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B.Com. (CBCS) DEGREE EXAMINATION, APRIL 2021

FIFTH SEMESTER

COMMERCE - MAIN

CORPORATE ACCOUNTING - I

(For those who joined in July 2017 Onwards)

Time: Three hours

Maximum : 75 marks

Part-A (10 X 1 = 10 marks)

Answer all questions, choose the correct answer

1. When the fresh issue is offered at first to the existing share holders it is
   a) Rights issue b) Sweat issue c) Bonus issue d) None of these
2. The shortages in the redemption of debentures are adjusted with -------
   a) Premium account b) P/L account c) c) Both A & B d) None of these
3. Pre acquisition profit is considered as
   a) Revenue profit b) Capital profit c) Super profit d) None of these
4. Pre acquisition profit is transferred to
   General reserve a/c b) Capital reserve a/c c) Profit & Loss a/c d) None of these
5. When two companies go into liquidation and form another it results in -------
   a) Merger b) acquisition c) Both A & B d) None of these
6. When one existing company takes over the business of another existing company it leads to ---------
   a) Merger b) Acquisition c) Both A & B d) None of these
7. The following is the method of valuation of goodwill.
   a) Super profit method b) Average profit method c) Both A & B d) None of these
8. Gross profit, bad debts and advertising expenses are usually allocated on
   a) Time ratio b) Sales ratio c) Direct proportion d) Any of these
9. Increase in the value of the company leads to
   a) Creation of goodwill b) Increase in the value of assets
   c) increase in profit d) Decrease in the value of liabilities
10. Net asset basis of valuing shares is otherwise called
   a) Yield basis b) Market value
   c) Intrinsic value d) None of these

PART - B (5X5=25 marks)

Answer all the Questions Choosing either (a) or (b) Answer should not exceed 250 words

11. a) What are calls in arrears and calls in advance?

Or

11.b) King Ltd forfeited 2,000 equity shares of Rs.10 each fully called up for nonpayment of final call at Rs.2.00 per share. These shares were originally issued at a discount of 10%. The application, allotment and first call money per share at Rs.2.00, Rs.3.00 and Rs.2.00 respectively were received in time. Give journal entry for the forfeiture.

12.a) Draft a pro-forma of Balance sheet of Company.

Or

12.b) What are pre and post incorporation profits?

13. a) A Co. Ltd and B. Co. Ltd whose businesses are similar in nature, decided to amalgamate and a new company called C. Ltd is formed to take over their assets and liabilities. The following are their balance sheets

Liabilities	A. Co	B. Co	Assets	A. Co	B. Co

Share capital of 10 each	75.000	45.500	Goodwill	30.000	20.000
Creditors	3.300	2.000	Premises	10.000	--
Reserves	4.200	--	Machinery	18.300	13.450
Profit & Loss	800	4.500	Stock	16.000	11.550
			Debtors	7.500	6.000
			Cash	1.500	1.000
	83.300	52.000		83.300	52.000

Calculate the purchase price.

Or

.b) What are the various method of amalgamation?

14.a) What are marked and unmarked applications?

Or

.b) A company issued 1.00.000 shares of Rs.10 each. These shares were underwritten as follows; X Rs.30.000 shares and Y Rs. 50.000 shares. The public applied for Rs.70.000 which included marked applications as follows X 1.000 shares and Y 200 shares. Determine the liability of X & Y.

15. a) What are the various methods of valuation of goodwill?

Or

b) Calculate the amount of goodwill on the basis of three years purchase of the last five year's average profits. The profit for the last five years

S.No	Year	Profit Loss
1	2014	48.000
2	2015	72.000
3	2016	1.00.000
4	2017	30.000
5	2018	50.000

PART – C (5X8=40 marks)

Answer ALL the Questions Choosing either (a) or (b) Answer should not exceed 600 words.

16.a) Smith Ltd invited applications for 5.00.000 equity shares of Rs.10 each payable as follows: on application Rs.2.50. on allotment Rs.3.50. on first call Rs.2.00 and on final call Rs. 2.00. Applications totaled 4.70.000 shares. All the applications were received and all money due were received in time. Pass journal entries: prepare ledger accounts and balance sheet.

Or

.b) Juli Ltd.. issued for subscription 5.000 debentures of 100 each at a discount of 3%. The whole of the issue was underwritten by Infant & Co. commission being 2.5% on nominal value. The public subscribed 4.00.000 worth of debentures balance being allotted to Infant & Co who on subsequent date released their holdings in the market. The company took power to issue additional debentures worth Rs.50.000 which were issued to its bank as collateral security against a loan of Rs.40.000. Show ledger accounts and balance sheet.

17.a) A Ltd. was registered with an authorized capital of Rs. 6. 00.000 in equity shares of Rs. 10 each. The following is its Trial Balance on 31st March 2008.

Trial Balance of 'A' Ltd

	Debit Balance Rs.	Credit Balance Rs.
Goodwill	25,000	--
Cash	750	--
Bank	39,900	--
Purchases	1,85,000	--
Preliminary expenses	5,000	--
Share capital	--	4,00,000
12% debentures	--	3,00,000
P & L A/c (Cr)	--	26,250
Calls-in-arrears	7,500	--
Premises	3,00,000	--
Plant & Machinery	3,30,000	--
Interim dividend	39,250	--
Sales	--	4,15,000
Stock (1.4.2007)	75,000	--
Furniture & fixtures	7,200	--
Sundry debtors	87,000	--
Wages	84,865	--
General expenses	6,835	--
Freight and carriage	13,115	--
Salaries	14,500	--
Directors' fees	5,725	--
Bad debts	2,110	--
Debenture interest paid	18,000	--
Bills payable	--	37,000
Sundry creditors	--	40,000
General reserve	--	25,000
Provision for bad debts	--	3,500

Prepare Profit & Loss Account, Profit & Loss Appropriation account and Balance sheet in proper form after making the following adjustments:

1) Depreciation plant and machinery by 15%
2) Write off Rs. 500 from preliminary expenses
3) Provide for 6 months interest on debentures
4) Leave bad and doubtful debts provision at 5% on sundry debtors
5) Provide for income tax at 50%
6) Stock on 31.3.2008 was Rs. 95,000

Or

17.b) Rearrange the following items under the three heads namely a) Fixed assets, b) Current assets and c) Loans and advances

1. Live stock	11. loose tools
2. Good will	12. trade marks
3. Bills receivable	13. debtors
4. land	14. leasehold

5. Stock in trade	15. stores and spares
6. furniture	16. vehicles
7. advances to subsidiary	17. cash at bank
8. cash in hand	18. work in progress
9. plant	19. interest accrued
10. deposit with electricity company	

18.a) The balance sheet of Smart Ltd is as under

Liabilities	Amount	Assets	Amount
Issued share capital 10.000 equity share capital of Rs 10 each	1.00.000	Goodwill	10.000
1.00.000 7% preference of Rs 10 each	1.00.000	Fixed asset	90.000
		Stock in trade	25.000
		Debtors	30.000
		Profit & loss a/c	45.000
	2.00.000		2.00.000

It was resolved that shares of Rs 10 each be reduced to fully paid shares of Rs 6 each and 7% preference shares of Rs 10 each be reduced to 7.5% fully paid preference shares of Rs 7 each . Number of shares in each case remained same. it was further resolved that amount available to be used for writing off the debt balance of profit and loss account. goodwill account completely and other fixed assets as for as possible. There were arrears of preference dividend for the last three years and it was decided that be cancelled. You are required to make journal entries and prepare the revised balance sheet.

Or

b) On 31st March. 2009. Thin Ltd. was absorbed by Thick Ltd.. the later taking over all the assets and liabilities of the former at book values. The consideration for the business was fixed at Rs. 4.00.000 to be discharged by the transferee company in the form of its fully paid equity shares of Rs 10 each. to be distributed among the shareholders of the transferor company. each shareholders getting two shares for every share held in the transferor company. The balance sheets of the two companies as on 31st March. 2009 stood as under: (Rs. '000)

Liabilities	Thick Ltd.	Thin Ltd.	Assets	Thick Ltd.	Thin Ltd.
Share capital: authorized			Goodwill	2.00.000	60.000
Issued and Subscribed:	15.00.000	5.00.000	Plant and Machinery	4.12.000	1.00.000
Equity shares of Rs. 10 each. fully paid	9.00.000	2.00.000	Furniture	80.000	30.000
General Reserve	1.80.000	50.000	Income Tax Refund	---	6.000
Profit and Loss Account	20.502	12.900	Stock in Trade	2.65.500	60.000
Workmen's Compensation fund	12.000	9.000	Sundry Debtors	2.21.200	46.000
Sundry Creditors	58.567	30.456	Prepaid Insurance	---	700
Staff Provident Fund	10.200	4.000	Cash in Hand	869	356
Provision for Taxation	12.300	5.000	Cash at Bank	14.000	8.300
	11.93.569	3.11.356		11.93.569	3.11.356

Amalgamation expenses amounting to Rs. 1,000 were paid by Thick Ltd. You are required to:
Prepare realization account and equity shareholders account in the books of Thin Ltd.
Pass the necessary journal entries in the nooks of Thick Ltd. and
Prepare the balance sheet of Thick Ltd. after the amalgamation in the nature of merger.

19.a) Australia Company issued 20,000 shares of Rs.10 each at par which were underwritten as follows: X 4,000 shares; Y 2,000 shares and Z 10,000 shares. Applications were received for 18,000 shares which include marked applications as follows: X 4,000; Y 2,000 and Z 10,000 shares. You are required to prepare a statement showing how many more shares underwriters will have to take.

b) The business carried on by Hussain Bolt was taken over as a running business with effect from 1st July 2016 by North East Ltd., which was incorporated on 1st October 2016. The same set of books was continued since there was no change in the type of business and the following particulars of profit for the year ended June 2017 were available

Particulars	Amount	Amount
Company period sales	40,000	50,000
Prior period sales	10,000	
Selling price	2,000	
Preliminary expenses written off	1,200	
Salaries	3,600	
Directors fee	1,200	
Interest upto 30th sep 2016	700	
Variable expenses	1,500	
Depreciation	2,800	
Rent	4,800	
Purchases	25,000	
Carriage inward	1,019	43,819
Net profit		6,181

The purchase price (including carriage inward) for the company period had increased by 10 percent as compared to pre-incorporation period. No stocks were carried either at the beginning or at the end. You are required to draw up a statement showing the amount of pre and post incorporation profits stating the basis of allocation of expenses.

20.a) The following is the balance sheet of Aswin Ltd as on 31st December 2006

Liabilities	Amount	Assets	Amount
Share capital shares of Rs.5 each	5,00,000	Land & Building	3,00,000
General reserve	1,50,000	Plant & Machinery	3,00,000
Profit & Loss account	80,000	Trade marks	50,000
Workmen savings account	75,000	Stock	1,20,000
Creditors	2,45,000	Debtors	2,00,000
Taxation reserve	1,00,000	Cash at bank	1,50,000
		Preliminary expenses	30,000
	11,50,000		11,50,000

The Land & Building have been valued at Rs.6.50.000 and the Plant & Machinery is worth Rs.2.50.000. Debtors to the extent of Rs.20.000 are to be considered bad. The profit of the company for the last three years have been 2004 Rs.2.20.000. 2005 - Rs.2.30.000 and 2006 Rs.2.60.000. It is the practice of the company to transfer 25% of the profits to reserve. Ignoring taxation. find out the value of shares. Similar companies give a yield of 10% on the market value of their shares. Goodwill is taken to be of value at Rs.4.00.000.

Or

20.b) The following information is given for a business carried on by Haisan:

a) Capital employed Rs.1.50.000
b) Normal rate of profit 10%
c) Present value of annuity of rupee 1 for five years at 10% 3.78 and
d) Net profit for five years 2008 Rs.14.400; 2009 - 15.400; 2010 16.900; 2011 = 17.400 and 2012 17.900.

The profit included the non recurring profits on an average basis of Rs.1.000 out of which it was deemed that even non recurring profits had a tendency of appearing at the rate of Rs.600 per annum. You are required to calculate goodwill (a) as per annuity method. (b) as per five years purchase of super profit and (c) as per capitalization of super profit method.

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