

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP****THIRD SEMESTER – APRIL 2023****UBC 3501 – CORPORATE ACCOUNTING**

Date: 02-05-2023

Dept. No. 

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

**SECTION A****Answer ALL the Questions**

<b>1. Define the following</b>		<b>(5 x 1 = 5)</b>
a) Define bonus of shares.	K1	CO1
b) What is marked application?	K1	CO1
c) Write about acquisition of business .	K1	CO1
d) Show the effect of directors remuneration in profit incorporation.	K1	CO1
e) Define intrinsic value of shares .	K1	CO1
<b>2. Fill in the blanks</b>		<b>(5 x 1 = 5)</b>
a) The allotment of shares should be completed within _____ days of the issues of the prospectus	K1	CO1
b) An underwriter may reduce his burden of buying shares through entering an agreement with another person known as _____	K1	CO1
c) The profit made on acquisition of business is credited to _____	K1	CO1
d) Loss prior to incorporation is to be shown in the assets side of the balance sheet under the heading _____	K1	CO1
e) Intrinsic value of a shares is calculated by dividing the net assets of the company by the _____	K1	CO1
<b>3. Match the following</b>		<b>(5 x 1 = 5)</b>
a) Values per shares - (i) 17%	K2	CO1
b) Corporate dividend tax - (ii) post period	K2	CO1
c) Directors fee - (iii) 2.5 %	K2	CO1
d) Underwriting commission - (iv) forfeiture	K2	CO1
e) Failure to pay calls - (v) Intrinsic method	K2	CO1
<b>4. TRUE or FALSE</b>		<b>(5 x 1 = 5)</b>
a) Share premium amount can be used to write off discount on issues of shares or debentures of the company	K2	CO1
b) Un marked application can be distributed among the underwriters in the ratio of gross liability	K2	CO1
c) The vendor cannot legitimately claim interest on the amount due to them for the period of delay	K2	CO1
d) The most important factor in the valuation of goodwill of a business is its earning capacity	K2	CO1
e) Profits prior to incorporation are capital profits and are not available for divided	K2	CO1

**SECTION B****Answer any TWO of the following in 100 words****(2 x 10 = 20)**

5. 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 application including firm underwriting were for 28,400 shares. The marked application were under:	K3	CO2
--	----	-----

A- 7,200 shares ; B- 9,000 shares and C – 3,200 shares.  
 The underwriting contract provides that credit for unmarked application be given to the underwriters in proportion to share underwritten.  
 Determine the liability of commission payable to them assuming it is the maximum allowed by the law .

6. On 1<sup>st</sup> January 1998, Gavin Larsen Ltd. Purchased all the assets and liabilities of Madan but did not take over vendors debtor of Rs 47,500. It undertook the responsibility of collecting them and out of this realisation pay vendors' creditors of Rs 30,000. Company gets commission for the services @ 5% on payments and 10% on realisation. Company realised such a debt of Rs 400 which was previously declared as bad debt. Company has also to pay a contingent liability of Rs 2,000 on account of a claim against the vendors for damages. Realisation from debtors amounted to Rs 45,000 and out of this amount Rs. 28,000 were paid to creditors in full settlement of their account. Prepare ledger accounts in the books of the purchasing company.
7. Selvi Ltd., earned profit of ₹. 2,00,000 after charging or crediting the following items to its P & L a/c during 31/03/2000.
- a) Profit on sale of investments ₹. 4,000
  - b) Loss on sale of buildings ₹. 9,000
  - c) Depreciation on fixed assets ₹. 7,000
  - d) Amortisation of goodwill ₹. 2,000
  - e) Provision for tax made ₹. 60,000
  - f) Income tax paid ₹. 50,000
  - g) Extra ordinary income ₹. 10,000

The following additional details are available:

Particulars	1/04/ 1999 ₹.	31/03/2000 ₹.
B Bills Payable	5,000	8,000
Creditor	12,00 0	16,000
Outstanding expenses	2,000	1,000
Bills receivable	20,00 0	18,000
Debtors	40,00 0	60,000
Prepaid expenses	2,000	3,000
Accrued incomes	5,000	8,000
I Income received in advance	2,000	1,000

Calculate the cash from operation for the year ending 31/03/2000

8. Bring out the various methods of valuation of shares.

**SECTION C**

**Answer any TWO of the following in 100 words**

**(2 x 10 = 20)**

9.	<p>Raj Ltd issued 10,000 shares of Rs 100 each at Rs 120 payable as follows:                  Rs. 25 on application                  Rs. 45 on allotment (including premium)                  Rs. 20 on first call and                  Rs. 30 on final call                  9,000 shares were applied for and were allotted. All money were received with the exception of the first and final call on 200 shares held by Alagar. These shares were forfeited. Give journal entries to record the above transactions.</p>	K4	CO3																																
10.	<p>The following particulars are available in respect of the business carried on by a trader:</p> <p>a) Profit earned: 2000 - ₹. 50,000; 2001 - ₹. 60,000; 2002 - ₹. 55,000                  b) Normal rate of profit 10%                  c) Capital employed ₹. 3,00,000                  d) Present value of an annuity of ₹. 1 for five years at 10% is ₹. 3.78                  e) The profit includes non-recurring profits had a tendency of appearing at the rate of ₹. 1,000 P.A.</p> <p>You are required to calculate goodwill:</p> <p>i. As per five-year purchase of super profit                  ii. As per capitalization of super profit method and                  iii. As per Annuity method</p>	K4	CO3																																
11.	<table border="1"> <tr> <td colspan="2">The following balances extracted from books of B limited as on 31.3.2013</td> </tr> <tr> <td>Land and building</td> <td align="right">2,00,000</td> </tr> <tr> <td>12% debentures</td> <td align="right">2,00,000</td> </tr> <tr> <td>Share capital @ RS 10 each</td> <td align="right">10,00,000</td> </tr> <tr> <td>Plant and machinery</td> <td align="right">8,00,000</td> </tr> <tr> <td>Goodwill</td> <td align="right">2,00,000</td> </tr> <tr> <td>Investment in shares of R limited</td> <td align="right">2,00,000</td> </tr> <tr> <td>General reserve</td> <td align="right">1,95,000</td> </tr> <tr> <td>Stock in trade</td> <td align="right">1,00,000</td> </tr> <tr> <td>Bills receivable</td> <td align="right">50,000</td> </tr> <tr> <td>Debtors</td> <td align="right">1,50,000</td> </tr> <tr> <td>Creditors</td> <td align="right">1,00,000</td> </tr> <tr> <td>Unsecured bank loan</td> <td align="right">1,00,000</td> </tr> <tr> <td>Provision for tax</td> <td align="right">50,000</td> </tr> <tr> <td>Proposed dividend</td> <td align="right">55,000</td> </tr> <tr> <td>Prepare Balance sheet as per schedule VI of</td> <td>Companies Act.</td> </tr> </table>	The following balances extracted from books of B limited as on 31.3.2013		Land and building	2,00,000	12% debentures	2,00,000	Share capital @ RS 10 each	10,00,000	Plant and machinery	8,00,000	Goodwill	2,00,000	Investment in shares of R limited	2,00,000	General reserve	1,95,000	Stock in trade	1,00,000	Bills receivable	50,000	Debtors	1,50,000	Creditors	1,00,000	Unsecured bank loan	1,00,000	Provision for tax	50,000	Proposed dividend	55,000	Prepare Balance sheet as per schedule VI of	Companies Act.	K4	CO3
The following balances extracted from books of B limited as on 31.3.2013																																			
Land and building	2,00,000																																		
12% debentures	2,00,000																																		
Share capital @ RS 10 each	10,00,000																																		
Plant and machinery	8,00,000																																		
Goodwill	2,00,000																																		
Investment in shares of R limited	2,00,000																																		
General reserve	1,95,000																																		
Stock in trade	1,00,000																																		
Bills receivable	50,000																																		
Debtors	1,50,000																																		
Creditors	1,00,000																																		
Unsecured bank loan	1,00,000																																		
Provision for tax	50,000																																		
Proposed dividend	55,000																																		
Prepare Balance sheet as per schedule VI of	Companies Act.																																		
12.	<p>Laxmi Ltd., was incorporated on 1<sup>st</sup> march 1990 and received the certificate of commencement of business on 1<sup>st</sup> April 1990. The company acquired the business of Rajan with effect from 1<sup>st</sup> November 1989. From the following figures relating to the year ending October 1990, find out the profit available for dividend.</p> <p>(a) Sales for the year were Rs 6,00,000 out of which, sales up to 1<sup>st</sup> March 1990 were Rs 2,50,000</p>	K4	CO3																																

(b) Gross profit for the year was Rs 1,80,000

(c) The expenses debited to profit and loss account were

Rent	9,000
Salaries	15,000
Directors fees	4,800
Interests on debentures	5,000
Audit fees	1,500
Discount on sales	3,600
Depreciation	24,000
General expenses	4,800
Advertising	18,000
Printing and stationery	3,600
Commission on sales	6,000
Bad debts ( Rs 500 relates to debts prior to incorporation)	1,500
Interest to vendors on purchase consideration upto 1 <sup>st</sup> may 1990	3,000

#### SECTION D

Answer any ONE of the following in 250 words

(1 x 20 = 20)

- |     |  |    |     |
|-----|--|----|-----|
| 13. | <p>Vijay co. Ltd. Issued 20,000 equity shares of Rs 10 each at a premium of Rs 2 per share, payable as Rs 3 on application; Rs 4 on allotment (including premium) and Rs5 on call.</p> <p>Applications were received for 32,000 shares, out of which letters of regret were issued for applicants of 6,000 shares. Full allotment was made to applicants for 8,000 shares and pro-rata allotment was made on the balance.</p> <p>A shareholder holding 20 shares to whom full allotment was made failed to pay the allotment money, another shareholder holding 40 shares to whom pro- rata allotment was made also failed to pay the allotment money. On call, there was a further default on 60 shares in addition to the above defaulters. All these shares were forfeited. Pass journal entries in the books of company.</p> | K5 | CO4 |
| 14. | <p>(i) Explain the steps to find profit prior to incorporation</p> <p>(ii) Discuss about the provisions regarding transfer of general reserve according to companies Act.</p>  | K5 | CO4 |

#### SECTION E

Answer any ONE of the following in 250 words

(1 x 20 = 20)

- | 15.             | <p>A Ltd. Was incorporated for taking over the business of 'B' from 1<sup>st</sup> april 199.</p> <p>The following is the balance sheet of 'B' as on 31<sup>st</sup> march 1991</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Rs</th> <th>Assets</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Capital</td> <td>1,00,800</td> <td>Land &amp; building</td> <td>1,60,000</td> </tr> <tr> <td>Loan creditors</td> <td>1,20,000</td> <td>Plant &amp; machinery</td> <td>28,000</td> </tr> <tr> <td>Trade creditors</td> <td>71,200</td> <td>Furniture</td> <td>20,000</td> </tr> </tbody> </table> | Liabilities       | Rs       | Assets | Rs | Capital | 1,00,800 | Land & building | 1,60,000 | Loan creditors | 1,20,000 | Plant & machinery | 28,000 | Trade creditors | 71,200 | Furniture | 20,000 | K6 | CO5 |
|-----------------|---|-------------------|----------|--------|----|---------|----------|-----------------|----------|----------------|----------|-------------------|--------|-----------------|--------|-----------|--------|----|-----|
| Liabilities     | Rs  | Assets            | Rs       |        |    |         |          |                 |          |                |          |                   |        |                 |        |           |        |    |     |
| Capital         | 1,00,800  | Land & building   | 1,60,000 |        |    |         |          |                 |          |                |          |                   |        |                 |        |           |        |    |     |
| Loan creditors  | 1,20,000  | Plant & machinery | 28,000   |        |    |         |          |                 |          |                |          |                   |        |                 |        |           |        |    |     |
| Trade creditors | 71,200  | Furniture         | 20,000   |        |    |         |          |                 |          |                |          |                   |        |                 |        |           |        |    |     |

		Sundry debtors	84,000
	2,92,000		2,92,000

The company takes over the business with fixed assets and loans on the following terms:

- (i) The fixed assets should be depreciated at 10%
- (ii) The value of goodwill was estimated at Rs 80,000

The company realised Rs 80,000 from sundry debtors as the agent of the vendor in full settlement and discharged all the trade creditors by paying Rs 68,000 for a commission of 3% on the amount collected and 2% on the amount paid.

The loan creditors accepted 10% preference share of Rs 100 each in discharge of the loan. After realisation of the debts and discharge of the liabilities, the total amount due to the vendor was settled by payment of Rs 5,440 in cash and the balance in the shape of fully paid equity shares of Rs 10 each.

Show purchase consideration and pass journal entries in the books of the company. Also give the balance sheet of the company after taking over the business of 'B'

16. Moon and start Co. Ltd. Is a company with an authorised capital of Rs 5,00,000 divided into 5,000 equity shares of equity shares of Rs 100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985

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 & loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.8.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing directors	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Call- in- arrears	5,000		

You are required to prepare statement of profit & loss for the year ended 31.12.1985 and a balance sheet as on that data. The following further information is given :

- (a) Closing stock was valued at Rs 1,91,500
- (b) Depreciation on plant at 15% and on furniture at 10 % should be provided
- (c) A tax provision of Rs 8,000 is considered necessary
- (d) The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%
- (e) Provide for corporate dividend tax @17%

#####