LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

THIRD SEMESTER – **APRIL 2024**

UCO 3502 – CORPORATE ACCOUNTING

Date: 16-04-2024 Dept. No. Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

	SECTION A - K1 (CO1)	
	Answer ALL the Questions	**(10 x 1 = 10)**
1.	**Fill in the blanks**	
a)	Return of shares voluntarily by a shareholder to the company for cancellation is called -----------	
b)	Capital redemption reserve can be used to issue fully paid ----------------- shares.	
c)	------------------- is writing off of intangible assets.	
d)	Capital Reserve Account has to be shown in the liabilities side of the Balance Sheet under the heading -----------------	
e)	Under capitalisation method, goodwill is taken as the difference between the capitalised value of the business and the ----------------------	
2.	**True or False**	
a)	The Net liability of Underwriter, Under Complete Underwriting, can be ascertained by deducting total applications received from shares or debentures offered.	
b)	A company cannot buy its own debentures in the open market.	
c)	In the final accounts of a joint stock company, provision for income–tax for the current year is shown as a charge against revenue and not as an appropriation of profits.	
d)	Gross profit is to be divided between Pre and Post incorporation periods in time ratio.	
e)	Permission of the Company Law Tribunal is not required for increase of share capital.	
	SECTION A - K2 (CO1)	
	Answer ALL the Questions	**(10 x 1 = 10)**
3.	**Choose the correct answer to the following**	
a)	A newly established company cannot issue shares at a) Par (b) Premium (c) Discount (d) None of the above	
b)	Specify that section of The Companies Act which deals with the issue and redemption of preference shares (a) Section 78 (b) Section 80 (c) Section 77A (d) Section 77 B	
c)	Interim dividend paid is always shown (a) On the asset side of the balance sheet (b) In profit and loss appropriation account. (c) Prepaid expenses (d) None of the above	
d)	The loss suffered from the date of acquisition of the business to the date of incorporation should be debited to (a) Goodwill A/c (b) Preliminary expenses A/c (c) Profit and loss A/c (d) Capital Reserve	
e)	For calculating the value of equity share by intrinsic value method, it is essential to know (a) Creditors (b) Net Assets (c) Called up equity share capital (d) Expected rate of return	
4.	**Answer the following**	
a)	State the meaning of Pro-rata Allotment.	
b)	Write a short note on `Ex-interest and Cum- interest`.	
c)	What do you understand the term Divisible profit?	
d)	In what way `acquisition of business` differs from `Amalgamation of companies`?	
e)	Why is valuation of goodwill important?	

SECTION B - K3 (CO2)

Answer any TWO of the following in 100 words each. (2 x 10 = 20)

5. Following are the extracted from the draft balance sheet of Bakya Limited as on 31.03.2012:

Details	₹
Authorised Capital: 4,00,000 equity shares of ₹ 10 each	40,00,000
Issued and Subscribed capital: 1,00,000 Equity shares of ₹ 10 each fully paid up	10,00,000
Reserve Fund	2,00,000
Profit and Loss A/c	1,60,000

A resolution was passed declaring the issue of bonus of 20 % on equity shares to be provided as to ₹ 1,20,000 out of Profit and Loss A/c and ₹ 80,000 out of Reserve fund. The bonus is to be satisfied by issuing fully paid equity shares. You are required to set out Journal entries to give effect to the resolution and show how they would affect the Balance Sheet.

6. Seven Star Company Limited took over the assets ₹ 8,85,000 and liabilities worth ₹ 75,000 at a purchase price of ₹ 7,92,000 from VK Ltd. It was agreed that purchase consideration be paid by issuing 12% Debentures of ₹ 100 each Pass journal entries of:
   (a) Debentures are issued at par.
   (b) Debentures are issued at 10 % Discount.
   (c) Debentures are issued at 10 % Premium.

7. Write the summarised form of statement of Profit and Loss account and the Balance Sheet of a company as per the revised Schedule III of the companies Act, 2013.

8. Merlin Ltd., was registered on 1.7.2017 to acquire business of Sun & Co., with effect from 1.1.2017. The following was the profit and Loss account of the company on 31.12.2017.

Particulars	**₹**	**Particulars**	**₹**
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 of 1:2 before and after incorporation respectively.

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each. (2 x 10 = 20)

9. The issued share capital of a company was ₹ 10,00,000 consisting of 10,000 equity shares of ₹. 100 each. The net profits for the last 5 years were: ₹. 1,00,000, ₹. 80,000, ₹. 1,20,000, ₹. 1,60,000 and ₹.1,40,000 of which 20 % was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 12%. Compute the value of the company`s share by the yield value method.

10. Lekha Limited was formed with a capital of ₹ 10,00,000 in ₹ 10 shares, the whole amount being issued to the public. The underwriting of these shares was as follows:
A - 35,000, B – 30,000, C – 20,000, D – 10,000, E -3,000, F – 2,000
All the marked application forms were to go in relief of the underwriters whose stamp they bear. The application forms marked by the underwriters were:
A - 10,000, B – 22,500, C – 20,000, D – 7,500, E -5,000, F – Nil.
Applications for 20,000 shares were received on forms not marked. Draw up a statement showing the number of shares each underwriter had to take up.

11. Pollock Co. Ltd has issued 60,000 7% redeemable preferences shares of ₹ 100 each. Under the terms of the issue of shares, redemption was to take place on 1st April 2008. A general reserve of ₹ 37,50,000 had already been built up out of past profits. For the purpose of redemption 22,500 new 6% preference shares of ₹ 100 each were offered to the public at a premium of ₹ 20, payable in full on application. The new issue was fully subscribed and paid for. Thereupon 7% redeemable preference shares were redeemed. Show the ledger accounts to record the above transactions.

12. State the conditions and procedures for the issue of redeemable preference shares and debentures.

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words (1 x 20 = 20)

13. Ever Green Limited issued 50,000 equity shares of ₹ 10 each with a premium of ₹ 2 per share payable as follows: on application ₹ 2; on allotment ₹ 5 (including premium); on first call ₹ 3; and ₹ 2 on final call. Applications were received for 80,000 shares. Allotment was made pro rate to the applicants for 75,000 shares, and the remaining application were refused. Money over-paid on application was utilised towards shares due on allotment. Anbu, to whom 300 shares were allotted, failed to pay the first calls which were forfeited and Ravi, to whom 400 shares were allotted, failed to pay the two calls, and these shares were forfeited after the final call. The directors re-issued 500 shares at ₹ 9 per share to Kumar as fully paid, the whole of Anbu`s share being included.
Show the Cash Book, Journal entries and the balance sheet.

14. Marshall and Riyas carrying on business in partnership, sharing profits and losses in the ratio of 2:1 wish to dissolve the firm and sell the business to a limited company on 31st December 2018 when the firm`s balance sheet stands as under:

Liabilities	₹	Assets	₹
Capital Accounts: Marshall 1,40,000 Riyas 1,00,000	2,40,000	Cash at Bank	8 ,000
Reserve Fund	45,000	Sundry Debtors	1,20,000
Sundry Creditors	45,000	Motor Vehicle	24,000
		Stock	1,62,000
		Furniture	16,000
	3,30,000		3,30,000

Nash, Co. Ltd. was registered with an authorised capital of ₹ 6,00,000 in equity shares of ₹ 10 each to acquire the above business on the following terms:

(i) Goodwill is valued at ₹ 75,000
(ii) Furniture and stock are revalued at ₹ 14,500 and ₹ 1,74,500 respectively.
(iii) Debtors are subject to 5% provision.
(iv) Motor vehicle is not required by the company and Marshall takes over the same at an agreed valuation of ₹ 22,000.

The purchase price is satisfied by the issue of equity shares of ₹ 10 each at par. Show journal entries and balance sheet of the company assuming that the same set of books are continued.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words (1 x 20 = 20)

15. The following are the balances of Johnson Company Limited as on 31st March 2017:

Debit	₹	Credit	₹
Premises	30,72,000	Share Capital (of ₹ 10 each)	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	P & L A/c	2,62,500
Debtors	8,70,000	Bills Payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash and Bank	4,06,500	Sales	41,50,000
Calls in Arrear	75,000	General Reserve	2,50,000
Interim Dividend Paid	3,92,500	Bad Debt. Provision on 1.4.2016	35,000
Purchases	18,50,000		

Preliminary Expenses	50,000		
Wages	9,79,800		
General Expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debentures Interest Paid	1,80,000		
	1,24,67,500		1,24,67,500

Additional Information:

(a) Depreciate Plant by 15%
(b) Half-year`s Debenture Interest due.
(c) Credit 5% Provision for Doubtful Debts.
(d) Provide for Income Tax @ 50%
(e) Stock on 31st March,2017 was ₹ 9,50,000
(f) A claim of ₹ 25,000 for workmen`s compensation is being disputed by the company.

Prepare Final accounts of the company as per schedule III to the Companies Act 2013.

16. The following is the balance sheet of Mr. Vikram as on 30th September 2018.

Liabilities	₹	Assets	₹
Capital	1,64,000	Land & Buildings	36 ,000
General Reserve	40,000	Plant	54,000
Creditors	38,040	Investments	30,000
		Stock	26,850
		Bank	75,990
		Debtors	19,200
	2,42,040		2,42,040

The following were the net profit for the years ended

30th September 2016 ₹ 32,280
30th September 2017 ₹ 36,870
30th September 2018 ₹ 43,350

The above amounts include income form investment ₹ 1,800 each year.

You are required to value the goodwill of the above business at 2 years purchase of the average super profit for 3 years, taking into account the fact that the standard rate of return on capital employed in such type of business is 10% assume that each year`s profit is immediately withdrawn in full by Mr. Vikram.

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