

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****B.Com. DEGREE EXAMINATION – ACCOUNTING AND FINANCE****THIRD SEMESTER – NOVEMBER 2023****UAF 3501 – CORPORATE ACCOUNTING**

Date: 30-10-2023

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION A - K1 (CO1)**Answer ALL the Questions****(10 x 1 = 10)****1. Fill in the blanks**

- a) An equity shares issued by the company to its employees or directors at a discount or for consideration other than cash for providing know-how/intellectual property is called.....
- b) An under writer may reduce his burden of buying shares through entering an agreement with another person is known as.....
- c) Divisible profits means profits which would otherwise be available for
- d) Capitalisation of super profit method tries to assess the capital needed for earning the
- e) Alteration of shares of smaller amount in to shares of larger amount is called.....

2. Multiple choice Questions

- a) When a company converts its equity shares into capital stock then the account to be credited is
(a) Preference share capital a/c (b) Equity share capital a/c (c) Equity capital stock a/c (d) No entry is required
- b) Under Net assets method the value of a share depends on the amount that would be available to
(a) Preference shareholders (b) Equity share holders (c) Creditors (d) Debenture Holders
- c) Dividend is paid on
(a) Authorised capital (b) Issued Capital (c) Called up capital (d) Paid up capital
- d) Loss prior to incorporation should be debited to
(a) Revenue Reserve (b) Goodwill a/c (c)Capital Reserve a/c (d) Preliminary expenses a/c
- e) The premium on redemption of preference shares can be provided out of
(a) Securities Premium (b) Insurance Fund (c) Forfeited shares a/c (d) Depreciation Reserve

SECTION A - K2 (CO1)**Answer ALL the Questions****(10 x 1 = 10)****3. Definitions**

- a) Capital Redemption Reserve
- b) Bonus Shares
- c) Shareholders fund
- d) Average Capital employed
- e) Yield value of shares

4. True or False

- a) Pro-rata allotment is made when the company receives excess applications
- b) If part of the issue of shares is underwritten it is termed as complete underwriting
- c) The most important factor in the valuation of goodwill of a business is its earning capacity
- d) Capital reduction a/c is otherwise named as Reconstruction a/c
- e) Intrinsic method is otherwise called as asset backing method.

SECTION B - K3 (CO2)**Answer any TWO of the following in 100 words each.****(2 x 10 = 20)**

5. The Bangalore Bottling Co.Ltd issued a prospectus inviting applications for 1,00,000 equity shares of Rs.10 each payable as Rs.2 on application ,Rs.3 on allotment,Rs.2 on first call and the balance on final call. Applications for 1, 20,000 shares were received. The directors allotted the shares as follows
To applicants of 80,000 shares -full allotment
To applicants of 30,000 shares -20,000 shares
To applicants of 10,000 shares -Nil
The excess money has been adjusted towards allotment. Give journal entries assuming that all the sum due has been received.
6. Aron company Ltd has 8,000 redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on Sep,30,2016 at a premium of 7%. The company has sufficient profits but in order to augment liquid funds the following issues are made.
(a) 3,000 6% debentures of Rs.100 each at Rs.110
(b) 2,000 equity shares of Rs. 100 each at Rs.111
These issues were fully subscribed and all the amounts were received. The redemption was duly carried out. Give journal entries.
7. Kavin Ltd issued 10,000 shares of Rs. 100 each at a premium of 10 % .These shares were undertaken by Moses and Samuel to the extent of 5000 shares and 3000 shares respectively. The total applications received by the Company were 8,000 of which the marked applications were Moses - 1,200 shares; Samuel - 300 shares. You are required to determine the liability of the underwriters.
8. Enumerate the three methods of valuing Goodwill.

SECTION C – K4 (CO3)**Answer any TWO of the following in 100 words each.****(2 x 10 = 20)**

9. From the following information calculate the value of goodwill by capitalising super profits method.
Average capital employed in the business is Rs. 3,00,000
Normal rate of return 12%
Net trading profits for the past four years were Rs. 30,000, Rs. 40,000,Rs.50,000 and Rs. 45,000.
Non-recurring income of Rs.3,000 is included in the above mentioned profit of Rs.30,000
10. The following scheme of reconstruction has been approved for B Ltd.
(a)The shareholders to receive in lieu of their present holdings of Rs.50,000 shares of Rs.10 each, the following
(i) Fully paid equity shares equal to 2/5 of their holdings
(ii)10 % preference shares ,fully paid to the extent of 1/5 of the above new equity shares and;
(iii) Rs.60,000 14% second debentures.
(b) An issue of Rs.50,000 12% first debentures was made and allotted ,payment for the same being received in cash forthwith.
(c)Goodwill which stood at Rs.1,50,000 was completely written off.
(d) Plant & Machinery which stood at Rs.1,00,000 was written down to Rs.75,000
(e) Freehold and lease hold premises which stood at Rs.1,75,000 were written down to Rs.1,50,000.
Give journal entries in the books of the company necessitated by the above reconstruction.
11. The following is the balance sheet of X Co.Ltd as on 31.12.2016.

Liabilities	Rs	Assets	Rs
Share Capital		Fixed Assets	30,000
1,000 6% preference shares of Rs.10 each	10,000		
3,000 equity shares of Rs.10 each	30,000		
7% Debentures	10,000	Current Assets	25,000
Debenture redemption fund	5,000	Preliminary expenses	2,000
Depreciation fund	10,000	Discount on issue of debentures	3,000
Creditors	7,000	Profit & Loss a/c	12,000
	72,000		72,000

You are supplied with the following information

(a) Debenture interest is owing for one year.

(b) Book debts included in current assets are doubtful to the extent of Rs.2,000 for which no provision has been made.

(c) The market value of investments included in current assets is Rs.10,000, while the asset has been shown at its cost of Rs.15,000.

Ascertain the value of each equity share by the intrinsic value method.

12. ABC Ltd was formed on 01/04/2014 to take over the business of a firm as from 01/01/2014. All profits made from this earlier date were to the benefit of the company, but interest on the purchase price of Rs.50,000 was to be paid at 6 % per annum to the vendors up to the date of settlement in full on 01/06/2014.

Particulars	Amount	Particulars	Amount
To management expenses	3,050	By G/P	20,000
To bad debts	200		
To director fees	1,000		
To interest to vendors	1,250		
To preliminary expenses written off	1,250		
To depreciation	1,000		
To Net Profits	12,250		
	20,000		20,000

Out of the bad debts written off Rs.100 related to the period prior to incorporation. Apportion the profit earned between pre incorporation and post incorporation period by preparing P & L account.

You may assume that the turnover was spread evenly over the entire year.

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

13. The following is the balance sheet of Amigos Co Ltd., as on 31.03.2017

Liabilities	Rs	Assets	Rs
Subscribed share capital		Leasehold premises	65,400
3,750 preference shares of Rs.100 each fully paid	3,75,000		
2,500 equity shares of Rs. 100 each fully paid	2,50,000	Plant	21,100
Sundry Creditors	15,000	Patents	4,25,000

Bank Overdraft	10,000	Stock	27,500
		Debtors	38,250
		Cash	250
		Preliminary Expenses	6,000
		Discount on issue of shares	9,000
		P & L a/c	57,500
	6,50,000		6,50,000

As the Company was not doing well the following scheme of reconstruction was adopted

(a) The preference shares be reduced to an equal number of fully paid shares of Rs. 50 each.

(b) The equity shares be reduced to an equal number of shares of Rs.25 each.

© The amount available be used to write off the fictitious assets fully, Rs. 15,400 off the leasehold premises, Rs. 7,500 off stock, 20 % off plant and debtors and the balance available off patents.

Journalize and prepare the balance sheet after the reconstruction has been carried out.

14. Koushik Ltd issued 40,000 equity shares of Rs.10 each at par, the entire issue was underwritten as follows
A -24,000 shares (firm underwriting 3,200 shares)
B – 10,000 shares (firm underwriting 4,000 shares)
C – 6,000 shares(firm underwriting 1,200 shares)
The total applications including firm underwriting were for 28,400 shares. The marked applications were as under
A- 7,200 shares B – 9,000 shares , C – 3,200 shares
The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares under written.
Determine the liability of each underwriter if the firm is (i) marked (ii) unmarked.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

15. On 31st Dec 2016 the balance sheet of a limited company disclosed the following position

Liabilities	Rs	Assets	Rs
Issued capital in Rs.10 shares	2,00,000	Fixed Assets	2,50,000
Reserves	45,000	Current Assets	1,00,000
Profit & Loss a/c	10,000	Goodwill	20,000
5% Debentures	50,000		
Current Liabilities	65,000		
	3,70,000		3,70,000

On 31st Dec 2016 the fixed assets were independently valued at Rs.1,75,000 and the goodwill at Rs.25,000. The net profits for the three years were

2014 -Rs.25,800; 2015 - Rs.26,000; 2016 - Rs.25,825 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 (i) the net assets method (ii) the yield method.

16. Vikram Ltd was incorporated on 1st July 2004, to take over the running concern of Mr. Rafeeq with effect from 1st April 2004.
Adjustments:
a)The average monthly turnover from July 2004, onwards was double than that of previous months
b)The rent for the first 3 months was paid at Rs.200 per month and thereafter at a rate increased by Rs.50 per month
c)Bad debts Rs.350 related to sales effected after 1st September 2004 and the realization of bad

You are required to find the profit prior to and post incorporation from following profit & loss account and the adjustments given above, for the year ended 31st March 2005.

Particulars	Amount	Particulars	Amount
To commission	2,625	By gross profits	98,000
To advertisement	5,250	By bad debts recovered	500
To M.D's remuneration	9,000		
To depreciation	2,800		
To salaries	18,000		
To Insurance	600		
To preliminary	700		
To rent & taxes	3,000		
To discount	350		
To bad debts	1,250		
To net profits	54,925		
	98,500		98,500

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