

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)

COURSE CODE: 15CM/MC/CA55

B.COM. / B.COM (CS) DEGREE EXAMINATION DECEMBER 2020

COMMERCE – SHIFT II

FIFTH SEMESTER

COURSE : MAJOR – CORE

PAPER : CORPORATE ACCOUNTING

TIME : 90 MINUTES

MAX. MARKS: 50

Section-A

Answer all the Questions

(3X2=6)

1. What is Internal Reconstruction?
2. Write a note on Interim Dividend.
3. Calculate the amount of goodwill on the basis of three years' purchase of the last five years' average profits. The profits for the last five years are:
2015 –Rs.4,800 2016 – Rs.7,200 2017 – Rs.10,000 2018 –Rs.3,000
2019 – Rs.5,000

Section –B

Answer any Three Questions

(3X8=24)

4. From the following Profit & Loss A/c of Soundarya Ltd. for the year ended 31.12.2019 and additional data given, calculate commission due to Managing director at 5% of net profit. Salary of Managing director is to be treated as part payment of commission:

Profit & Loss A/c for the year ended 31.12.2019

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To opening stock	11,000	By sales	1,70,000
To Bonus (including Rs.500 for 2018)	5,000	By closing stock	15,000
To director's fees	3,000	By other incomes: Discount Profit on sale of fixed assets	2,000 1,000
To Managing director: Salary Commission	2,000 1,000		
To development rebate reserve	800		
To provision for tax	3,000		
To Establishment expenses	40,000		
To Loss on sale of investment	200		
To Net Profit c/d	1,22,000		
TOTAL	1,88,000	TOTAL	1,88,000

The book value of the fixed assets sold was Rs.2000 and their original cost was Rs.2,600.

5. The following is the balance sheet of Manu Industries Ltd. as on 31st December 2019.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share capital :			
12,000 7% Preference Shares of Rs.100 each	12,00,000		
24,000 equity shares of Rs.100 each	24,00,000	Goodwill	90,000
8% debentures	6,00,000	Land & Building	12,00,000
Bank overdraft	6,00,000	Plant & Machinery	18,00,000
Sundry Creditors	3,00,000	Stock	2,60,000
		Debtors	2,80,000
		Cash	30,000
		Profit & Loss A/c	14,00,000
		Preliminary expenses	40,000
TOTAL	51,00,000	TOTAL	51,00,000

On the above date, the company adopted the following scheme of reconstruction:

- The equity shares are to be reduced to shares of Rs.40 each, fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.
 - The debenture holders took over stock and debtors in full satisfaction of their claims.
 - The Land and buildings are to be appreciated by 30% and Plant and machinery to be depreciated by 30%.
 - The fictitious and intangible assets are to be eliminated.
 - Expenses of reconstruction amounted to Rs.10,000.
- Pass Journal entries incorporating the above scheme of reconstruction and prepare the capital reduction account.

6. The balance sheet of Sachu Ltd. disclosed the following position on 31st December 2019.

Liabilities	Amount (Rs.)	Asset	Amount (Rs.)
Share capital:			
3,000 Equity shares of Rs.100 each	3,00,000	Goodwill	82,500
Profit & Loss A/c	37,500	Investments	2,62,500
General Reserve	1,12,500	Stock	3,30,000
6% debentures	2,25,000	Sundry debtors	1,95,000
Sundry creditors	75,000	Cash at bank	30,000
Workmen's Compensation fund	1,50,000		
TOTAL	9,00,000	TOTAL	9,00,000

- The profits for the past five years were:
2014: Rs.15,000; 2015: Rs.35,000; 2016: Rs.25,000; 2017:Rs.27,500 and 2018: Rs.47,500.
- The market value of the investments was Rs.1,65,000.

- (c) Goodwill is to be valued at three years' purchase of the average annual profits for the last five years.
Find the Intrinsic Value of each share taking into consideration the value of goodwill

7. The following is the Comparative Balance Sheet of Prakash & Co. Ltd as on 30th June 2018 and 30th June 2019.

Liabilities	30-6-2018	30-6-2019	Assets	30-6-2018	30-6-2019
Share capital	1,80,000	2,00,000	Goodwill	24,000	20,000
Reserve fund	28,000	36,000	Buildings	80,000	72,000
P&L A/c	39,000	24,000	Machinery	74,000	72,000
Trade creditors	16,000	10,800	Investments	20,000	22,000
Bank overdraft	12,400	2,600	Inventories	60,000	50,800
Provision for tax	32,000	34,000	Debtors	40,000	44,400
Provision for doubtful debts	3,800	4,200	Cash	13,200	30,400
TOTAL	3,11,200	3,11,600	TOTAL	3,11,200	3,11,600

Additional Information:

- (a) Depreciation charged on machinery Rs.10,000 and on buildings Rs.8,000.
(b) Rs.15,000 interim dividend paid during January 2019.
(c) Tax paid during the year Rs.30,000

Prepare Statement of changes in Working Capital and calculate funds from Operation.

Section –C

Answer any One Question

(1X20=20)

8. **Big Boss Ltd. has a nominal capital of Rs.12,00,000, divided into shares of Rs.10 each.**
The following trail balance was extracted from the books of the company, as on 31st December 2019.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Stock on 1.1.2019	1,50,000	Share capital (called up)	9,20,000
Calls in arrears	15,000	Bills payable	76,000
General expenses	33,800	General Reserve	50,000
Director's fees	11,480	Profit & Loss A/c (01.01.2019)	29,000
Bad debts	4,220	Sales	8,30,000
4% Government securities	1,20,000	6% debentures	6,00,000
Preliminary expenses	10,000	Creditors	1,00,000
Sundry debtors	1,74,000	Provision for bad debts	7,000
Bank	79,800		
Goodwill	50,000		
Machinery	6,00,000		
Premises	7,20,000		
Salaries	29,000		
Wages	1,69,600		

Furniture	14,400		
Purchases	3,70,000		
Freight	26,200		
Debenture Interest	18,000		
Interim dividend	15,000		
Cash	1,500		
TOTAL	26,12,000	TOTAL	26,12,000

Prepare final accounts of the company for the year ended 31st December 2019 in the prescribed form, taking into account the following adjustments:

- Stock on 31st December 2019 was Rs.2,02,000
- Depreciation on Machinery 10% and Furniture 5%.
- Write off Preliminary expenses.
- Wages included Rs.20,000 paid for the construction of a compound wall to the premises and no adjustment was made.
- Transfer Rs.20,000 to General reserve.
- Provide 5% for bad debts on sundry debtors.
- Provide for Income tax Rs.50,000
- Provide for six months interest on debentures.

9. The following are the Balance Sheets of Cheran Company Ltd., as on 31st March 2018 and 2019.

Liabilities	31-3-2018	31-3-2019	Assets	31-3-2018	31-3-2019
Share capital	4,000	5,000	Fixed assets	4,100	4,000
			Less: depreciation	1,100	1,500
				3,000	2,500
P&L A/c	300	320	Debtors	2,000	2,400
Debentures	600	700	Prepaid expenses	30	50
Creditors	1,700	1,400	Preliminary expenses	500	300
Provision for tax	300	420	Cash	120	350
Proposed dividend	500	580	Stock	3,000	3,500
Bank overdraft	1,250	680			
TOTAL	8,650	9,100	TOTAL	8,650	9,100

Additional Information:

- Tax paid during the year ending 31-3-2019 Rs.350
- Dividend proposed during the year ending 31-3-2019 Rs.400
- Fixed assets costing Rs.700, accumulated depreciation thereon Rs.300 were sold at book value.

You are required to prepare a Cash Flow Statement
