

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

**B.COM.(C.S) DEGREE EXAMINATION - NOVEMBER 2024**  
**CORPORATE SECRETARYSHIP**  
**FIFTH SEMESTER**

**COURSE** : **MAJOR – CORE**  
**PAPER** : **CORPORATE ACCOUNTING AND RESTRUCTURING**  
**SUBJECT CODE** : **19CO/MC/CR54**  
**TIME** : **3 HOURS** **MAX. MARKS: 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**(10 x 2 = 20)**

- 1) What is meant by cash flow statement?
- 2) Identify factors influencing Goodwill.
- 3) Write a short note on Merger.
- 4) Distinguish between Internal Reconstruction and External Reconstruction.
- 5) What is meant by Purchase Consideration?
- 6) A firm earns Rs. 1200,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amount to Rs. 14,40,000 and liabilities to Rs. 4,80,000.  
Find out the value of goodwill by Capitalisation method.
- 7) Ratan Ltd., having a share capital of Rs.3,00,000 divided into 3000 shares of Rs 100 each, resolves to sub-divide the shares into 30,000 shares of Rs.10 each. Pass the necessary Journal entry.
- 8) Prepare Provision for Taxation account from the following  
Provision for Taxation on 1.4.2023 – Rs.100000  
Income Tax Paid during the year – Rs.135000  
Provision for Taxation on 31.3.2024 – Rs.140000
- 9) Calculate the Managerial Remuneration in the following cases:
  - (a) Part time Director when the company is not having Managing Director, Whole Time Director or Manager
  - (b) Part time Director when the company is assisted by Managing Director, Whole Time Director or Manager  
Profit available for Managerial Remuneration – Rs.12,50,000
- 10) The Net assets of Neel Ltd., and Gugan Ltd., were Rs.8,40,000 and Rs.9,24,000 It was decided to issue 12% Preference shares of Rs .10 each in settlement of Purchase Consideration during Amalgamation. The return on Net assets was at 8% amounting to Rs.67200 and Rs.73920 respectively. Calculate the number of Preference shares to be issued to Neel Ltd., and Gugan Ltd.,

## SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11) From the following balances calculate Cash from Operating activities:

<b>PARTICULARS</b>	<b>31-12-2022</b>	<b>31-12-2023</b>
	<b>Rs.</b>	<b>Rs.</b>
Debtors	50,000	47,000
Bills Receivable	10,000	12,500
Creditors	20,000	25,000
Bills Payable	8,000	6,000
Outstanding Expenses	1,000	1,200
Prepaid Expenses	800	700
Accrued Income	600	750
Income received in advance	300	250
profit made during the year	Nil	1,30,000

12) ABC Ltd., passed resolution 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) Reduce value of Plant and Machinery by Rs. 90,000 and Goodwill by Rs. 40,000.
- (iii) To reduce the value of investments by Rs. 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.

13) M/s S and S Ltd., is managed by a Manager. From the following details, Calculate the remuneration payable to the manager.

Profit and Loss Account of M/s S & S Ltd., as on 31.3.2023.

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Salaries and wages	1,28,000	By Gross profit b/d	5,08,000
To Director fees	4,000	By capital profit on sale of Co land	25,000
To Depreciation (including Development Rebate Reserve)	1,06,000	By subsidy received from Central Govt	50,000
To Repairs	27,000		
To scientific research	20,000		
To General expenses	15,000		
To Income Tax	1,00,000		
To Proposed Dividend	1,00,000		
To Int on debenture	24,000		
To balance c/d	59,000		
	5,83,000		5,83,000

Income Tax authorities have allowed Rs. 82,000 as depreciation excluding Development rebate. Calculate the remuneration payable to the Managing Director.

- 14) Arun purchased a business from Balan on April 1, 2023. The following details are available
- (i) Profits for 2021 – Rs. 80000, 2022 – Rs. 100000, 2023 – Rs.120000.
  - (ii) Non-recurring income of Rs 8000 included in the profit of 2022
  - (iii) Profits of 2021 were reduced by Rs. 12,000 because goods were destroyed by fire.
  - (iv) Goods have not been insured and it is decided to insure the goods in future at an insurance premium of Rs. 800 per year.
  - (v) Remuneration to Proprietor of business is Rs. 12,000 and it is not taken into account
  - (vi) Profits of 2023 include Rs. 10,000 income on investment.
- Calculate Goodwill on the basis of three years purchase of the average profit of last three years.
- 15) Pass Journal entries for the following:
- (a) XYZ Ltd., is having 5,00,000 equity shares of Rs. 10 each fully paid. The company decided to consolidate the share capital and sub-divide it into shares of Rs. 100 each.
  - (b) H Ltd., is having 2000 equity shares of Rs. 100 each fully paid. After due consideration these shares are sub-divided into shares of Re. 10 each.
  - (c) A company decides to convert its Rs. 10 equity share capital of Rs 8,00,000 into stock.
  - (d) 5000 equity shares of Rs 10 each are reduced to fully paid shares of Rs 6 each.
- 16) The average net profits expected of a firm in future are Rs. 68,000 per year and capital invested in the business by the firm is Rs. 3,50,000. The rate of interest expected from capital invested in this class of business is 12%. The remuneration of the partners is estimated to be Rs. 8000 for the year. Calculate the value of goodwill on the basis of two years' purchase of super profits.
- 17) From the following particulars, prepare Statement of profit and loss for the year ending March 2023, as per the revised Schedule VI:
- Plant and Machinery - Rs 1,60,000
  - Land – Rs 6,74,000
  - Depreciation of Plant- Rs 16,000
  - Purchases adjusted - Rs 4,00,000
  - Closing stock – Rs 50,000
  - Wages – Rs 1,20,000
  - Sales Net – Rs 10,00,000
  - Salaries - Rs 80,000
  - Bank overdraft - Rs 2,00,000
  - 10% Debenture issued on 1.4.2022 – Rs 1,00,000
  - Equity share capital Rs. 100 each – Rs 2,00,000
  - 1000, 6% Pref. Shares Rs. 100 each – Rs 1,00,000

**Additional information:**

- (i) Equity dividend @ 10% declared on paid up capital.
- (ii) Dividend on the preference share capital paid in full.
- (iii) Rs. 2,00,000 transferred to general reserve.

## SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18) Following are the Balance sheets of James &amp; Co., a partnership firm:

Liabilities	01-01-2023	31-12-2023	Assets	01-01-2023	31-12-2023
Creditors	40000	44000	Cash	10000	7000
Loan from Wife	25000	Nil	Debtors	30000	50000
Loan from Bank	40000	50000	Stock	35000	25000
Capital	125000	153000	Land	40000	50000
			Building	35000	60000
			Machinery	80000	55000
	230000	247000		230000	247000

During the year James & co., made a Net profit of Rs 45000. The provision for depreciation against machinery as on 1-1-2023 was Rs.25000/- and on 31-12-23 Rs.40000. During the year a machine costing Rs.10,000(accumulated depreciation Rs.3,000) was sold for Rs.5000.

Prepare a Cash flow statement.

19) A Ltd., was registered with an authorized capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its Trial Balance on 31.03.2024.

Particulars	Debit (Rs)	Credit (Rs)
Goodwill	25000	
Cash	750	
Bank	39900	
Purchases	185000	
Preliminary expenses	5000	
Share capital		4,00,000
12% Debentures		3,00,000
P&I a/c (Cr)		26,250
Calls-in-arrears	7500	
Premises	300000	
Plant & Machinery	330000	
Interim dividend	39250	
Sales		415000
Stock (1.4.23)	75000	
Furniture and fixtures	7200	
Debtors	87000	
Wages	84865	
General expenses	6835	
Freight and carriage	13115	
Salaries	14500	
Directors' fees	5725	
Bad debts	2110	
Debenture interest paid	18000	
Bills Payable		37000
Sundry Creditors		40000
General Reserve		25000
Provision for bad debts		3500
	<b>12,46,750</b>	<b>12,46,750</b>

Prepare Profit and Loss account and Balance Sheet for the year ended 31.3.2024

- (i) Depreciate plant and Machinery by 15%
- (ii) Write off preliminary expenses
- (iii) Provide for 6 months interest on debentures
- (iv) Leave bad and doubtful debts provision at 5% on sundry debtors.
- (iv) Provide for income tax at 50%
- (vi) Stock on 31.3.2024 was Rs 95,000

20) Following is the Balance Sheet of K Ltd., as on 31.12.2023

LIABILITIES	AMOUNT (Rs)	ASSETS	AMOUNT (Rs)
2000 shares of Rs 10 each fully paid	20,000	Goodwill	4,000
Profit & Loss a/c	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
Creditors	3,000		
	<b>40,000</b>		<b>40,000</b>

R Ltd., agreed to take over the assets of K Ltd., (exclusive of one fixed asset of Rs. 4000 and cash Rs. 1000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2000 shares of Rs. 10 each at the market value of Rs. 15 each and the balance in cash. Liquidation expenses came to Rs. 400. K Ltd., sold the fixed asset of Rs. 4000 and realized the book value. It paid off debentures and liquidation expenses.

Pass Journal entries in the books of K Ltd and R Ltd.

21) XYZ Co Ltd., resolved to reduce its capital to 50,000 fully paid Rs 5 shares and to eliminate securities premium account. The Co., Balance sheet prior to implementation of the scheme was:

LIABILITIES	AMOUNT	ASSETS	AMOUNT
50,000 fully paid shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Securities Premium	50,000	Land & Buildings	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank o/d	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss a/c	50,000
	<b>6,85,000</b>		<b>6,85,000</b>

It was resolved to apply the sum available under the scheme:

- (a) To write off the Goodwill account
  - (b) To write off the debit balance of P&L a/c
  - (c) To reduce the book values of the assets by the following amounts:  
Land & Building – Rs.42,000  
Plant & Machinery – Rs.67,000  
Stock – Rs.33,600
  - (d) To provide a bad debts reserve of 10% of the book value of debtors.
- Show the Journal entries to give effect to the scheme and prepare the revised Balance Sheet after its implementation.

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