

INTERNAL EXAMINATION-2020

B.Com 5th SEMESTER HONOURS

SUBJECT- CORPORATE ACCOUNTING (DSE 5.1AH)

FULL MARKS: 50, TIME: 2HOURS

Answer any 5 from the following:

5X10

1. The Balance Sheet of SD Ltd as on 31/3/20 was:

LIABILITIES	Rs.	ASSETS	Rs.
EQUITY SHARES OF Rs.10 EACH FULLY PAID	2000000	LAND & BUILDING	1550000
GENERAL RESERVE	700000	PLANT & MACHINERY	900000
SECURITIES PREMIUM	500000	INVESTMENT	400000
P/L A/C	800000	STOCK	700000
10% DEBENTURES	600000	DEBTORS	1000000
TERM LOANS	400000	BANK	1200000
CREDITORS	750000		
	5750000		5750000

The company decided to buy-back the maximum number of equity shares permissible under the law and completed the necessary formalities in this respect. The buy-back is to take place at price of Rs.20 per share. Pass necessary journal entries and prepare the post buy-back Balance Sheet.

2. Discuss the process of determining liabilities of underwriter in case of full and partial underwriting.

3. KALPANA Ltd. issued 90000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable as follows:

On application Rs. 5 per share on allotment Rs. 6 (including premium) and the balance on first and final call. Applications were received for 279600 shares and allotments were made as under:

(a) Applicants for 64500 shares received 30600 shares

(b) Applicants for 151800 shares received 37800 shares (on pro-rata).

(c) Applicants for 63300 shares received 21600.

Excess application money after utilizing in allotment the balance was refunded. One share holder holding 100 shares on pro-rata failed to pay the allotment money and the Board of Directors forfeited the shares. All the shares were re-issued at Rs. 9 fully paid up. Show necessary journal entries in the book of B Ltd.

4. The following is the Trail Balance of A Ltd. for the year ended 31/03/20:

15

DEBIT	Rs.	CREDIT	Rs.
INTEREST ON DEBENTURES	120000	10% MORTGAGE DEBENTURE	1000000
RATES & TAXES	36000	EQUITY SHARE CAPITAL (@Rs.100 EACH)	8000000
STOCK (1.4.19)	500000	GENERAL RESERVE	1104000
PURCHASES	5000000	UNCLAIMED DIVIDENDS	30000
SALARIES & WAGES	1500000	PROVISION FOR BAD DEBTS	100000
DIRECTOR's FEES	48000	TRADE CREDITORS	500000
MANAGING DIRECTOR's SALARY	430000	OUTSTANDING EXPENSES	160000
LAND & BUILDING	13000000	P/L A/C	170000
FURNITURE	3000000	SALES	11000000
LINEN, CROCKERY etc.	640000	MISC. RECEIPTS	130000
SUNDRY DEBTORS	700000	PROVISION FOR DEPRECIATION ON LAND	4000000
ADVANCE FOR PURCHASE OF BUILDING	3000000	PROVISION FOR DEPRECIATION ON FURNITURE	2000000
CASH AT BANK	480000	PROVISION FOR DEPRECIATION ON LINEN	360000
ADVERTISEMENT	100000		
TOTAL	28554000	TOTAL	28554000

After taking the following information into account, prepare P/L A/C, Balance Sheet as on 31/03/20:

i. Stock on 31<sup>st</sup> march 2020 was valued at R 600000.

ii. Provide depreciation on: furniture @ 10%, linen @ 6.25% and building @ 15%.

iii. Make a provision for taxation @ 50%.

iv. The directors decide to recommend a dividend @ 10%.

v. Provide for doubtful debt @ 20% on debtors

5. The Balance Sheet of AB Ltd as on 31/12/19 was as:

LIABILITIES	Rs.	ASSETS	Rs.
10000 EQUITY SHARES OF Rs. 10 EACH	100000	FIXED ASSETS	130000
1000 PREF. SHARES OF Rs. 100 EACH	100000	INVESTMENTS	30000
SECURITIES PREMIUM	12000	STOCK	20000
RESERVE FUND	29000	DEBTORS	50000
P/L A/C	10000	BANK	40000
CREDITORS	19000		
	<u>270000</u>		<u>270000</u>

On 1/1/20 fixed assets standing in the books at Rs. 20000 were sold for Rs. 18000. On the same date it was decided to redeem the preference shares at a premium of 10% by issuing sufficient number of equity shares at discount of 10%, subject to leaving a balance of Rs. 10000 in reserve fund. Give necessary entries and the new Balance Sheet as on 1/1/20.

6. The following balance appeared in the books of N Ltd. on 1/1/20:

10% Debenture Sinking Fund Rs. 450000, 10% Debenture Rs. 600000, Sinking fund was invested in the following assets:

Rs. 200000 in 6% Govt. Loan, Rs. 250000 in 8% Debentures of K Ltd. Annual contribution to sinking fund Rs. 96000 made on 31<sup>st</sup> December every year. On 31/12/20 balance at bank was Rs. 300000 after receipt of interest. The company sold all the investments at their face values and 10% debentures were paid off on 31/12/20. Prepare 10% Debentures Sinking Fund account, Debenture Sinking Fund Investment account in the books of N Ltd.

7. X Ltd and Y Ltd were engaged in the similar type of business. They decided to amalgamate their business as on 1<sup>st</sup> April 2020 by forming Z Ltd, with an authorized capital of Rs. 10000000 consisting of 600000 equity shares of rs. 10 each and 40000 preference shares of Rs. 100 each. The Balance Sheet of X and Y Ltd as on 31/12/20 is as under:

LIABILITIES	X Ltd.(Rs)	Y Ltd (Rs)	ASSETS	X Ltd (Rs)	Y Ltd (Rs)
EQUITY SHARE CAPITAL	3000000	1000000	LAND & BUILDING	1400000	500000
9% PREF. SHARE CAPITAL	1500000		PLANT	3100000	200000
GENERAL RESERVE	1200000	400000	FURNITURES	100000	270000
P/L A/C	380000	75000	PATENTS	300000	
SUNDRY CREDITORS	420000	125000	STOCK	640000	450000
			DEBTORS	160000	130000
			BANK	800000	50000
	<u>6500000</u>	<u>1600000</u>		<u>6500000</u>	<u>1600000</u>

The following terms were agreed upon by the parties:

i. Z Ltd to allot 450000 equity shares @ Rs. 10 each to X Ltd and pay cash Rs. 1350000 as consideration of all assets except bank.

ii. Y Ltd to receive 120000 equity shares of Rs. 10 each and Rs. 250000 in cash for consideration of all assets except bank balance.

iii. All assets were taken over at book value.

iv. Both X Ltd and Y Ltd are to pay their own liabilities and Preference share holders individually.

v. Z Ltd is to issue remaining equity shares and preference shares in cash. This issue is fully subscribed and paid off.

vi. Z Ltd paid Rs. 80000 as formation expenses.

vii. The liquidation expenses Rs. 30000 and Rs. 50000 for X and Y Ltd respectively were also paid by Z Ltd.

Show necessary journal entries in the books of X, Y and Z Ltd.

8. . Following is the Balance Sheet of K Ltd as on 31/12/20:

LIABILITIES	Rs.	ASSETS	Rs.
EQUITY SHARES OF Rs. 10 EACH	1000000	GOODWILL	250000
EQUITY SHARES OF Rs. 4 EACH	500000	FIXED ASSETS	500000
GENERAL RESERVE	150000	STOCK	600000
P/L A/C	50000	DEBTORS	675000
GRATUITY FUND	75000	CASH	50000
WORKMEN'S COMPENSATION FUND	25000	PREPAID EXPENSES	10000
DEPRECIATION FUND	50000	PRILIMINARY EXPENSES	65000
CREDITORS	150000		
BANK OVERDRAFT	150000		
	2150000		2150000

Mr. Roy a share holder of K Ltd holding 100 shares of Rs. 10 each and 550 shares of Rs. 4 each wants to sell all his shares. You are required to ascertain the fair market value of all the shares of Mr. Roy based on the following information:

- i. Fixed assets of the company is worth Rs. 300000 and the debtors are worth to be Rs. 710000.
- ii. Rs. 15000 creditors are outstanding for many years and it is estimated that the amount will not be claimed.
- iii. Dividend paid for the last three years were 12%, 11% and 13%, whereas normal rate of return is 10%.
- iv. Goodwill is to be considered as 4 years purchase of the average super profit of the last 3 years.
- v. PAT for the last 3 years were Rs. 105000, Rs. 240000 and Rs. 215000.
- vi. The corporate tax rate is 35%.

9. Briefly explain the method of calculating Goodwill of a company under four different methods.

10. Explain about the statutory books which are to be maintained by a company.

11. Write briefly on:

- a. employees stock option and
- b. distinction between stock split and bonus shares.