Reg. No…………………………………………. Name…………………………………………. **19U324**

B. COM. DEGREE END SEMESTER EXAMINATION - OCTOBER 2019

SEMESTER **3: COMMERCE (CORE COURSE)**

COURSE: **15U3CRCOM7, CORPORATE ACCOUNTING**

(For Regular - 2018 Admission and Supplementary / Improvement 2017, 2016, 2015 Admissions)

Time: Three Hours Max. Marks : 75

SECTION – A

*Answer **all** questions. Each question carries **two** marks.*

1. Explain firm underwriting.
2. Define Absorption.
3. In which mode do you pay if fractions of shares arise during the calculation and payment of purchase consideration?
4. How do you calculate Purchase Consideration under Net Payment method?
5. What do you mean by B List Contributories?
6. Who are known as Preferential Creditors during liquidation?
7. Explain surrender of shares
8. Explain Bonus shares.
9. What do you mean by net-worth?
10. Explain reserve capital. (10 × 2 = 20 Marks)

SECTION – B

*Answer any **five** questions. Each question carries **five** marks.*

11. VeeJee Ltd has 12% preference share capital of Rs one Lac consisting of Rs. 100 shares fully called and paid up. The company wants to redeem them at 10% premium. The P & L a/c balance is Rs. 20,000 and Share Premium a/c shows Rs. 4,000. The Directors desire to make a minimum fresh issue of equity shares of Rs. 10 each at 10% discount for redemption of the preference shares. You are required to ascertain the amount of such fresh issue to be made by the directors and pass the requisite journal entries.
12. Explain the steps for apportion of the profit between pre and post- incorporation periods.
13. List out the conditions under which preference shares can be redeemed.
14. KEEM Ltd issued 50,000 Equity shares of Rs. 10 each and 3000, 10% preference shares of Rs. 100 each, all shares being fully paid. On 31.03 2019, Profit and Loss Account showed an undistributed profit of Rs. 50,000 and General Reserve a/c stood at Rs. 1,20,000. On 2.4.2019, the directors decided to issue 1500, 6% preference shares of Rs.100 each for cash and to redeem the existing preference

shares at Rs. 105 utilising as much as would be required for the purpose. Show the journal entries to record the transactions.

15. Zaveri Ltd. resolved to buy back 3,00,000 of its fully paid equity shares of Rs 10 each at Rs 12 per share. For the purpose, it issued 10,000 13% preference shares of Rs 100 each at par, the total sum being payable with applications. The company uses Rs 8,50,000 of its balance in Securities Premium Account apart from its adequate balance in General Reserve Account to fulfill the legal requirements regarding buy-back. Pass journal entries for all the transactions involved in the buy-back.

16. B Ltd forfeited 100 shares of Rs. 10each, Rs. 8 per share being called up which were reissued at a discount of Re. 1 per share for non- payment of first call of Rs. 3 per share. Of these forfeited shares, 80 shares were reissued subsequently by the company at Rs. 5 as Rs 8 paid up per share. Give Journal entries for the forfeiture and reissue of shares.

17. A Ltd has an authorized capital of Rs. 1,00,00,000 divided into 1,00,000 shares of Rs 100 each. The company issued all the shares for subscription to the public at a premium of Rs. 10 each. The entire issue was underwritten as follows

A 60,000 shares (Firm underwriting 10,000 shares)
B 30,000 shares (Firm underwriting 4,000 shares)
C 10,000 shares (Firm underwriting 2,000 shares)

Of the total issue, only 90,000 shares including firm under writing were subscribed for, marked applications forms excluding firm underwriting were as follows.
A. 32000 shares, B. 20,000 shares, C. 8,000 shares
Calculate the liability of each underwriter giving the benefit of firm underwriting to all underwriters.

(5 × 5 = 25 Marks)

Section – C

*Answer any **three** questions. Each question carries **ten** marks.*

18. The following are the Balance Sheets as on 31.03.2019 of X Co Ltd. and Y Co Ltd.

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Equity shares @100 each	1,00,000	60,000	Land & Building	30,000	
6% Debentures @10 each	20,000		Plant & Machinery	1,10,000	50,000
Reserve Fund	34,000		Stock	16,000	8,000
Dividend Equali. Fund	4,000		Debtors	14,000	9,000
Employees P. F.	3,000		Cash	3,000	1,000
Trade Creditors	10,000	8,000			
Profit & Loss a/c	2,000				
	1,73,000	**68,000**		**1,73,000**	**68,000**

The two companies agree to amalgamate and form a new company called Z Ltd., which takes over the assets and liabilities of both the companies. The authorized capital of Z Ltd. Is Rs. 10,00,000 consisting of 1,00,000 Equity Shares of Rs.10 each. The assets of X Co Ltd are taken over at a reduced valuation of 10% with the exception of land and building which are accepted at book value. Both companies are to receive 5% of the vet valuation of their respective business as goodwill. The entire purachsed price is to be paid by ZCo. In its fully paid shares, In return for debentrues in X co Ltd, Debentures of the same amount and denomination are to be issued b Z co. Ltd. Calculate Purchase Consideration and draw balance sheet of Z Ltd.

19. The following is the balance sheet of Asco ltd on 31-3-2019.

Liabilities	Rs	Assets	Rs
Share capital		Fixed Assets	
6% preference shares of Rs. 100 each	1,00,000	Machinery	1,90,000
Equity shares @ 100 each fully paid	2,00,000	Furniture	10,000
Equity shares @. 100 each Rs. 75 Paid	1,50,000	Current Assets	
Bank Loan (Secured on Stock)	1,00,000	Stock	1,20,000
Current Liabilities		Debtors	2,40,000
Creditors	3,50,000	Cash at Bank	50,000
Income Tax payable	10,000	P & L A/c	3,00,000
	9,10,000		**9,10,000**

The company went into liquidation on 1st April, 2019. The assets were realized as follows: Machinery Rs. 1,66,000 Furniture Rs. 8,000, Stock, Rs. 1,10,000, Debtors Rs. 2,30,000. The liquidation expenses amounted to Rs. 4,000. The liquidators are entitled to a commission at 2% on amount paid to unsecured creditors excluding preferential creditors. Calls on partly paid shares were made but the amount due on 200 shares were found to be irrecoverable. Prepare Liquidators' statement of account.

20. The following information relates to Disapponted Ltd as on 31 st December 2018.

2000 Equity shares of Rs. 100 each	Rs 2,00,000
1000, 6% Debentures of Rs. 100 each	Rs. 1,00,000
Trade Creditors	Rs. 50,000
Interest on Debentures outstanding	Rs. 12,000
Fixed Assets	Rs. 2,00,000 (now valued Rs. 96,000)
Current Assets	Rs. 65,000 (now valued Rs. 48,000)

The following scheme was duly agreed and approved by the court

i. The shares were sub-divided into shares of Rs. 5 each and 90% or the shares were surrendered.

ii. The total claim of debenture holders were reduced to Rs. 49,000 and in consideration of this, they were also allotted shares (out of the surrendered shares) amounting to Rs. 25,000.

iii. The creditors agreed to reduce their claims to Rs. 30,000

iv. the shares surrendered but not re-issued were cancelled

You are required to draft the necessary journal entries and give the balance sheet of the company after reconstruction.

21. A firm which was carrying on business from 1st January, 2009 gets itself incorporated as a company on 1st May, 2009. The first accounts are drawn up to 30th September, 2009. The gross profit for the period is Rs.56,000. The general expenses are Rs.14,220, directors' fee Rs.12,000 p.a.; formation expenses Rs.1,500. Rent up to 30th June is Rs.1,200 p.a., after which it is increased to Rs.3,000 per annum. Salary of the manager, who upon incorporation of the company was made a director, is Rs.6,000 p.a. His remuneration thereafter is included in the above figure of fee to directors. Give Profit and Loss Account showing pre-and post-incorporation profits. The net sales are Rs.8,20,000, the monthly average of which, for the first four months of 2009 is half of that of the remaining period, the company earned a uniform profit. Interest and tax may be ignored.

22. Pioneer Construction Co Ltd. decided to redeem their preference shares as on March 31, 2019 on which date the position was as under.

Liabilities		Amount	Assets	Amount
Share Capital			Cash and Bank	1,40,000
4,000 Equity shares @ Rs.100		4,00,000	Other Assets	8,60,000
4,000 Redeemable Pref. Shares @ Rs. 50 each Rs. 25 Paid		1,00,000		
2,000 Redeemable Pref. 100 each fully paid				
Reserve and Surplus		2,00,000		
Securities Premium	10,000			
Capital redemption reserve	90,000			
Dividend equalization reserve	1,10,000	2,10,000		
Sundry Liabilities		90,000		
Total		**10,00,000**	**Total**	**10,00,000**

The redemption was to be at a premium of 5%, The capital redemption reserve appearing in the balance sheet is the reserve brought into being as a result of a redemption which took place in 2010. To enable the redemption to be carried out the company decides to issue, after carrying out the necessary formalities required under law, sufficient number of new equity shares at a discount of 10%. The redemption is duly carried out. Show journal entries relating to the redemption and new issue and also the balance sheet after redemption. Ignore the question of dividend upto the date of redemption.

(10 × 3 = 30 Marks)

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