

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024)

B. COM. DEGREE EXAMINATION, APRIL 2026
BANKING, FINANCE AND ENTREPRENEURSHIP
SIXTH SEMESTER

COURSE : MAJOR CORE
PAPER : CORPORATE ACCOUNTING
SUBJECT CODE : 23BF/MC/CA64
TIME : 3 HOURS

MAX. MARKS: 100

SECTION A														
Q. No.	Answer all questions (theory not exceeding 50 words)	(5 x 2=10)	CO	KL										
1.	What is interim dividend?		1	K1										
2.	How purchase consideration is determined?		1	K1										
3.	Lee Ltd. agreed to absorb Bee Ltd. by paying Rs. 10,00,000 to the shareholders. In addition they agreed to settle 1000, 8% debentures of Rs. 100 each in Bee Ltd. at 20% premium by issuing their own debentures of Rs. 100 each at 96%. Ascertain the face value and actual issue value of debentures to be issued.		1	K1										
4.	Calculate the amount of goodwill in the following case, on the basis of three years purchase of the last four years average profits. The profits and losses for the last four years are:		1	K1										
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2020</td> <td style="text-align: center;">10,000</td> </tr> <tr> <td style="text-align: center;">2021</td> <td style="text-align: center;">16,000</td> </tr> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">6,000 (loss)</td> </tr> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">12,000</td> </tr> </tbody> </table>	Year	Amount (Rs.)	2020	10,000	2021	16,000	2022	6,000 (loss)	2023	12,000			
Year	Amount (Rs.)													
2020	10,000													
2021	16,000													
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5.	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.		1	K1										
SECTION B														
Q. No.	Answer any four questions (theory not exceeding 150 words)	(4 x 5=20)	CO	KL										
6.	A firm earned net profits during the last three years as follows:		2	K2										
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	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.													
7.	Bee Ltd. Has 60,000 equity shares of Rs. 100 each, Rs. 80 per share called up. Now the company decides to pay off Rs. 20 per share of the paid up capital and at the same time to reduce the Rs. 100 share to Rs. 60 share fully paid up by cancelling the unpaid amount. Give journal entries.		2	K2										

8.	<p>S Ltd. was taken over by R Ltd. The following position was mutually agreed upon:</p> <table border="1" data-bbox="408 315 1158 488"> <thead> <tr> <th>Particulars</th> <th>S Ltd.</th> <th>R Ltd.</th> </tr> </thead> <tbody> <tr> <td>No. of shares</td> <td>60,000</td> <td>90,000</td> </tr> <tr> <td>Face value of shares</td> <td>100</td> <td>10</td> </tr> <tr> <td>Net assets</td> <td>3,60,00,000</td> <td>72,00,000</td> </tr> </tbody> </table> <p>Ascertain intrinsic values of the shares, ratio of exchange of shares and number of shares to be issued.</p>	Particulars	S Ltd.	R Ltd.	No. of shares	60,000	90,000	Face value of shares	100	10	Net assets	3,60,00,000	72,00,000	2	K2												
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9.	<p>The issued share capital of a company was Rs. 10,00,000 consisting of 10,000 equity shares of Rs. 100 each. The net profits for the last five years were: Rs.1,00,000; Rs. 80,000; Rs.1,20,000; Rs.1,60,000; and Rs. 1,40,000 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 12%.</p> <p>Compute the value of the company's share by the yield value method.</p>	2	K2																								
10.	<p>A company has paid up share capital of Rs.12,80,000 divided into 1,60,000 equity shares of Rs. 10 each, Rs. 8 per share paid up. The company decides to reduce the paid up capital to Rs.6 per share paid up by paying off the necessary amount. Give the appropriate journal entry.</p>	2	K2																								
11.	Distinguish between amalgamation and absorption with suitable examples.	2	K2																								
Q. No.	SECTION C																										
	<p>Answer the following questions: (4 x 10= 40)</p>	CO	KL																								
12.	<p>a) Following is the balance sheet of Kay Ltd. as on 31.12.2022</p> <table border="1" data-bbox="336 1115 1241 1417"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>2000 shares of Rs. 10 each fully paid</td> <td>20,000</td> <td>Goodwill</td> <td>4,000</td> </tr> <tr> <td>P & L A/C</td> <td>7,000</td> <td>Fixed assets</td> <td>16,500</td> </tr> <tr> <td>Debentures</td> <td>10,000</td> <td>Current assets</td> <td>19,500</td> </tr> <tr> <td>Creditors</td> <td>3,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>40,000</td> <td></td> <td>40,000</td> </tr> </tbody> </table> <p>R Ltd. agreed to take over the assets of Kay 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. Kay Ltd. sold the fixed asset of Rs. 4000 and realized the book value. It paid off its debentures and liquidation expenses.</p> <p>You are required to give journal entries in the books of Kay Ltd. and R Ltd.</p> <p style="text-align: center;">(OR)</p>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	2000 shares of Rs. 10 each fully paid	20,000	Goodwill	4,000	P & L A/C	7,000	Fixed assets	16,500	Debentures	10,000	Current assets	19,500	Creditors	3,000				40,000		40,000	3	K3
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13.	<p>a) The following is the balance sheet of Mr. Chauhan as on 30.9.2023</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount(Rs)</th> <th>Assets</th> <th>Amount(Rs)</th> </tr> </thead> <tbody> <tr> <td>Capital</td> <td>1,64,000</td> <td>Land</td> <td>36,000</td> </tr> <tr> <td>General reserve</td> <td>40,000</td> <td>Plant</td> <td>54,000</td> </tr> <tr> <td>Creditors</td> <td>38,040</td> <td>Investments</td> <td>30,000</td> </tr> <tr> <td></td> <td></td> <td>Stock</td> <td>26,850</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td>75,990</td> </tr> <tr> <td></td> <td></td> <td>Debtors</td> <td>19,200</td> </tr> <tr> <td></td> <td>2,42,040</td> <td></td> <td>2,42,040</td> </tr> </tbody> </table> <p>The above amounts include income from investments Rs. 1,800 each year. You are required to value the goodwill of the above business at 2 years purchase of the average super profit for 3 years, taking into account the fact that the standard rate of return on capital employed in such type of business is 10%. Assume that each years profit is immediately withdrawn in full by Mr. Chauhan.</p> <p style="text-align: center;">(OR)</p> <p>b) 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:</p> <ol style="list-style-type: none"> To write off the debit balances of P & L A/C of Rs. 2,10,000 To reduce the value of plant by Rs. 90,000 and goodwill by Rs. 40,000 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. <p>Pass journal entries to record the share capital reduction.</p>	Liabilities	Amount(Rs)	Assets	Amount(Rs)	Capital	1,64,000	Land	36,000	General reserve	40,000	Plant	54,000	Creditors	38,040	Investments	30,000			Stock	26,850			Bank	75,990			Debtors	19,200		2,42,040		2,42,040	3	K3								
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14.	<p>a) The following is the balance sheet of United Industries Ltd. as on 31.12.2022</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>6000, 6% preference shares of Rs. 100 each</td> <td>6,00,000</td> <td>Goodwill</td> <td>45,000</td> </tr> <tr> <td>12,000 equity shares of Rs. 100 each</td> <td>12,00,000</td> <td>Land</td> <td>6,00,000</td> </tr> <tr> <td>8% debentures</td> <td>3,00,000</td> <td>Plant</td> <td>9,00,000</td> </tr> <tr> <td>Bank overdraft</td> <td>3,00,000</td> <td>Stock</td> <td>1,30,000</td> </tr> <tr> <td>Creditors</td> <td>1,50,000</td> <td>Debtors</td> <td>1,40,000</td> </tr> <tr> <td></td> <td></td> <td>Cash</td> <td>15,000</td> </tr> <tr> <td></td> <td></td> <td>P & L A/C</td> <td>7,00,000</td> </tr> <tr> <td></td> <td></td> <td>Preliminary expenses</td> <td>20,000</td> </tr> <tr> <td></td> <td>25,50,000</td> <td></td> <td>25,50,000</td> </tr> </tbody> </table>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	6000, 6% preference shares of Rs. 100 each	6,00,000	Goodwill	45,000	12,000 equity shares of Rs. 100 each	12,00,000	Land	6,00,000	8% debentures	3,00,000	Plant	9,00,000	Bank overdraft	3,00,000	Stock	1,30,000	Creditors	1,50,000	Debtors	1,40,000			Cash	15,000			P & L A/C	7,00,000			Preliminary expenses	20,000		25,50,000		25,50,000	4	K4
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	<p>On the above date, the company adopted the following scheme of reconstruction:</p> <ol style="list-style-type: none"> 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. Land to be appreciated by 30% and plant to be depreciated by 30%. The fictitious and intangible assets are to be eliminated. Expenses of reconstruction amounted to Rs. 5000. <p>Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed balance sheet.</p> <p style="text-align: center;">(OR)</p> <p>b) The following information relating to Malar Ltd., for the year ended 31.12.2023 is provided to you and you are requested to calculate net monetary gain or loss for the year 2023.</p> <table border="1" data-bbox="408 757 1219 1245"> <thead> <tr> <th>Particulars</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Net monetary assets on 1.1.2023</td> <td>5,000</td> </tr> <tr> <td>Net monetary assets on 31.12.2023</td> <td>35,000</td> </tr> <tr> <td>Transactions for the year:</td> <td></td> </tr> <tr> <td>Cash sales</td> <td>40,000</td> </tr> <tr> <td>Credit sales</td> <td>50,000</td> </tr> <tr> <td>Credit purchases</td> <td>35,000</td> </tr> <tr> <td>Wages</td> <td>10,000</td> </tr> <tr> <td>Other operating expenses</td> <td>5,000</td> </tr> <tr> <td>Interest paid on 31.12.2023</td> <td>10,000</td> </tr> <tr> <td>General price index on 1.1.23</td> <td>100</td> </tr> <tr> <td>General price index on 31.12.23</td> <td>150</td> </tr> <tr> <td>Average index for the year</td> <td>125</td> </tr> </tbody> </table>	Particulars	Amount (Rs.)	Net monetary assets on 1.1.2023	5,000	Net monetary assets on 31.12.2023	35,000	Transactions for the year:		Cash sales	40,000	Credit sales	50,000	Credit purchases	35,000	Wages	10,000	Other operating expenses	5,000	Interest paid on 31.12.2023	10,000	General price index on 1.1.23	100	General price index on 31.12.23	150	Average index for the year	125		
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	b) Prepare a balance sheet with as many details as possible from the following information:																																						
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16.	The following is the balance sheet of X Ltd as on 31.12.2023		5 K5																																				
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17.	On 31.12.2024, the Balance Sheet of Ganesh Ltd. was as follows:		5 K5																																				
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	<p>The net profit of the company, after deducting all working charges and providing for depreciation and taxation were as under:</p> <table border="1" data-bbox="544 282 1043 546"> <thead> <tr> <th>Year</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>2,55,000</td> </tr> <tr> <td>2021</td> <td>2,88,000</td> </tr> <tr> <td>2022</td> <td>2,70,000</td> </tr> <tr> <td>2023</td> <td>3,00,000</td> </tr> <tr> <td>2024</td> <td>2,85,000</td> </tr> </tbody> </table> <p>On 31.12.2024, Land were valued at Rs. 7,50,000 and Plant at Rs. 4,50,000. In view of the nature of the business, it is considered that 10% is a reasonable return on capital. Calculate the value of the company's share after taking into account the revised values on fixed assets and your own valuation of goodwill based on four years purchase of the annual super profits.</p>	Year	Amount (Rs.)	2020	2,55,000	2021	2,88,000	2022	2,70,000	2023	3,00,000	2024	2,85,000																																																																													
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18.	<p>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 31.3.2023</p> <table border="1" data-bbox="347 869 1254 1971"> <thead> <tr> <th>Particulars</th> <th>Debit balance (Rs.)</th> <th>Credit balance (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Goodwill</td> <td>25,000</td> <td></td> </tr> <tr> <td>Cash</td> <td>750</td> <td></td> </tr> <tr> <td>Bank</td> <td>39,900</td> <td></td> </tr> <tr> <td>Purchases</td> <td>1,85,000</td> <td></td> </tr> <tr> <td>Preliminary expenses</td> <td>5000</td> <td></td> </tr> <tr> <td>Share capital</td> <td></td> <td>4,00,000</td> </tr> <tr> <td>12% debentures</td> <td></td> <td>3,00,000</td> </tr> <tr> <td>P & L A/C</td> <td></td> <td>26,250</td> </tr> <tr> <td>Calls in arrears</td> <td>7500</td> <td></td> </tr> <tr> <td>Premises</td> <td>3,00,000</td> <td></td> </tr> <tr> <td>Plant</td> <td>3,30,000</td> <td></td> </tr> <tr> <td>Interim dividend</td> <td>39,250</td> <td></td> </tr> <tr> <td>Sales</td> <td></td> <td>4,15,000</td> </tr> <tr> <td>Stock(1.4.22)</td> <td>75,000</td> <td></td> </tr> <tr> <td>Furniture</td> <td>7,200</td> <td></td> </tr> <tr> <td>Debtors</td> <td>87,000</td> <td></td> </tr> <tr> <td>Wages</td> <td>84,865</td> <td></td> </tr> <tr> <td>General expenses</td> <td>6,835</td> <td></td> </tr> <tr> <td>Freight and carriage</td> <td>13,115</td> <td></td> </tr> <tr> <td>Salaries</td> <td>14,500</td> <td></td> </tr> <tr> <td>Directors fees</td> <td>5,725</td> <td></td> </tr> <tr> <td>Bad dets</td> <td>2,110</td> <td></td> </tr> <tr> <td>Debenture interest paid</td> <td>18,000</td> <td></td> </tr> <tr> <td>Bills payable</td> <td></td> <td>37,000</td> </tr> <tr> <td>Creditors</td> <td></td> <td>40,000</td> </tr> <tr> <td>General reserve</td> <td></td> <td>25,000</td> </tr> <tr> <td>Provision for doubtful debts</td> <td></td> <td>3,500</td> </tr> <tr> <td></td> <td>12,46,750</td> <td>12,46,750</td> </tr> </tbody> </table>	Particulars	Debit balance (Rs.)	Credit balance (Rs.)	Goodwill	25,000		Cash	750		Bank	39,900		Purchases	1,85,000		Preliminary expenses	5000		Share capital		4,00,000	12% debentures		3,00,000	P & L A/C		26,250	Calls in arrears	7500		Premises	3,00,000		Plant	3,30,000		Interim dividend	39,250		Sales		4,15,000	Stock(1.4.22)	75,000		Furniture	7,200		Debtors	87,000		Wages	84,865		General expenses	6,835		Freight and carriage	13,115		Salaries	14,500		Directors fees	5,725		Bad dets	2,110		Debenture interest paid	18,000		Bills payable		37,000	Creditors		40,000	General reserve		25,000	Provision for doubtful debts		3,500		12,46,750	12,46,750	5	K5
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	<p>Prepare profit and loss account, profit and loss appropriation account and balance sheet after making the following adjustments:</p> <ul style="list-style-type: none">a. Depreciate plant by 15%.b. Write off Rs. 500 from preliminary expenses.c. Provide for six months interest on debentures.d. Leave bad and doubtful debts provision at 5% on debtors.e. Provide for income tax at 50%. <p>Closing stock Rs.95,000.</p>		
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