	Profit	3,340
		=====

The company deals with one type of product.

The unit cost of sales was reduced by 10% in the post incorporation period as compared to the pre-incorporation period. Apportion the net profit between pre incorporation and post incorporation periods showing the basis of apportionment.

15. Krishna Ltd., which had Rs.50,00,000 10% Debentures outstanding made the following purchases in the Open Market for immediate cancellation.

1-4-1997 1,000 Debentures of Rs.100 each at Rs.99.

1-9-1997 2,000 Debentures of Rs.100 each at Rs.97

You are required to give journal entries for purchase and cancellation of the debentures.

(a) If the above purchase rate are 'Ex – interest' .

(b) If the above purchase rate are 'Cum- interest'. Assume that interest of the debentures are payable on every 30th June and 31st December .

16. The balance sheet of ABC & Co., Ltd. On 31-12-90 stood as follows

Liabilities		Assets	
Equity shares Rs.100 each	5,00,000	Fixed assets	8,00,000
9% Redeemable preference shares Rs.100	3,00,000	Investments	1,00,000
Securities premium	50,000	Bank balance	2,00,000
Capital reserve	1,00,000	Other current assets	5,00,000
Profit and Loss A/c	2,00,000		
10 % Debentures	3,00,000		
Creditors	1,50,000		
	-----		-----
	16,00,000		16,00,000
	=====		=====

Both the redeemable preference share and debentures were due for redemption on 1-1-91. the company arranged for the following:

- (i) It issued 2,000 equity shares of Rs.100 at a premium of 10%
- (ii) It sold the investments for Rs.90,000
- (iii) It arranged a bank overdraft to the extent necessary

The redemptions were carried out. Give entries for redemption of preference shares and debentures and balance sheet after redemption.

17. Swiss Ltd. issued 40,000 equity shares of Rs. 10 each at par.

The entire issue was underwritten as follows.

A – 24,000 shares (firm underwriting 3,200 shares)

B – 10,000 Shares (firm underwriting 4,000 shares)

C – 6,000 shares (firm underwriting 1,200 shares)

The total applications including firm underwriting were for 28,400 shares. The marked applications were as under: A 7,200 shares; B 9,000 shares; and C 3,200 shares.

The underwriting contracts provides that credit for unmarked application be given to the under writers in proportion to the shares underwritten. Determine the liability of each underwriter if firm underwriting is treated as marked application and if the firm underwriting is treated as unmarked application.

Part – C

Answer any Two Questions

(2x20=40 Marks)

18. What is a cash flow statement ? How it is prepare under AS 3 using Indirect Method give the format?

19. Explain the conditions for buyback of shares .

20. A Ltd., was registered with a Authorised capital of Rs.600000 in equity shares of Rs.10 each. The following is its trail balance on 31st march 2016

Trial Balances of 'A'. Ltd.

Particulars	Debit	Particulars	Credit
Goodwill	25,000	Share capital	4,00,000
Cash	750	12% debentures	3,00,000
Bank	39,900	Profit and loss A/c	26,250
Purchases	1,85,000	Sales	4,15,000
Preliminary expenses	5,000	Bills payable	37,000

Calls – in- arrears	7,500	Sundry creditors	40,000
Premises	3,00,000	General reserve	25,000
Plant and machinery	3,30,000	Provision for bad debts	3,500
Interim dividend	39,250		
Stock (1-4-2015)	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		
Directors fee	5,725		
Bad debts	2,110		
Debenture interest paid	18,000		
	<u>12,46,750</u>		<u>12,46,750</u>

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 31-3-2016 was Rs.95,000
- Provide for corporate dividend tax at 17%

21. Meenakshi Ltd has an issued share capital of 650 7% redeemable preference shares of Rs.100 each and 4,500 equity shares of Rs.50 each. The preference shares are Redeemable at a premium of 7 ½ % on April 1st 1992. The company's balance sheet as on March 31st 1992 was as follows.

Liabilities		Assets	
Share capital :			
Issued 650 7% Redeemable Preference		Fixed assets	3,45,000
Shares of Rs.100 each fully paid	65,000	Investments	18,500
4,500 Equity shares of		Balance at bank	31,000
Rs.50 each Fully paid	2,25,000		
Profit & Loss A/c	48,000		
Sundry Creditors	56,500		
	-----		-----
	3,94,500		3,94,500
	=====		=====

In order to facilitate the redemption of preference shares, the company decided:

- To sell all its investments for Rs.16,000
- To finance part of the redemption from company funds, subject to leaving a balance of Rs.12,000 in the profit and loss accounts and
- To issue sufficient equity shares of Rs.50 each at a premium of Rs.13 per share to raise the balance of funds required.

The preference shares were redeemed on the due date and the issue of equity shares was fully subscribed. You are required to prepare

- the necessary journal entries to record the above transactions (including cash) and
- the balance sheet after completion of the redemption.
