

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2023

UCO 3502 – CORPORATE ACCOUNTING

Date: 04-05-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION – A

Answer all the questions

10x2=20 marks

1. What is a share?
2. Explain “Capital redemption reserve”.
3. What is vendor’s suspense account?
4. What do you understand by “alteration of share capital”?
5. Define ‘Goodwill’.
6. What is meant by interim dividend?
7. Give four examples of current liabilities.
8. Write meaning of the term debenture.
9. Anita Ltd purchased machinery for ₹ 80,000 from Kamesh and co. It issued equity share of ₹ 10 each fully paid up in satisfaction of their claim. Make journal entries.
10. A firm earns a profit of ₹ 40,000 and has invested capital amounting to ₹ 3,00,000. In the same class of business, normal rate of earnings is 10%. Calculate goodwill as per capitalization method.

SECTION – B

Answer any four questions

4x10=40 marks

11. Explain the provisions of the Indian companies act regarding issue of shares at discount.
12. Discuss different methods of valuing equity shares.
13. Explain the requirements for the redemption of preference shares as per sec 80 of the companies act.
14. Ganesh Ltd issued 1,50,000 equity share. The whole of the issue was underwritten as follows:
A- 50% B-25% 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 A, those for 15,000 shares that of B and those for 30,000 shares that of C. The remaining applications for 45,000 shares did not bear any stamp. Determine the liability of the underwriters.
15. From the following information, compute goodwill as per annuity method:
(i) Average capital employed is ₹ 14,00,000
(ii) Normal rate of profit is 10%
(iii) Profit for 2006 ₹ 1,62,000; 2007 ₹ 1,59,000 and 2008 ₹ 1,66,000
(iv) Profit for 2007 has been arrived after writing off abnormal loss of ₹ 12,000 and profit for 2008 includes a non-recurring income of ₹ 13,000.
(v) Goodwill is to be calculated on the basis of annuity of 3 years purchase of super profit if annuity table value is 2.4868.
16. On 1.4.2006, a company had bought certain assets from Antony. The company also under took to collect his debts amounting to ₹ 1,30,000 and to pay his creditors of ₹30,000 for a commission of 3% on the amount collected and 1% on the amount paid. The debtors realized ₹1,20,000 only and the creditors were paid ₹28,000 in full settlement. Antony received ₹50,000 6% debentures at 90% and the balance in cash. Journalise the transactions in the books of the company.
17. Renu Ltd was registered on 1.7.2007 to acquire the running business of Sam & Co with effect from 1.1.2007. The following was the profit and loss account of the company as on 31.12.2007.

Particulars	₹	Particulars	₹
To office expenses	54,000	By gross profit b/d	2,25,000
To Preliminary expense written off	10,000		
To Stationery and 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 of 1:2 before and after incorporation respectively.

SECTION – C

Answer any two questions

2x20=40 marks

18. Godwin Ltd. Issued 40,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The shares were payable as follows:

₹ 2 on application, ₹ 5 on allotment (including premium), ₹ 5 on first and final call.

All the shares were applied for and allotted. All money was received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at ₹8 per share. Give the necessary journal entries and prepare the balance sheet of the company.

19. Sick Ltd had the following balance sheet as on 31.3.2017

Liabilities	₹	Assets	₹
6% Preference share of ₹100 each	2,00,000	Goodwill	60,000
Equity shares of ₹100 each	4,00,000	Fixed assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Sundry creditors	1,50,000	Debtors	60,000
		Discount on debenture	10,000
		Bank	1,000
		P & L A/c	2,69,000
	8,50,000		8,50,000

The following reconstruction scheme was approved:

(i) Preference shares be reduced to 8% preference shares of ₹ 60 each.

(ii) Equity shares to be reduced by ₹ 80 each.

(iii) The amount thus made available to be utilized to write off fictitious assets including goodwill and ₹ 50,000 from fixed assets.

Give entries for the reconstruction and the final balance sheet.

20. The balance sheet of Kannan Ltd as on 31.3.2012 was as follows:

Liabilities	₹	Assets	₹
20,000 equity shares of ₹ 10 each fully paid	2,00,000	Fixed assets	2,37,500
10% Redeemable preference shares of ₹ 100 each fully paid	1,00,000	Investments	12,500
Securities premium	4,850	Current assets	95,000
Profit and loss a/c	60,000	Miscellaneous expense not yet written off	48,750
Current liabilities	28,900		
	3,93,750		3,93,750

On the above date, it was decided to redeem the preference shares at a premium of 10%. The directors wish that only the minimum number of fresh equity shares of ₹10 each at a premium of 5% be issued to provide for redemption of such preference shares as could not otherwise be redeemed. Give necessary journal entries and also prepare the balance sheet after redemption.

21. Big Bull Ltd has a nominal capital of ₹ 6,00,000 divided into shares of ₹ 10 each. The following Trial balance is extracted from the books of the company as on 31.12.2012.

Particulars	₹	Particulars	₹
Calls in arrears	7,500	6% Debentures	3,00,000
Premises (₹ 60,000 added on 1.7.2012)	3,60,000	P&L A/c (1.1.2012)	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital (called up)	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Directors fees	5740	Provision for bad debts	3,500
Bad debts	2,110		
4% Govt securities	60,000		
Stock (1.1.2012)	75,000		
Furniture	7,200		
Sundry debtors	87,000		
Goodwill	25,000		
Cash	750		
Bank	39,900		
Wages	84,800		
General expenses	16,900		
Salaries	14,500		
Debenture interest	9,000		
Total	13,06,000	Total	13,06,000

Prepare final accounts of the company for the year ending 31.12.2012 and following are the adjustments.

- Depreciate machinery by 10% and furniture by 5%.
- Write off half of the preliminary expenses.
- Wages include ₹ 10,000 paid for the construction of a compound wall to the premises and no adjustment was made.
- Provide 5% for bad debts on sundry debtor
- Transfer ₹ 10,000 to general reserve.
- Provide for income tax ₹ 25,000.
- Stock on 31.12.2012 was ₹ 1,01,000.

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