

Name:.....Reg. No.....

**B.COM DEGREE END SEMESTER EXAMINATION MARCH 2016**

**SEMESTER - 4: CORE COURSE**

COURSE: **U4CRCOM11 - CORPORATE ACCOUNTING**

Time: Three Hours

Max. Marks: 75

**PART A**

Answer **all** questions. Each question carries 1 mark

- 1.What do you mean by Firm Underwriting
- 2.What is CDT?
- 3.What are marked applications?
- 4.Differentiate between amalgamation and absorption?
- 5.What is interim dividend?
- 6.What is Sales Ratio?
- 7.What is deficiency account?
- 8.What is intrinsic value?
- 9.Who is a contributory according to Companies Act, 1956?
10. What is Amalgamation Adjustment Account?

(1 x 10 =10 )

**PART B**

Answer any **eight** questions. Each question carries 2 marks

11. What are the profits available for buyback of shares?
12. Net profit before tax is Rs.63000/. Tax rate 30%. Provide managerial remuneration as per the Companies Act on net profit after charging such commission. Assume there is only one managerial person.
13. Explain the treatment of profit prior to incorporation?
14. Who are preferential creditors?

- 15.** Differentiate between amalgamation in the nature of purchase and merger.
- 16.** What are the provisions for redemption of preference shares?
- 17.** State the provision for the transfer to reserve while declaring dividend.
- 18.** X Ltd acquires the business of Y Ltd for which X Ltd pays 10,00,000 in equity shares of Rs.10/- each, Rs.7,00,000 in 15% debentures of X Ltd and Rs.4,50,000 in cash. Creditors for Rs.1,50,000 and employees security deposit of Rs.30,000 are also assumed by X Ltd. Calculate purchase consideration.
- 19.** Give the journal entries for the issue of fully paid bonus shares and for converting partly paid shares into fully paid shares through bonus issue.
- 20.** A Liquidator is entitled to receive a remuneration @2% on assets realised and 3% on the paid to the unsecured creditors. The assets realized Rs.70,00,000 against which payment was made as follows: Liquidation expenses Rs.50,000, Preferential creditors Rs.150,000, Secured Creditors Rs.40,00,000 and Unsecured Creditors Rs.30,00,000

(2 x 8 = 16)

### **Part C**

Answer any **five** questions. Each question carries 5 marks

- 21.** X Ltd has redeemable preference share capital of Rs.8,00,000/- in 10,000 preference shares

of Rs.100/- each, Rs.80/- paid. It is resolved to redeem the shares at a premium of 20% after fulfilling the formalities. The company makes the following issues :

1. 50,000 equity shares of Rs.10/- each at a premium of 50%
2. 2,000, 15% debentures of Rs.100/- each

The company has a credit balance in Profit and Loss account Rs. 3,00,000/- and General

Reserve of Rs. 400,000/-. Give journal entries required to implement the scheme.

**22.** What is purchase consideration? Explain the different methods of purchase consideration.

**23.** Following is the Balance Sheet of AS Ltd. as on 31.03.2013

**BALANCE SHEET**

| LIABILITIES  | AMOUNT | ASSETS        | AMOUNT |
|--|--------|---------------|--------|
|  | T      |               |        |
| Issued and Paid up capital:                                    |        | Sundry Assets | 4,00,0 |
| 20,000 equity shares of Rs.10/- each fully paid up             | 2,00,0 | Cash At Bank  | 00     |
|  | 00     |               | 1,40,0 |
| 10,000 equity shares Rs.10/- each - Rs.8/- per share called up | 80,0   |               | 00     |
|  | 00     |               |        |
| General Reserve  | 2,20,0 |               |        |
|  | 00     |               |        |
| Creditors  | 40,0   |               |        |
|  | 00     |               |        |
|  | 5,     |               | 5,40,0 |
|  | 40,000 |               | 00     |

The company declared bonus out of General Reserve and decided to capitalize the same by issuing one equity share of Rs.10/- against four existing fully paid equity shares of Rs.10/- each and by making partly paid equity shares into fully paid up. Give journal entries and make necessary changes in the Balance Sheet

**24.** Explain the SEBI guidelines for buy back of shares and also the reasons, benefits and dangers of buy back of shares.

**25.** Briefly explain the provisions in the Companies Act for the determination of Managerial Remuneration.

**26.** Kalindee Metal Products Ltd., went into voluntary liquidation on 1<sup>st</sup> April 2015 on which date its position was as follows:

| Liabilities | Amount | Assets | Amount |
|-------------|--------|--------|--------|
|-------------|--------|--------|--------|

|  | (Rs.)    |                              | (Rs.)    |
|--|----------|------------------------------|----------|
| Share capital:5,000 shares of Rs.100 each<br>Rs.80 per share paid          | 4,00,000 | Land, building and Machinery | 80,000   |
| Loans (Secured by mortgage of Land Building and Machinery)                 | 1,00,000 | Other fixed assets           | 2,60,000 |
|  |          | Stock                        | 1,05,000 |
| Unsecured Loans and liabilities (including preferential dues of Rs.10,000) | 2,00,000 | Debtors                      |          |
|  |          | Loans                        | 1,00,000 |
|  |          | Cash                         | 40,000   |
|  |          | Profit and Loss a/c          | 5,000    |
|  |          |                              | 1,10,000 |
|  | 7,00,000 |                              | 7,00,000 |

Land, building and machinery were realized by secured creditors for Rs.1,20,000. Other

fixed assets fetched Rs.40,000, Debtors Rs.20,000, and Stock Rs.10,000. Loans were fully

bad. The liquidator is entitled to a fixed remuneration of Rs.1,000 plus 2% of the amount

paid to unsecured creditors including preferential creditors. The expenses of liquidation

came to Rs.1,000. Show Liquidator's Final Statement of Account.

**27.** A company carried forward balance of Rs.40,000 from P&L A/c from the year ended 31-03-

2013. During the year 2013-14 it made a further profit of Rs.3,10,000/- before providing

taxation. It was decided that the following decisions were carried out :

1. Provision for taxation Rs.1,50,000
2. Dividend equalization Reserve Rs. 25,000
3. Dividend on 8% Preference Shares of Rs.2,00,000

4. Dividend at 15% on 30,000 equity shares of Rs.10/- each fully paid up
5. General Reserve Rs.35,000
6. Development Rebate Reserve Rs.35,000

Prepare P&L Appropriation Account and journal entries for the above

**28.** X Ltd issued 6000 shares of Rs.10/- each at a premium of Rs.2/- per share. The entire issue

was underwritten by A B C as follows :

- A 3000 shares (including firm underwriting 500 shares)
- B 2000 shares (including firm underwriting 300 shares)
- C 1000 shares (including firm underwriting 200 shares)

(P.T.O.)

Applications were received for 5400 shares the following being marked forms (including firm

underwriting) :

A : 1800 shares      B : 1000 shares      C : 800 shares

The amount on shares were payable as to Rs. 3/- on application, Rs . 6/- (including Premium) on allotment and the balance on call. The company made all the calls and all the allottees including the underwriters paid the money Determine the liability of each under writer and state the commission each will get

at the maximum rate permissible by law. (5 x 5 = 25 )

### Part D

Answer any **two** of the following questions. Each question carries 12 marks

**29.** The following is the Balance of Regent Company Ltd. As on 31 - 03-2015

| DEBIT           |         | CREDIT   |         |
|-----------------|---------|----------|---------|
| Stock 1-4- 2014 | 51,000  | Sales    | 11,10,0 |
| Purchases       | 8,10,00 | Interest | 00      |

|                        |         |                            |         |
|------------------------|---------|----------------------------|---------|
| Manufacturing expenses | 0       | Profit & Loss              | 2,600   |
| Salaries & Wages       | 1,80,00 | Share Capital              | 30,000  |
| General Expenses       | 0       | Pension Fund               | 1,44,00 |
| Directors fees         | 26,400  | Dividend Equalization Fund | 0       |
| Dividend for 2014      | 11,000  | Unclaimed Dividend         | 46,000  |
| Buildings              | 400     | Provision for Taxation     | 20,000  |
| Plant & Machinery      | 18,000  | Deposits                   | 2,000   |
| Furniture              | 1,01,00 | Sundry Creditors           | 17,000  |
| Motor Vehicles         | 0       |                            | 3,200   |
| Stores and spare parts | 70,400  |                            | 2,48,00 |
| Bills receivable       | 10,200  |                            | 0       |
| Book Debts             | 40,800  |                            |         |
| Investments            | 30,000  |                            |         |
| Cash at Bank           | 45,000  |                            |         |
|                        | 1,14,00 |                            |         |
|                        | 0       |                            |         |
|                        | 8,000   |                            |         |
|                        | 1,06,60 |                            |         |
|                        | 0       |                            |         |
|                        | 16,22,8 |                            | 16,22,8 |
|                        | 00      |                            | 00      |

From the above balances and following information, prepare Profit and Loss Account for the year ended 31-03-2015 and the Balance Sheet as on that date according to Companies Act.

- a. Stock on 31-03-2015 Rs.73,200.
- b. Outstanding Expenses : Manufacturing Expenses Rs.4500 and Wages Rs. 3000
- c. Interest accrued on securities Rs.200
- d. General Expenses Prepaid Rs.1600
- e. Provide Depreciation on Buildings 2%, Plant & Machinery 10%, Furniture 10% and

on Motor Vehicles 20% per annum

f. The Board of Directors proposed dividend @20%

g. Transfer 10% of net profit to General Reserve

h. The taxation provision shown in the Trial Balance is after payment of taxes for the

assessment year upto March 2014. The only liability for taxes is in respect of

profit for the year 2015 for which a provision of 60% on Net Profit is considered for

i. Provide 10% Corporate Dividend Tax

**30.** The following is the Balance sheet of S LTD as on 31-03-2011

| LIABILITIES                                  | RS              | ASSETS                          | RS.             |
|--|-----------------|---------------------------------|-----------------|
| 65,000 equity shares of Rs.10 each           | 6,50,00         | Furniture & Fittings            | 85,00           |
| 2,000 , 12% preference shares of Rs.100 each | 2,00,00         | Stock                           | 7,20,00         |
| 10% Debentures                               | 1,50,00         | Debtors                         | 1,07,00         |
| Bank Overdraft                               | 5,00            | Expenses of Issue of Debentures | 7,500           |
| Sundry Creditors                             | 2,25,00         | Profit & Loss a/c               | 3,10,500        |
| Preference Dividend in arrears For 3 years   |                 |                                 |                 |
| <b>TOTAL</b>                                 | <b>12,30,00</b> | <b>TOTAL</b>                    | <b>12,30,00</b> |

P LTD takes over the company on the terms that it would :

a. Take Furniture & Fittings after depreciating the same by 10 %, Stock at Rs.6,86,850 and Debtors subject to a provision for bad debts @5%

- b. Take 10% Debentures
- c. Discharge the purchase consideration by allotment of 20,000 equity shares of Rs.10 each, at an agreed value of Rs.12 each of S LTD and by the payment of the balance in Cash.
- d. Bear the expenses of Liquidation which came to be Rs.8,000
- e. Preference shareholders of S LTD, agreed to accept Rs.1,80,000 in full settlement of their total claim. You are required to close the books of the transferor company and give the opening entries in the books of the transferee company.

**31.** Following was the Balance Sheet of Minerva Ltd., as on 31<sup>st</sup> March 2015.

| Liabilities                               | Amount<br>(Rs.)  | Assets                          | Amount<br>(Rs.)  |
|---|------------------|---------------------------------|------------------|
| 4,000 equity shares of Rs.100 each        | 4,00,000         | Goodwill                        | 50,000           |
| 2,000 7% Preference Shares of Rs.100 each | 2,00,000         | Land and Building               | 1,40,000         |
| 6% Debentures                             | 2,00,000         | Plant and Machinery             | 1,50,000         |
| Sundry Creditors                          | 2,00,000         | Patents                         | 40,000           |
|   |                  | Stock                           | 1,60,000         |
|   |                  | Debtors                         | 2,15,000         |
|   |                  | Cash in hand                    | 5,000            |
|   |                  | Preliminary expenses            | 25,000           |
|   |                  | Discount on issue of Debentures | 15,000           |
|   |                  | Profit and Loss account         | 2,00,000         |
| <b>Total</b>                              | <b>10,00,000</b> | <b>Total</b>                    | <b>10,00,000</b> |

The following scheme of reconstruction was duly accepted and implemented.

- a. Equity shares are to be reduced to equal number of fully paid shares of Rs.50 each



b. 7% Preference Shares are to be reduced by 30% and the rate of dividend is to be

increased to 9%

c. The value of Land and Building is to be increased by 10%

d. The Debentures are to be reduced by 20%

e. All nominal and fictitious assets are to be eliminated and the balance is to be used to write off patents

f. Further equity shares are to be issued for Rs.50,000 for cash

Give necessary journal entries and prepare the Balance sheet after the reconstruction is implemented

**32.** What do you mean by alteration of share capital? Describe the different types of alteration of share capital with their respective accounting treatments

(12 x 2 = 24)

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