



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

THIRD SEMESTER – NOVEMBER 2017

16UBC3MC01 - CORPORATE ACCOUNTING

Date: 04-11-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

Part – A

Answer all Questions:

(10 x 2 = 20 Marks)

1. What are the objectives of cash flow statement ?
2. List out 4 profit that are transferable to Capital Redemption Reserve.
3. Define Underwriting .
4. Write the two point of difference between a share and a debenture .
5. What is right Issue of shares ?
6. What do you mean by Bonus Issue of shares ?
7. A company having free reserves of Rs.60,000 wants to redeem Rs.2,00,000 preference shares. Calculate the face value of fresh issue of shares of Rs.10 each to be made at a premium of 10%.
8. Tiex Ltd., issued 1,000 8% debentures 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 premium of 10%.
9. A company was incorporate on 1-2-1998 to purchase the business of Abdul Kalam as from 1st November 1997. There were 10 employees before incorporation but 5 more were appointed on 1-2-1998. You are required to ascertain he weighted time ratio for dividing salaries between the pre and post incorporation periods, assuming that the accounts are finalized on 3^{1st} October. .
10. A company issues 10,000 equity shares of Rs.10 each at par. The issue was underwritten by K & co for maximum commission permitted by law. The public applied for and received 8,000 shares. Calculate the underwriting commission payable by the company to the underwriter.

Part – B

Answer any Four Questions

(4x10=40 Marks)

11. What are the advantages and limitation of Cash Flow Statement ?
12. What are the different types of underwriting ?
13. Distinguish between shares and debentures.
14. 'A' Co Ltd., was incorporated on May 1, 2008 to take over the business of 'X' & Co as going concern from January 1, 2008. The profit and loss account for the year ending December 31, 2008 was as follows:

Profit and Loss Account of 'A' Co., Ltd., for the year ended 31-12-2008

Particulars	Debit Rs.	Particulars	Credit Rs.
To Rent and Taxes	12,000	By Trading account	
To insurance	3,000	(Gross profit)	1,50,000
To electricity charges	2,400		
To Salaries	36,000		
To directors fees	3,000		
To auditors fees	1,600		

To commission	6,000	
To advertisement	4,000	
To discount	3,500	
To office expenses	7,500	
To carriage	3,000	
To bank charges	1,500	
To preliminary expenses	6,500	
To bad debts	2,000	
To interest on loan	3,000	
To Net profit	60,000	
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	1,55,000	1,55,000
	=====	=====

The total turnover for the year ending December 31, 2008 was Rs.500000 divided into Rs.1,50,000 for the period upto may 1, 2008 and Rs.3,50,000 for the remaining period.

Apportion the year's profit between the pre and post incorporation periods.

15. T.T Ltd., issued 50000 equity shares of Rs.10 each at par . the entire issue was underwritten as follows:

A- 30,000 shares (firm underwriting 4,000)

B – 15,000 share (firm underwriting 5,000)

C - 5,000 share (firm underwriting 1,000)

The total application including firm underwriting were for 40,000 shares. The marked applications were as follows:

A-10,000 shares; B – 7,000 shares and C- 3,000 shares.

Determine the liability of each underwriter when firm underwriting treated as unmarked and amount of commission payable to them assuming the rate to be 2 % on issue price.

16. Following is the profit and loss account of Shekar Fibres Ltd for the year ended 31/12/85 & 31/12/86 you are required to prepare a Common size statement .

Particulars	31/12/85	31/12/86	Particulars	31/12/1985	31/12/1986
To cost of goods sold	300	375	By net sales	400	500
To operating ex	10	10			
Admin O/H					
Selling O/H	15	20			
To Net Profit	75	95			
	400	500		400	500

17. The following is the balance sheet of Manish Ltd., as on 31-12-20011

<i>Liabilities</i>		<i>Assets</i>	
<i>Issued & subscribed :</i>		<i>Fixed Assets</i>	5,20,000
16,000 6% redeemable preference		<i>Current Assets</i>	1,22,000
Share of Rs. 10 each	1,60,000	<i>Cash at bank</i>	2,00,000
39,000 equity shares of			
Rs.10 each fully paid	3,90,000		

Reserves and surplus

<i>Profit and loss account</i>	2,00,000	
<i>Sundry creditors</i>	92,000	
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	8,42,000	8,42,000
	=====	=====

The preference shares were redeemed on 1-1-2012 at a premium of Rs.2 per share, the whereabouts of the holders of 1,200 such shares not being known. At the same time a bonus issue of equity shares was made at par one share being issued for every three shares held out of the capital redemption reserve account.

Draw up the journal entries to record the above transactions and show the balance sheet after redemption.

Part – C

Answer any Two Questions

(2x20=40 Marks)

18. What are the conditions for buy back of shares ?

19. From the balance sheets of XYZ Ltd., Prepare a Cash Flow Statement

Liabilities	2005	2006	Assets	2005	2006
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Pref. Share capital	1,50,000	1,00,000	Building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and loss a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	B/R	20,000	30,000
Bills payable	20,000	16,000	Cash	15,000	10,000
Provision for taxation	40,000	50,000	Bank	10,000	8,000
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	6,77,000	8,17,000		6,77,000	8,17,000
	=====	=====		=====	=====

Additional information

- Depreciation of plant Rs.10,000 and on building was Rs.20,000 charged during the year
- An interim dividend of Rs.20,000 has been paid in 2006
- Income tax Rs.35,000 was paid during 2006

20. Meenakshi Ltd has an issued share capital of 650 7% redeemable preferences shares of Rs.100 each and 4,500 equity shares of Rs.50 each . the preferences 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 Shares of Rs.100 each fully paid	65,000	Fixed assets	3,45,000
4,500 equity shares of Rs.50 each Fully paid	2,25,000	Investments	18,500
Profit & Loss A/c	48,000	balance at bank	31,000
Sundry creditors	56,500		
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	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

(ii) 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

(iii) 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

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

21. 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		
	12,46,750		12,46,750

Prepare Statement of Profit & Loss and Balance sheet in proper form after making the following adjustments.

- (a) Depreciate plant and machinery by 15%
- (b) Write off preliminary expenses
- (c) Provide for 6 months interest on debentures
- (d) Leave bad and doubtful debts provision at 5% on sundry debtors.
- (e) Provide for income tax at 50%
- (f) Stock on 31-3-2016 was Rs.95,000
- (g) Provide for corporate dividend tax at 17%
