

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20 and thereafter)
COURSE CODE: 19CM/MC/CA54

B.COM DEGREE EXAMINATION- NOVEMBER 2021
COMMERCE – SHIFT II
FIFTH SEMESTER

COURSE : MAJOR – CORE

PAPER : CORPORATE ACCOUNTING

TIME : 3 HOURS

MAX. MARKS: 100

SECTION -A

Answer all the Questions

(3x4=12)

1. What are the factors to be considered in valuation of shares?
2. Write a short note on purchase consideration and its methods of computing it.
3. Give journal entries for the following transactions in connection with internal reconstruction.
 - a. 30,000 equity shares of Rs.10 each , fully paid reduced to shares of Rs.5 each, fully paid.
 - b. 300, 9% debentures of Rs.1000 each converted into 1500, 12% debentures of Rs.100 each.
 - c. The debit balance of profit & Loss account Rs.1,50,000 and preliminary expenses of Rs.30,000 were written off.
 - d. The value of Plant & machinery and stock were written down by Rs.60,000 and Rs.30,000 respectively.

SECTION –B

Answer any three Questions

(3x16=48)

4. a. Statement of financial position of Sindhu Ltd. is given below

Liabilities	2019	2020	Assets	2019	2020
Share capital	18,000	19,000	Cash	6,000	4,000
Creditors	6,400	7,600	Debtors	15,500	19,000
P&L a/c	2,900	3,500	Buildings	5,000	6,200
			Patent rights	800	900
TOTAL	27,300	30,100	TOTAL	27,300	30,100

You are required to prepare the statement of flow of cash.

(8 Marks)

- b. From the following data you are required to calculate the cash from operations: Funds from operations for the year 2020 Rs.90,000. Current assets and Liabilities as on 1-1-2020 and 31-12-2020 were as follows:

(8 Marks)

Particulars	1-1-2020	31-12-2020
Trade creditors	1,82,000	1,90,000
Trade debtors	2,60,000	3,00,000
Bills receivable	50,000	45,000
Bills payable	30,000	31,000
Inventories	1,85,000	1,60,000
Trade investments	40,000	70,000

Outstanding expenses	30,000	25,000
Prepaid expenses	5,000	10,000

5. a. Determine the maximum remuneration payable to part time director and manager of Bharat Ltd. from the following particulars. Before charging any such remuneration the profit & loss a/c showed a credit balance of Rs.23,05,000 for the year ended 31st March 2019 after taking into account the following matters: **(8 Marks)**

Particulars	Amount (Rs.)
Profit on sale of Investments	2,05,000
Subsidy received from government	4,10,000
Loss on sale of fixed assets	65,000
Ex- gratia to an employee	30,000
Compensation paid to injured workman	75,000
Provision for taxation	2,79,000
Bonus to foreign technicians	3,12,000
Multiple shift allowance	1,00,000
Special depreciation	75,000
Capital expenditure	5,10,000

Company is providing depreciation as per Section 350 of the Companies Act 1956.

- b. Identify the head under which each of the following appears. **(8Marks)**
- Discount received
 - Outstanding wages
 - Preliminary expenses written off
 - Carriage & Freight inward
 - Provision for Taxation
 - Corporate Dividend Tax
 - Accounts Payable
 - Prepaid Expenses

6. a. Following is the Balance sheet of AB Ltd. as on 31-12-2021. **(8 Marks)**

Liabilities	Amount	Asset	Amount
Share capital	3,00,000	Goodwill	80,000
6% debentures	1,00,000	Land & Building	1,00,000
S. creditors	50,000	Plant	70,000
General reserve	35,000	Stock	80,000

P&L a/c	35,000	Debtors	60,000
		cash	75,000
		Preliminary expenses	20,000
		Discount on shares a/c	15,000
TOTAL	5,00,000	TOTAL	5,00,000

CD Ltd. takes the business of AB Ltd. on the following terms and valuation

Goodwill – Rs.60,000

Land & Buildings – Rs.1,20,000

Plant – Rs.60,000

Stock – Rs.75,000

Debtors – Rs.55,000

Cash not taken over. Creditors to be satisfied at Rs.40,000. Compute Purchase consideration and pass journal entries in the books of the Transferee company.

b. C Ltd. was takenover by R Ltd. The following position was mutually agreed upon: **(8 Marks)**

Particulars	C Ltd.	R Ltd.
Net assets	4,00,00,000	75,00,000
Face Value of share	100	10
No .of shares	80,000	1,00,000

Ascertain Intrinsic value of the shares, ratio of exchange of shares and No. of shares.

7. a. The balance sheet of Sachu Ltd. disclosed the following position on 31st December 2020.

Liabilities	Amount (Rs.)	Asset	Amount (Rs.)
Share capital: 2,000 Preference shares of Rs,100 each	2,00,000	Goodwill	15,000
4,000 Equity shares of Rs.100 each	4,00,000		
5% Mortgage debentures	1,00,000	Free hold properties	2,00,000
Bank overdraft	50,000	Plant & Machinery	3,00,000
Creditors	1,00,000	Stock	50,000
		Debtors	40,000
		Profit & Loss a/c	2,45,000
TOTAL	8,50,000	TOTAL	8,50,000

The company got the following scheme of capital reduction by the court:

- a. The Preference shares to be reduced to Rs.75 per share, fully paid up and the equity shares to Rs.37.50
 - b. The debentures holders took over the stock – book debts in full satisfaction of the amount due to them.
 - c. The goodwill account is to be eliminated.
 - d. The free hold properties to be depreciated by 50%.
 - e. The value of the Plant and Machinery to be increased by 50,000.
- Give Journal entries for the above and prepare the capital reduction account. **(8 Marks)**

- b. Madhu Ltd. has share capital of Rs.6,00,000 divided into 6,000 shares of Rs.100 each fully paid. Show the entries under each of the following conditions:
 - a. When Madhu Ltd. resolves to sub divide the shares into 60,000 shares of Rs.10 each fully paid.
 - b. When Madhu Ltd. resolves into convert its 6,000 shares of Rs.100 each into Rs.6,00,000 worth of stock.
 - c. When Madhu Ltd. resolves to consolidate the 6,000 shares of Rs.100 each into shares of Rs.200 each.
 - d. Madhu Ltd. whose paid up capital includes Rs.6,000 shares of Rs.100 each fully paid decides to return Rs.20 per share to the shareholders, thus reducing each share to Rs.80 each, fully paid. **(8 Marks)**

SECTION – C

(1x40=40)

Answer any one Question

8. Anbu 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 2020.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Stock on 1.1.2020	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 (01.01.2020)	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	1,69,000		
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

Adjustments:

- Stock on 31st December 2020 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.
- Provide 5% for bad debts on sundry debtors.
- Provide for Income tax Rs.50,000
- Provide for six months interest on debentures.
- Provide Managerial commission at 10% on the Net profits before charging such commission is to be provided for the Managing Director.
- Directors declared a final dividend at 20% on Paid up capital.
- Outstanding wages is to the extent of Rs.1,000

Prepare

- Statement of Profit & Loss Account of Anbu Ltd . for the year ended 31st December 2020 with notes to accounts. **(20Marks)**
- Prepare the Balance sheet as on 31st December 2020 as per the revised schedule VI. **(20 Marks)**

9. a. The following is the balance sheet of P Ltd. as at 31.12.2020.

Liabilities	Amount	Asset	Amount
20,000 equity shares of Rs.10 each	2,00,000	Goodwill	20,000
Profit & Loss A/c	40,000	Building at cost	80,000
Depreciation fund: Building - 5,000 Plant & machinery- 3,000	8,000	Plant & Machinery at cost	50,000
Sundry creditors	22,000	Sundry Debtors -30,000 Less: Reserve for bad debts - 3,000	27,000
Bills Payable	4,000	Stock in Trade	43,000
Provision for Taxation	6,000	Cash at bank	50,000
		Discount on issue of shares	10,000
TOTAL	2,80,000	TOTAL	2,80,000

The Profits of the past four years (before providing for taxation) were:
2016- Rs.20,000 , 2017- Rs.30,000 , 2018- Rs.36,000 , 2019- Rs.40,000.

Compute the value of goodwill of the company on the basis of capitalization method assuming the normal rate of return for this type of company is 10%. Income tax is payable at 50% on the above profits. **(20 Marks)**

b. The following is the balance sheet of Robert lee Ltd. as on 31st December 2020:

Liabilities	Amount	Asset	Amount
Share capital: 20,000 shares of Rs.10 each	2,00,000	Land & Building	1,10,000
General Reserve	40,000	Plant & Machinery at cost (less depreciation)	1,30,000
Taxation Reserve	60,000	Trade marks	20,000
Workmen savings account	30,000	Stock	48,000
Profit & Loss A/c	32,000	Debtors	88,000
Sundry creditors	98,000	Cash	52,000
		Preliminary expenses	12,000
TOTAL	4,60,000	TOTAL	4,60,000

The Plant & machinery are worth Rs.1,20,000 and Land & buildings have been valued at Rs.2,40,000 by an independent valuer. Rs.8,000 of the debts is bad. The profits of the company have been as follows:

2018- Rs.80,000 , 2019- Rs.90,000, 2020- Rs.1,60,000. It is the company's practice to transfer 25% of the profits to reserve. Ignoring Taxation, find out the value of shares. Similar companies give a yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs.1,60,000. **(20 Marks)**
