

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****B.Com. DEGREE EXAMINATION – ACCOUNTING AND FINANCE****THIRD SEMESTER – NOVEMBER 2022****UAF 3501 – CORPORATE ACCOUNTING**

Date: 22-11-2022

Dept. No. 

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

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

|           |                                                                                                                                                                                                   |                          |     |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----|
| <b>1.</b> | <b>Fill in the Blanks</b>                                                                                                                                                                         | <b>(5x 1 = 5 Marks)</b>  |     |
| a)        | Owners of a Company are called .....                                                                                                                                                              | K1                       | CO1 |
| b)        | The allotment of shares should be completed within ..... days of the issue of the prospectus                                                                                                      | K1                       | CO1 |
| c)        | Consolidation of shares does not affect the amount of .....                                                                                                                                       | K1                       | CO1 |
| d)        | A company can carry out capital reduction only after a .....approves a scheme.                                                                                                                    | K1                       | CO1 |
| e)        | Applications bearing the stamp of the underwriters is called as .....                                                                                                                             | K1                       | CO1 |
| <b>2.</b> | <b>Multiple Choice Questions</b>                                                                                                                                                                  | <b>(5x 1 = 5 Marks)</b>  |     |
| a)        | Super profit is the difference between<br>(a) Capital employed and Average capital employed (b) Average profit & Normal profit (c) Current year profit and last year profit (d) None of the above | K1                       | CO1 |
| b)        | Debentures are shown under the following heading in a company's balance sheet<br>(a)Secured loan (b) Unsecured loan (c) Share capital (d) Current liabilities                                     | K1                       | CO1 |
| c)        | Interest paid to Vendor should be divided between Pre and Post incorporation periods in<br>(a) Adjusted time ratio (b) Time ratio (c) Sales Ratio (d) None of the above                           | K1                       | CO1 |
| d)        | According to Companies Act 2013 the commission payable to underwriter for underwriting shares should not exceed<br>(a) 5% (b) 10 % (c) 2.5 % (d) 1.5 %                                            | K1                       | CO1 |
| e)        | Purchase consideration payable in<br>(a) Cash (b) Shares (c) Debentures (d) Any one of the above or all of the above                                                                              | K1                       | CO1 |
| <b>3.</b> | <b>Define the following terms</b>                                                                                                                                                                 | <b>(5 x 1 = 5 Marks)</b> |     |
| a)        | Capital reserve account                                                                                                                                                                           | K2                       | CO1 |
| b)        | Post incorporation profit                                                                                                                                                                         | K2                       | CO1 |
| c)        | Under writers commission                                                                                                                                                                          | K2                       | CO1 |
| d)        | Divisible profit                                                                                                                                                                                  | K2                       | CO1 |
| e)        | Good will                                                                                                                                                                                         | K2                       | CO1 |
| <b>4.</b> | <b>True or False</b>                                                                                                                                                                              | <b>(5 x 1 = 5 Marks)</b> |     |
| a)        | When the underwriter agrees to buy a definite number of shares in addition to the unsubscribed shares it is termed as partial underwriting                                                        | K2                       | CO1 |

|    |                                                                          |    |     |
|----|--------------------------------------------------------------------------|----|-----|
| b) | Interest on debentures can be paid when the company makes profit         | K2 | CO1 |
| c) | Debentures can be issued at discount and can be redeemed at par          | K2 | CO1 |
| d) | Pro-rata allotment is made when the company receives excess applications | K2 | CO1 |
| e) | Forfeiture of shares means cancellation of shares                        | K2 | CO1 |

### SECTION B

**Answer any TWO of the following**

**(2 x 10 = 20 Marks)**

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |    |     |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 5. | <p>A company was incorporated on 1<sup>st</sup> May 2014 acquiring the business of a sole trader with effect from 1<sup>st</sup> January 2014. The accounts of the company were closed for the first time on 30<sup>th</sup> September 2014, disclosing a gross profit of Rs. 84,000. The establishment expenses were Rs. 21,300 directors fees Rs.1,500 per month , preliminary expenses written off Rs.2,000 , rent up to June 2014 was Rs. 150 per month which was thereafter increased to Rs. 375 per month. Salary to the manager was at Rs.750 per month who was appointed a director at the time of incorporation of the company</p> <p>Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs. 12,30,000 the monthly average of which for the first four months of 2014 was half of that of the remaining period.</p> | K3 | CO2 |
| 6. | <p>Birla Ltd invited applications for Rs.5,000 shares of Rs.100 each at a premium of Rs.10 per share payable as follows<br/>Rs.20 on application<br/>Rs.40 on allotment<br/>Rs.50 on call</p> <p>Applications were received for 4,000 shares and all were accepted. All moneys due were fully received except the first and final call on 300 shares. Give journal entries and show the balance sheet of the company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | K3 | CO2 |
| 7. | <p>Ambassadors Ltd issued 2,000 shares of Rs.100 each at a premium of 10 % payable as follows<br/>Rs.25 on application Rs.35 on allotment (including premium) Rs.20 on first call , Rs.30 on final call.</p> <p>1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited .Give journal entries and balancesheet.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              | K3 | CO2 |
| 8. | <p>Diamond Ltd had issued 20,000 equity shares of Rs. 100 each fully paid and 12,000 redeemable preference shares of Rs. 100 each fully paid. On 31<sup>st</sup> Dec 2019, the profit &amp; Loss account showed an undistributed profit of Rs. 2,00,000 and the General Reserve account stood at Rs. 5,60,000.</p> <p>On 1.1.2020. the directors decided to issue 6,000 7 % preference shares of Rs.100 each and to redeem the existing redeemable preference shares at Rs.110 each utilizing as less profits as possible for the purpose.</p> <p>Pass journal entries to record the above transactions .There was a bank balance of Rs. 9, 00,000 on that date.</p>                                                                                                                                                                                                                 | K3 | CO2 |

### SECTION C

**Answer any TWO of the following**

**(2 x 10 = 20 Marks)**

| 9.                       | <p>The following is the balancesheet of Reckless Co Ltd., as on 31.03.2006</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 10%;">Rs</th> <th style="width: 30%;">Assets</th> <th style="width: 10%;">Rs</th> </tr> </thead> <tbody> <tr> <td>Subscribed share capital</td> <td style="text-align: center;">7,50,000</td> <td>Leasehold premises</td> <td style="text-align: center;">1,30,800</td> </tr> </tbody> </table> | Liabilities        | Rs       | Assets | Rs | Subscribed share capital | 7,50,000 | Leasehold premises | 1,30,800 | K4 | CO3 |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------|--------|----|--------------------------|----------|--------------------|----------|----|-----|
| Liabilities              | Rs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Assets             | Rs       |        |    |                          |          |                    |          |    |     |
| Subscribed share capital | 7,50,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Leasehold premises | 1,30,800 |        |    |                          |          |                    |          |    |     |

|                                                   |           |                             |           |
|---------------------------------------------------|-----------|-----------------------------|-----------|
| 7,500 preference shares of Rs.100 each fully paid |           |                             |           |
| 5,000 equity shares of Rs. 100 each fully paid    | 5,00,000  | Plant                       | 42,200    |
| Sundry Creditors                                  | 30,000    | Patents                     | 8,50,000  |
| Bank Overdraft                                    | 20,000    | Stock                       | 55,000    |
|                                                   |           | Debtors                     | 76,500    |
|                                                   |           | Cash                        | 500       |
|                                                   |           | Preliminary Expenses        | 12,000    |
|                                                   |           | Discount on issue of shares | 18,000    |
|                                                   |           | P & L a/c                   | 1,15,000  |
|                                                   | 13,00,000 |                             | 13,00,000 |

As the Company was not doing well the following scheme of reconstruction was adopted

(a) The preference shares be reduced to an equal number of fully paid shares of Rs. 50 each.

(b) The equity shares be reduced to an equal number of shares of Rs.25 each.

© The amount available be used to write off the fictitious assets fully, Rs. 30,800 off the leasehold premises, Rs. 15,000 off stock, 20 % off plant and debtors and the balance available off patents.

Journalise and prepare the balancesheet after the reconstruction has been carried out.

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |    |     |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| <b>10.</b> | <p>Arun Ltd offered 10,000 equity shares of Rs.10 each at Rs.12 per share payable Rs.3 on application (including premium) Rs.3 on allotment and the balance in two equal instalments.</p> <p>Applications were received for 13,000 shares. Excess application money was retained for the adjustment against allotment money due on the shares allotted. All the calls were made and the amount due thereon was duly received with the exception of the first and final call money on 1000 shares. The Board of directors forfeited those shares and subsequently reissued 800 shares as fully paid up for Rs.7 per share. Show necessary journal entries including cash.</p> | K4 | CO3 |
| <b>11.</b> | <p>From the following information calculate the value of goodwill on the basis of 4 years of purchase of super profit</p> <p>(i) Average capital employed in the business is Rs. 10,00,000</p> <p>(ii) Rate of interest expected from capital having regard to the risk involved is 10 %</p> <p>(iii) Net trading profits of the firm for the past three years were Rs. 1,75,200, Rs. 1,40,150 and Rs. 1,55,050.</p> <p>(iv) Fair remuneration to the partners for their services is Rs.24,000 per annum</p> <p>(v) Sundry assets of the firm are Rs.11,75,200 and current liabilities are Rs. 47,555.</p>                                                                   | K4 | CO3 |
| <b>12.</b> | <p>Moon Rays Ltd issued 50,000 8% debentures of Rs.10 each to the public at par to be paid Rs.4 on application and the balance on allotment</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | K4 | CO3 |

Applications were received for 48,000 debentures .Allotment was made to all the applicants and the amount due was received promptly.  
Give journal entries to record the transactions and show how they appear in the Balance sheet of a company

**SECTION D**

**Answer any ONE of the following**

**(1 x 20 = 20 Marks)**

|                                                                                                                                              |                                                                           |             |                      |             |    |     |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------|----------------------|-------------|----|-----|
| <b>13.</b>                                                                                                                                   | The following is the Balance sheet of Dinesh paints Ltd as on 31.03.2009. |             |                      |             | K5 | CO4 |
|                                                                                                                                              | Liabilities                                                               | Rs          | Assets               | Rs          |    |     |
|                                                                                                                                              | Issued and paid up capital<br>6,00,000 equity shares of Rs.10 each        | 60,00,000   | Land & Buildings     | 12,60,000   |    |     |
|                                                                                                                                              | General reserve                                                           | 14,00,000   | Plant & Machinery    | 47,00,000   |    |     |
|                                                                                                                                              | Securities Premium                                                        | 10,10,000   | Furniture & Fittings | 7,00,000    |    |     |
|                                                                                                                                              | 12% Debentures                                                            | 28,00,000   | Investments          | 7,40,000    |    |     |
|                                                                                                                                              | Sundry Creditors                                                          | 9,20,000    | Stock                | 24,00,000   |    |     |
|                                                                                                                                              |                                                                           |             | Sundry Debtors       | 11,80,000   |    |     |
|                                                                                                                                              |                                                                           |             | Cash & Bank Balance  | 11,50,000   |    |     |
|                                                                                                                                              |                                                                           | 1,21,30,000 |                      | 1,21,30,000 |    |     |
| On 01/04/2009 the shareholders of the company have approved the scheme of buy-back of equity shares as under                                 |                                                                           |             |                      |             |    |     |
| (i) 20 % of the equity shares would be bought back at Rs.16 per share                                                                        |                                                                           |             |                      |             |    |     |
| (ii) General reserve balance may be utilised for the purpose                                                                                 |                                                                           |             |                      |             |    |     |
| (iii) Premium paid on buy back of shares should be met from securities premium account                                                       |                                                                           |             |                      |             |    |     |
| (iv) Investments would be sold for Rs.7,80,000                                                                                               |                                                                           |             |                      |             |    |     |
| Pass journal entries to record the above transactions and prepare the balance sheet of the company immediately after the buy –back of shares |                                                                           |             |                      |             |    |     |

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |    |     |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| <b>14.</b> | Anirudh Ltd issued 20,000 equity shares of Rs.10 each at par, the entire issue was underwritten as follows<br>A -12,000 shares (firm underwriting 1,600 shares)<br>B – 5,000 shares (firm underwriting 2,000 shares)<br>C – 3,000 shares(firm underwriting 600 shares)<br>The total applications including firm underwriting were for 14,200 shares. The marked applications were as under<br>A- 3,600 shares B – 4,500 shares , C – 1,600 shares<br>The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares under written.<br>Determine the liability of each underwriter | K5 | CO4 |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|

**SECTION E**

**Answer any ONE of the following**

**(1 x 20 = 20 Marks)**

|            |                                                                                                                                                                                                                                                                                        |          |                   |          |    |     |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------|----------|----|-----|
| <b>15.</b> | Strong Ltd was formed with the nominal capital of Rs. 15,00,000 consisting of 1,00,000 equity shares of Rs.10 each and 5,000 9 % preference shares of Rs. 100 each to acquire on 1 <sup>st</sup> July 1998 the business of Weak<br>Weak’s Balancesheet as on 30.06.1998 was as follows |          |                   |          | K6 | CO5 |
|            | Liabilities                                                                                                                                                                                                                                                                            | Rs       | Assets            | Rs       |    |     |
|            | Capital A/c<br>Weak                                                                                                                                                                                                                                                                    | 7,82,900 | Land & Buildings  | 4,00,000 |    |     |
|            | Trade Creditors                                                                                                                                                                                                                                                                        | 1,65,800 | Plant & Machinery | 2,40,000 |    |     |
|            | Overdraft at New Bank Ltd                                                                                                                                                                                                                                                              | 89,500   | Stock             | 1,59,600 |    |     |

|  |           |         |           |
|--|-----------|---------|-----------|
|  |           | Debtors | 2,38,600  |
|  | 10,38,200 |         | 10,38,200 |

The company took over all the assets and assumed all the liabilities and the consideration was fixed at Rs. 11,00,000. In computing this figure Land & Buildings were valued at Rs. 6,00,000, Plant & machinery at Rs. 2,00,000, Stock at 1,50,000 and debtors at book value subject to an allowance of 5% to cover doubtful debts. The transfer of the bank overdraft to the company was agreed by New Bank Ltd on condition that debentures for Rs. 1,00,000 were issued to the bank as collateral security.

The purchase price was settled by the issue at par to Weak of Rs. 30,000 equity shares and 2,500 preference shares the balance being paid in cash. Under writers Ltd agreed to subscribe for Rs.70,000 equity shares in Strong Ltd at a par and these were issued fully paid for cash on 1<sup>st</sup> July 1998. Strong Ltd paid the formation expenses of Rs. 18,750. You are required to pass journal entries in the books of Strong Ltd & Weak Ltd and prepare the Balancesheet.

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |    |     |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| <b>16.</b> | <p>Valan Ltd invited applications for 10,000 equity shares of Rs. 10 each at a premium of Rs.1per share. Payment was to be made as follows.</p> <p>On application Rs.2, on allotment Rs.4 (including premium), on first call Rs.3 , On final call Rs.2</p> <p>Applications totaled for 23,000 shares, Applications for 2,000 shares were rejected and allotment of shares was made proportionately to the remaining applicants. The directors made both the calls and all the money's received except the final call on 300 shares which were forfeited after the required notice were served.Later 200 of the forfeited shares were reissued as fully paid @ Rs.8 per share.Journalise the transactions and prepare the balancesheet</p> | K6 | CO5 |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|

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