STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-2020 and thereafter)

SUBJECT CODE: 19CM/MC/CA54

B.Com. DEGREE EXAMINATION NOVEMBER 2022
COMMERCE
FIFTH SEMESTER

COURSE : MAJOR CORE
PAPER : CORPORATE ACCOUNTING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION A

Answer ALL questions. **(10 x 2 = 20 marks)**

1. What is meant by Financial Reporting?
2. What are surrendered shares?
3. Write a note on Super Profit.
4. Explain the term Amalgamation.
5. What do you mean by Internal Reconstruction?
6. From the following balances, prepare the Balance Sheet of a company in the prescribed format. Fixed Assets Rs.8,20,000; Share Capital Rs.5,00,000; Reserves 1,10,000; Securities Premium Rs.15,000; Preliminary expenses Rs.10,000; Profit & Loss A/c (Cr) Rs.25,000; Debentures Rs.3,15,000; Debtors Rs.1,70,000; Sundry Creditors Rs.35,000.
7. Compute the cash flow from operating activities.

P&L A/c balance on 31-3-2004	Rs.4,00,000
P&L A/c balance on 31-3-2003	Rs.2,50,000
Transfer to General Reserve	Rs.50,000
Depreciation on Fixed Assets	Rs.10,000

8. 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:
   I Year Rs.4,800 II Year Rs.7,200 III Year Rs.10,000 IV Year Rs.3,000
   V Year Rs.5,000
9. B Ltd. agreed to absorb A Ltd. upon the following terms:
   Shares of A Ltd. are to be considered as worth Rs.12 each of which shareholders are to be paid one quarter in cash and the balance in Rs.100 shares of B Ltd. which are to be issued at 25% premium. Total shares were: 10,000 in B Ltd. and 20,000 in A Ltd. Ascertain the number of shares to be issued by B Ltd.
10. Kay Ltd., has an issued capital of Rs.5,00,000 in 50,000 shares of Rs.10 each on which Rs.8 per share has been called up. The company now decides to reduce the share capital to share of Rs.8 each fully paid by cancelling the unpaid amount of Rs.2 per share. Pass journal entry.

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SECTION B

Answer any FIVE questions. **(5 x 8 =40 marks)**

11. Determine the maximum remuneration payable to the part time directors and manager of Bharat Ltd.(a manufacturing company) under sections 309 and 387 of the companies Act 1956 from the following particulars:
Before charging any such remuneration, the profit & loss account showed a credit balance of Rs. 23,05,000 for the year ended 31st March 1998 after taking into account the following matters:

		Rs
(i)	Profit on sale of investments	2,05,000
(ii)	Subsidy received from government	4,10,000
(iii)	Loss on sale of fixed assets	65,000
(iv)	Ex-gratia to an employee	30,000
(v)	Compensation paid to injured workman	75,000
(vi)	Provision for taxation	2,79,000
(vii)	Bonus to foreign technicians	3,12,000
(viii)	Multiple shift allowance	1,00,000
(ix)	Special depreciation	75,000
(x)	Capital expenditure	5,10,000

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

12. From the following Balance sheets of Arvind Ltd., you are required to prepare a Cash flow statement.

Balance sheet

Liabilities	2019 (Rs.)	2020 (Rs.)	Assets	2019 (Rs.)	2020 (Rs.)
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Trade Creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
Profit & Loss A/c	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	5,60,000	6,36,000		5,60,000	6,36,000

13. A firm earned net profits during the last three years as follows:
I Year Rs.36,000 II Year Rs.40,000 III Year Rs.44,000
The capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved, is 10%. Calculate the value of goodwill on the basis of 3 years' purchase of super profit.

14. M Ltd. and N Ltd. agreed to amalgamate on the basis of the following Balance Sheets as on 31.3.2019.

Liabilities	M (Rs.)	N (Rs.)	Assets	M (Rs.)	N (Rs.)
Share capital Rs.25 each	75,000	50,000	Goodwill	30,000	--
Profit & Loss A/c	7,500	2,500	Fixed Assets	31,500	38,800
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation fund	--	2,500	Debtors	8,000	5,200
			Bank	1,500	2,500
	86,000	58,500		86,000	58,500

The assets and liabilities are to be taken over by a new company formed called P Ltd., at book values. P Ltd's capital is Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000 9% preference shares of Rs.10 each.

P Ltd. issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price.
Pass Journal entries in the books of P Ltd and prepare its Balance Sheet, if the amalgamation is in the nature of purchase.

15. ABC Company Ltd., passed resolution and got court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:
(i) To write off the debit balances of P&L A/c of Rs.2,10,000.
(ii) To reduce the value of Plant & Machinery by Rs.90,000 and goodwill by Rs.40,000.
(iii) To reduce the value of investments by 80,000.
The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 is paid up into 50,000 equity shares of Rs.10 each fully paid up. Pass Journal entries to record the share capital reduction.

16. The following is the balance sheet of NSC Ltd., as on 31st Dec 1998.

Liabilities	Rs.	Assets	Rs.
4,000 10% Pref. Shares of Rs. 100 each 60,000 equity shares of Rs.10 each Bills payable Creditors	4,00,000 6,00,000 50,000 1,50,000	Sundry assets at book value	12,00,000
	12,00,000		12,00,000

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs. 10,000. Find the value of each equity share. (it is to be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital)

17. The following scheme of reconstruction has been approved for Divya Ltd.,

a) The Shareholders to receive in lieu of their present holding of 60,000 shares of Rs.10 each fully paid the following:
(i) Fully paid new equity shares equal to 1/3 rd of their holding.
(ii) 8% Preference shares fully paid, to the extent of 1/5th of the above new equity shares.
(iii) Rs.60,000 8% secured debentures.
b) The debenture holders' total claim of Rs.75,000 to be reduced to Rs.25,000. This will be satisfied by the issue of 2,500 8% preference shares of Rs.10 each fully paid.
c) An issue of Rs.50,000 6% first debentures was made and allotted, payment for the same having been received in cash.
d) The goodwill which stood at Rs.3,00,000 was written down to Rs.50,000. Plant & Machinery which stood at Rs.1,00,000 was written down to Rs.75,000.
e) The freehold premises which stood at Rs.1,75,000 was written down by Rs.75,000.

Give Journal entries in the books of Divya Ltd. for the above reconstruction scheme.

SECTION C

Answer any TWO questions. **(2 x 20 =40 marks)**

18. Moon and Star Co. Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2019 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2019.

Trial Balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.2020)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing	15,700
Rent	6,000	director	2,50,000
General expenses	8,950	Share capital	
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2019 and a balance sheet as on that date. The following further information is given:

(a) Closing stock was valued at Rs.1,91,500
(b) Depreciation on plant at 15% and on furniture at 10% should be provided.
(c) A tax provision of Rs.8,000 is considered necessary.
(d) The directors declared an interim dividend on 15.8.2019 for 6 months ending June 30, 2019 @ 6%.
(e) Provide for corporate dividend tax @ 17%

19. From the following balance sheet of Ponni Ltd., make out the statement of cash flow.

Balance sheets

Liabilities	2019 (Rs.)	2020 (Rs.)	Assets	2019 (Rs.)	2020 (Rs.)
Equity Share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Redeemable Pref.			Land & buildings	2,00,000	1,70,000
Share Capital	1,50,000	1,00,000	Plant	80,000	2,00,000
General reserve	40,000	70,000	Debtors	1,60,000	2,00,000
Profit & Loss A/c	30,000	48,000	Stock	77,000	1,09,000
Proposed dividend	42,000	50,000	Bills receivable	20,000	30,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	20,000	16,000	Cash at bank	10,000	8,000
Provision for taxation	40,000	50,000			
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information:

a) Depreciation of Rs.10,000 and Rs.20,000 have been charged on plant account and land and buildings account respectively in 2020.

b) An interim dividend of Rs.20,000 has been paid in 2020.

c) Income tax Rs.35,000 was paid during the year 2020.

20. On 31st March 2019, Thin Ltd. was absorbed by Thick Ltd. the later taking over all the assets and liabilities of the former at book values. The consideration for the business was fixed at Rs.4,00,000 to be discharged by the transferee company in the form of its fully paid equity shares of Rs.10 each, to be distributed among the shareholders of the transferor company, each shareholder getting two shares for every share held in the transferor company.

The balance sheets of the two companies as on 31st March 2019

Liabilities	Thick Ltd (Rs.)	Thin Ltd (Rs.)	Assets	Thick Ltd (Rs.)	Thin Ltd (Rs.)
Share capital:			Goodwill	2,00,000	60,000
Authorised	15,00,000	5,00,000	Plant & Machinery	4,12,000	1,00,000
Issued & Subscribed Eq. Shares			Furniture	80,000	30,000
of Rs.10 each fully paid	9,00,000	2,00,000	Stock in trade	2,65,500	60,000
General reserve	1,80,000	50,000	Sundry Debtors	2,21,200	46,000
Profit & Loss A/c	20,502	12,900	Prepaid insurance	--	700
Workmen's compensation fund	12,000	9,000	Income Tax refund claim	--	6,000
Sundry Creditors	58,567	30,456			
Staff Provident fund	10,200	4,000	Cash in hand	869	356
Provision for tax	12,300	5,000	Cash at bank	14,000	8,300
	11,93,569	3,11,356		11,93,569	3,11,356

Amalgamations expenses amounting to Rs.1,000 were paid by Thick Ltd., you are required to

(i) Prepare realisation account and equity shareholders account in the books of Thin Ltd.

(ii) Pass the necessary journal entries in the books of Thick Ltd., and

(iii) Prepare the balance sheet of Thick Ltd., after the amalgamation in the nature of merger

21. Under the articles of a Private Limited company dealing in wines and tobacco, you as auditor, have to fix annually the fair value of the shares. At 31st Dec. 1998, the company's position was as follows:

Liabilities	Rs.	Assets	Rs.
1000, 8% preference shares of Rs.100 each fully paid up	1,00,000	Buildings at cost	80,000
		Furniture at cost	3,000
4000 equity shares of Rs.100 each, fully paid	4,00,000	Stock in trade (at Market value)	4,50,000
Reserve fund	1,50,000	4% Government securities at cost (Face value Rs.4,00,000)	3,80,000
Profit & Loss A/c:		Book debts 3,00,000	
Balance on 1.1.98 80,000		Less: Provisions 20,000	2,80,000
Profit for 1998 4,30,000	5,10,000	Cash and bank balances	60,000
Provisions against:		Preliminary expenses	10,000
Buildings 10,000			
Investments 45,000	55,000		
Creditors	48,000		
	12,63,000		12,63,000

You are given the following information:

(i) The company's prospectus for 1999 are equally good.

(ii) The buildings are now worth Rs.3,50,000.

(iii) Public companies doing similar business show a profit earning capacity of 15%.

(iv) Profits for the past 3 years have shown an increase of Rs.50,000 annually.

(v) Provide for income tax @ 50% and goodwill is to be valued at 3 years purchase of super Profits. Calculate the fair value of shares as on 31st Dec 1998.

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