



LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2025

UCO 3502 – CORPORATE ACCOUNTING



Date: 29-04-2025

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.

- An amount equal to redemption of preference shares out of profits must be transferred to _____
 - Asset backing method is also known as _____
 - Assets which have physical existence are called _____ and _____
 - The profit acquired from the date of Business purchase till the date of incorporation called _____
 - Calls in advance do not form part of _____ capital.
- 2. State whether the following statements are True or False**
- Marked Applications are also known as direct Applications.
 - Unmarked applications can be distributed among the underwriters in the ratio of gross liability.
 - Calls-in-advance is shown as other current liability.
 - The purchase of business one corporate body by another corporate body is known as acquisition of business.
 - Cancellation of unissued capital is also a case of capital reduction

SECTION A - K2 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

3. Multiple Choice Question

- The Underwriting Commission in case of Preference shares / Debentures beyond Rs.5lakhs as per SEBI guide lines, should not exceed;
(a) 2% (b) 2.5% (c) 5% (d) 1.5%
- After redemption of debentures, the balance in the Sinking fund a/c is transferred
(a) Secret reserve (b) General reserve (c) Capital reserve (d) P&L A/c
- For calculating the value of an equity share by yield method, it is essential to know _____
(a) Expected rate of return; (b) Called up equity share capital
(c) Capital employed (d) None of the above
- In case of Sub-division of share capital, the total number of shares :
(a) Does not change (b) Decreases (c) Increases (d) Decreases Proportionately.
- Dividend is paid on
(a) Issued capital (b) Called up Capital (c) Paid up Capital (d) None of these

4. Answer the following

- Define sweat equity
- Write a note on marked applications
- What is employees benefit cost?
- What is future maintainable profit?
- Write a note on pre incorporating profit

SECTION B - K3 (CO2)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

- What is 'acquisition of Business'? Explain the methods of computing purchase consideration on acquisition of business
- T.T. Ltd., issued 50,000 equity shares of Rs.10 each at par. The entire issue was underwritten as follows:
A-30,000 shares (firm underwriting 4,000)
B-15,000 shares (firm underwriting 5,000)
C-5,000 shares (firm underwriting 1,000)
The total applications including firm underwriting were for 40,000 shares. The marked applications were as follows:
A-10,000 shares; B-7,000 shares and C-3,000 shares.
The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares of unmarked applications. Determine the liability of each underwriter and amount of commission payable to them assuming the rate to be 2% on issue price.

7. A Ltd. invited applications for 10,000 equity shares of Rs. 100 each at a premium of Rs. 10 per share. Payment was to be made as follows:
On application - Rs. 20
On allotment-Rs. 40 (including premium)
On first call-Rs. 30
On final call-Rs. 20
Applications totalled for 13,000 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 moneys received except the final call on 300 shares which were forfeited after the required notices were served. Later 200 of the forfeited shares were reissued as fully paid @ Rs. 85 per share.
Journalise the transactions and prepare the balance sheet.
8. The following balances have been extracted from the books of Rama Ltd.as on 31 March 2013:
Share capital Rs. 10,00,000 Securities premium Rs.1,00,000
12% Debentures Rs.5,00,000 Trade payables (creditors) Rs.2,00,000
Proposed dividend Rs.50,000 Government bonds Rs,4,00,000
Machinery Rs.9,00,000 Cash and cash equivalents Rs.1,00,000
Work in progress Rs.4,00,000
The balance in Statement of Profit or Loss (Dr.) Rs.50,000. Prepare the Balance sheet of the company as per Revised Schedule III Part I of the Companies Act 2013

SECTION C – K4 (CO3)

Answer any TWO of the following.

(2 x 10 = 20)

9. On 31st Dec. 2015, the balance sheet of a limited company disclosed the following position:
- | Liabilities | Rs. | Assets | Rs. |
|---------------------------------|----------|----------------|----------|
| Issued capital in Rs. 10 shares | 4,00,000 | Fixed assets | 5,00,000 |
| Reserves | 90,000 | Current assets | 2,00,000 |
| Profit & Loss A/c | 20,000 | Goodwill | 40,000 |
| 5% debenture | 1,00,000 | | |
| Current liabilities | 1,30,000 | | |
| | 7,40,000 | | 7,40,000 |
- On 31st Dec. 2015, the fixed assets were independently valued at Rs. 3,50,000 and the goodwill at Rs. 50,000. The net profits for the three years were: 2013 - Rs. 51,600; 2014 - Rs. 52,000 and 2015 - Rs. 51,650 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 10%. Compute the value of the company's share by (a) the net assets method and (b) The yield method
10. 'A' Co. Ltd. has an authorised capital of Rs. 50,00,000 divided into 1,00,000 equity shares of Rs.50 each. The company issued for subscription 50,000 shares at a premium of Rs.10 each. The entire issue was underwritten as follows:
X - 30000 shares (Firm underwriting 5,000 shares)
Y - 15000 shares (Firm underwriting 2,000 shares)
Z - 5000 shares (Firm underwriting 1,000 shares)
Out of the total issue 45,000 shares including firm underwriting were subscribed.
The following were the marked forms:
X -16,000 shares Y -10,000 shares; Z - 4,000 shares;
Calculate the liability of each underwriter.
11. The balance sheet of K Ltd as on 31st December 2021 was follows:
- | Liabilities | Rs. | Assets | Rs. |
|---------------------------------------|----------|---------------------|----------|
| 2000 Preference shares of Rs.100 each | 2,00,000 | Goodwill | 15,000 |
| 4000 Equity shares of Rs.100 each | 4,00,000 | Freehold properties | 2,00,000 |
| 5% Mortgage Debentures | 1,00,000 | Plant and Machinery | 3,00,000 |
| Bank overdraft | 50,000 | Stock | 50,000 |
| Creditors | 1,00,000 | Debtors | 40,000 |
| | | Profit and Loss A/c | 2,45,000 |
| | 8,50,000 | | 8,50,000 |
- The company got the following schemes of capital reduction approved by the court.
- The Preference shares to be reduced to Rs.75 per share, fully paid up and Equity shares to Rs.37.50
 - The debenture holders took over the stock and book debts in full satisfaction of the amount due to them.
 - The goodwill account is to be eliminated

- d) Freehold properties to be depreciated by 50 %
e) The value of plant and Machinery to be increased by Rs.50000
Give journal entries for the above and prepare the revised balance sheet.

12. The promoters of proposed Nivetha Ltd., purchased a running business on 1st April 2014 from Mr. Armo Shalik. The company was incorporated on 1st Aug. 2014. The combined Profit and Loss Account of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st March 2015

Particulars	Rs.	Particulars	Rs.
To Rent, rates, insurance, electricity & salaries	15,000	By Gross profit	1,75,000
		By Discount received from creditors	8,000
To Directors' fees	4,000		
To Preliminary expenses	5,000		
To Carriage outwards & selling Expenses	6000		
To Interest paid to vendors	20,000		
To Net profit	1,33,000		
	1,83,000		1,83,000

Additional Information:

- a) Sales upto 31st July 2014 were Rs. 5,00,000 out of total sales of Rs. 25,00,000 for the year.
b) Purchases upto 31st July 2014 were Rs. 3,00,000 out of total purchases of Rs. 12,00,000 for the year.
c) Interest paid to vendors on 1st Feb. 2015 @ 12% p.a. on Rs. 2,00,000 being purchase consideration.
From the above information, you are required to prepare a statement showing the profits earned prior to and after incorporation

SECTION D – K5 (CO4)

Answer any ONE of the following

(1 x 20 = 20)

13. B Ltd. issued 1,00,000 equity shares of Rs. 10 each payable Rs. 2.50 each on application, allotment, first and final calls respectively.
Applications for 80,000 shares were received and allotment was done in full. By the end of the accounting year on 31.12.2019, the following amounts were received.
On 60,000 shares - full amount
On 18,000 shares – Rs. 7.50 per share
On 500 shares - Rs. 5 per share
On 1,500 shares - Rs. 2.50 per share.
Shares on which less than Rs. 7.50 had been paid were forfeited and reissued at Rs. 8 per share on the same date.
Pass entries and show the balance sheet of the company.

14. The following is the balance sheet of X Ltd as on 31st March 2019 as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	5,00,000	Fixed assets	8,00,000
9% redeemable preference shares of Rs. 100 each	3,00,000	Investment	1,00,000
Securities Premium	50,000	Bank balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P & LA/c	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	16,00,000		16,00,000

Both the redeemable preference shares and debentures were due for redemption on 1.4.2019.

The company arranged for the following:

- a) It issued 2,000 equity shares of Rs. 100 at a premium of 10%.
b) It sold the investments for Rs. 90,000
c) It arranged a bank overdraft to the extent necessary.
d) The redemptions were carried out.
Give entries for redemption of preference shares, debentures and balance sheet after the redemption.

SECTION E – K6 (CO5)

Answer any ONE of the following

(1 x 20 = 20)

15. The following Trial Balance of Nallis Ltd. as at 30th Dec. 2018 is given to you:
Additional information:

Debits	Rs.	Credits	Rs.
Stock (1.1.2018)	80,000	8,000 Equity shares of	
Bank	17,600	Rs.100 each, Rs. 75 paid	6,00,000
Patents	60,000	6% Debentures	2,00,000
Calls-in-arrears	20,000	Sundry creditors	1,00,000
Returns inwards	30,000	General reserve	80,000
Purchases	7,72,000	Sales	10,00,000
Wages	1,08,000	Returns outward	20,000
Insurance prepaid	400	P & L A/c (Cr)	12,000
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & Machinery	4,00,000		
Land & Buildings	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

- The value of stock on 31st Dec. 2018 was Rs. 74,000
- Outstanding wages totalled Rs. 10,000
- A provision 5% is to be created on sundry debtors for doubtful debts.
- Depreciate patents @ 10% and Plant & Machinery @ 7.5 % and on Land & Buildings @ 4%.

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2018 and Balance Sheet as on that date.

16. From the following details, calculate the value of each equity share and preference share:
Balance Sheet as at 31.3.2018

Liabilities	Rs	Assets	Rs
Share capital: 80,000 equity shares of Rs. 10 each	8,00,000	Land & Buildings at cost	3,00,000
4,000 7% pref. shares of Rs.100 each	4,00,000	Plant & machinery at cost	5,00,000
General reserve	1,00,000	Stock at market value	5,00,000
Profit & Loss A/c	80,000	Book debts	2,40,000
Workmen's savings A/c	40,000	Cash at bank	1,50,000
Provident fund	50,000	Prepaid expenses	30,000
Depreciation fund	1,60,000		
Creditors	90,000		
	17,20,000		17,20,000

- Goodwill is valued at Rs. 1,60,000
- Depreciation fund is excess to the extent of Rs. 60,000.
- Debtors of Rs. 20,000 are likely to prove bad.
- There is a disputed liability of Rs. 30,000 (not provided in the accounts) out of which Rs. 20,000 is likely to materialize.
- On liquidation preference shareholders have a right to participate in surplus

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