

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP****THIRD SEMESTER – NOVEMBER 2022****UBC 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**

SECTION A			
1. Define the following (5 x 1 = 5)			
a)	Write about buy back of shares.	K1	CO1
b)	Write about underwriting.	K1	CO1
c)	Define purchase consideration.	K1	CO1
d)	Define incorporation of a company.	K1	CO1
e)	Define Goodwill	K1	CO1
2. Fill in the blanks (5 x 1 = 5)			
a)	Shareholders receive _____ as return for their investment	K1	CO1
b)	Under partial underwriting, the company itself becomes the underwriter for the shares _____	K1	CO1
c)	If the net tangible assets exceeds the purchase consideration, the difference will be treated as _____	K1	CO1
d)	For ascertaining pre- incorporation profit, formation expenses are apportioned in the _____ ratio	K1	CO1
e)	The excess of average profits over the normal profits is known as _____	K1	CO1
3. Match the following (5 x 1 = 5)			
a)	Issue of shares -	(i) commission	K2 CO1
b)	Underwriting -	(ii) sales ratio	K2 CO1
c)	Acquisition of business -	(iii) 11%	K2 CO1
d)	Gross profit -	(iv) prorata allotment	K2 CO1
e)	Managerial remuneration -	(v) same set of books	K2 CO1
4. TRUE or FALSE (5 x 1 = 5)			
a)	A public limited company having share capital can start its operation immediately after getting certificate of incorporation	K2	CO1
b)	Under firm Underwriting, the underwriters do not agree to purchase any shares.	K2	CO1
c)	On acquisition of business, if a company continues the same books maintained by the vendor, there is no need for Realisation a/c	K2	CO1
d)	Fair value of a share is the average of intrinsic value and marked value	K2	CO1
e)	Gross profit is to be divided between pre and post incorporation periods in time ratio.	K2	CO1

SECTION B

Answer any TWO of the following in 100 words

(2 x 10 = 20)

5.	<p>The following underwriting took place :</p> <p>A- 5,000 shares ; B – 3,000 shares ; C – 2,000 shares.</p> <p>In addition there was firm underwriting :</p> <p>A- 1,000 shares ; B – 500 shares; C – 1,500 shares.</p> <p>The share issue was for 10,000 shares. Total subscription including firm underwriting was 8,500 shares and the forms included the following marked forms.</p> <p>A- 2,000 shares ; B- 1,000 shares ; C – 1,000 shares.</p> <p>Show the allocation of liability of the underwriters.</p>	K3	CO2																												
6.	<p>(i). A company has decided to increase its existing share capital by making a rights issue to the existing shareholders in the proportion of one new share for every two old shares held. You are required to calculate the value of rights, if the market values of the shares at the time of announcement of rights issues is Rs 24. The company has decided to give one share of Rs. 10 each at a premium of Rs 2 each</p> <p>(ii) What are the provisions regarding managerial remuneration according to companies Act.</p>	K3	CO2																												
7.	<p>Ganguly Ltd. was formed with an authorised capital of Rs 12,00,000 divided into equity shares of Rs. 10 each, to acquire the business of ‘A’ and ‘B’ whose balance sheet on the date of each acquisition as follows:</p> <table border="1" data-bbox="197 1290 1251 1738"> <thead> <tr> <th>Liabilities</th> <th>Rs.</th> <th>Assets</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Capital</td> <td>6,00,000</td> <td>Freehold premises</td> <td>7,00,000</td> </tr> <tr> <td>General reserve</td> <td>4,00,000</td> <td>Stocks</td> <td>2,00,000</td> </tr> <tr> <td>Sundry creditors</td> <td>2,00,000</td> <td>Sundry debtors 1,60,000</td> <td>1,50,000</td> </tr> <tr> <td></td> <td></td> <td>Less: Provision for bad debts 10,000</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Cash at bank</td> <td>1,50,000</td> </tr> <tr> <td></td> <td>12,00,000</td> <td></td> <td>12,00,000</td> </tr> </tbody> </table> <p>The purchase consideration was agreed upon at Rs 14,00,000 to be paid in- RS 12,00,000 fully paid equity shares at Rs.11 and the balance in cash.</p> <p>Give journal entries to record the above and prepare the balance sheet of Ganguly Ltd. Assuming the vendor’s account is finally settled.</p>	Liabilities	Rs.	Assets	Rs	Capital	6,00,000	Freehold premises	7,00,000	General reserve	4,00,000	Stocks	2,00,000	Sundry creditors	2,00,000	Sundry debtors 1,60,000	1,50,000			Less: Provision for bad debts 10,000				Cash at bank	1,50,000		12,00,000		12,00,000	K3	CO2
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	12,00,000		12,00,000																												
8.	<p>Explain the steps to find profit prior to incorporation .</p>	K3	CO2																												

SECTION C

Answer any TWO of the following in 100 words

(2 x 10 = 20)

9. The following particulars are available in respect of the business carried on by a trader:

- 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.

You are required to calculate goodwill:

- i. As per five-year purchase of super profit
- ii. As per capitalization of super profit method and
- iii. As per Annuity method

K4 CO3

10. Jones Ltd., was incorporated on 1st April 1996 to purchase the business of Kumaresan with effect from 1st January 1996. The following details are available from the company's book of accounts on 31. 12.96

K4 CO3

Particulars	Rs	Particulars	Rs
Salaries	44,000	Preliminary expenses	15,500
Insurance	6,000	Carriage outwards	6,000
Depreciation	12,000	Rent	4,000
Stationery	8,000	Director's fees	3,000
Advertising	9,600		
Interest paid to vendors	7,500	donation to charitable trust	8,000
Provision for bad and doubtful debts created on 31.12.96	3,000	Discount allowed	2,000

- (1) Sales for the year were Rs. 4,00,000 of which Rs 80,000 were in the pre incorporation period
- (2) Insurance was for the 12 months ending 31st march 1997
- (3) 2/3 of the preliminary expenses are to be written off
- (4) Salaries were paid for 11 months. One month salary is outstanding.
- (5) Gross profit for the year was Rs 1,80,000

Prepare a profit and loss account, clearly showing the profit or loss in the pre incorporation period

11. 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 ₹.
Bills Payable	5,000	8,000
Creditor	12,000	16,000
Outstanding expenses	2,000	1,000
Bills receivable	20,000	18,000
Debtors	40,000	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

12. 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 |

SECTION D

Answer any ONE of the following in 250 words

(1 x 20 = 20)

13.	<p>A limited company issued a prospectus inviting applications for 2,000 shares of Rs 10 each at a premium of Rs 2 per shares payable as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">On application</td> <td style="width: 70%; text-align: center;">2</td> </tr> <tr> <td>On allotment</td> <td style="text-align: center;">5 (including premium)</td> </tr> <tr> <td>On first call</td> <td style="text-align: center;">3</td> </tr> <tr> <td>On second call</td> <td style="text-align: center;">2</td> </tr> </table> <p>Application were received for 3,000 shares and allotment was made pro-rata to the applicants for 2,500 shares, the remaining applications being refused. Money over paid on applications was employed on account of sum due to allotment.</p> <p>‘P’ to whom 80 shares were allotted, failed to pay allotment money and on his subsequent failure to pay the first call, his shares were forfeited. ‘Q’ the holder of 40 shares failed to pay the two calls and his shares were forfeited, after the second call had been made. Of the shares forfeited, 100 shares were sold to ‘R’ credited as fully paid, for Rs 9 per share, the whole of ‘p’ s share being included. Show journal and cash book entries and balance sheet.</p>	On application	2	On allotment	5 (including premium)	On first call	3	On second call	2	K5	CO4
On application	2										
On allotment	5 (including premium)										
On first call	3										
On second call	2										
14.	Bring out the various methods in valuation of goodwill and shares.	K5	CO4								

SECTION E

Answer any ONE of the following in 250 words

(1 x 20 = 20)

15.	<p>M/s Amar and Akbar carrying on business in partnership wished to dissolve the firm and sell off the business to a limited company on 31st dec.1988 when the firm’s position was as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 25%;">Rs</th> <th style="width: 25%;">Assets</th> <th style="width: 25%;">Rs</th> </tr> </thead> <tbody> <tr> <td>Sundry Creditors</td> <td style="text-align: center;">21,250</td> <td>Furniture</td> <td style="text-align: center;">3,320</td> </tr> <tr> <td>Amar’ capital</td> <td style="text-align: center;">34,000</td> <td>Stocks</td> <td style="text-align: center;">15,380</td> </tr> <tr> <td>Akbar’s capital</td> <td style="text-align: center;">17,000</td> <td>Debtors</td> <td style="text-align: center;">48,450</td> </tr> <tr> <td></td> <td></td> <td>Cash</td> <td style="text-align: center;">5,100</td> </tr> <tr> <td></td> <td style="text-align: center;">72,250</td> <td></td> <td style="text-align: center;">72,250</td> </tr> </tbody> </table> <p>The arrangement with the limited company was as follows:</p> <p>(a) Furniture and stock were purchased at balance sheet values less 10%</p> <p>(b) Goodwill of the firm was valued at Rs 10,120</p>	Liabilities	Rs	Assets	Rs	Sundry Creditors	21,250	Furniture	3,320	Amar’ capital	34,000	Stocks	15,380	Akbar’s capital	17,000	Debtors	48,450			Cash	5,100		72,250		72,250	K6	CO5
Liabilities	Rs	Assets	Rs																								
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(c) The firm's debtors, cash and creditors were not to be taken over by the company, but the company agreed to collect the book debts and discharge the liabilities of the vendors as agents, for which service the company was to be paid 3% on all collections from the vendor's debtors and 2% cash paid to vendor's creditors.

(d) The purchase price was to be discharged by the company in fully paid ordinary shares of Rs 50 each at a premium of Rs10 per share.

The company received during the first two months after purchase of business Rs 48,000 from vendor's debtors in full satisfaction. The creditors were paid off, Rs 250 being allowed by them as discount. The company paid the balance due to the vendors on march 1,1989(ignores the question of interim distribution of cash). Write up the journal and balance sheet in the co.'s books

16. Big bull Ltd has a nominal capital of Rs 6,00,000 divided into shares of Rs 10 each. The following trial balance is extracted from the books of the company as on 31.12.1987

	Rs		Rs
Calls in arrear	7,500	6% debentures	3,00,000
Premises (Rs 60,00,000 added on 1.7.1987)	3,60,000	P & L A/c (1.1.87)	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Directors' fees	5,740	Provision for bad debts	3,500
Bad debts	2,110		
4% government securities	60,000		
Stocks (1.1.87)	75,000		
Furniture	7,200		

K6

CO5

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		
	13,06,000		13,06,000

Prepare final accounts of the company for the year ending 31.12.87 in the prescription from after into account the following adjustments:

- (a) Depreciate machinery by 10% and furniture by 5%
- (b) Write off preliminary expenses
- (c) Wages include Rs. 10,000 paid for the construction of a compound wall to the premises and no adjustment was made
- (d) Provide 5% for bad debts on sundry debtors
- (e) Transfer Rs 10,000 to general reserve
- (f) Provide for income tax Rs 25,000
- (g) Stock on 31.12.87 was 1,01,000
