

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2008-2009 & thereafter)**

**SUBJECT CODE : CM/MC/CA54**

**B.Com. DEGREE EXAMINATION NOVEMBER 2011**  
**COMMERCE**  
**FIFTH SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : CORPORATE ACCOUNTING**  
**TIME : 3 HOURS**

**MAX. MARKS : 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**( 10 x 3 = 30 )**

1. What is minimum subscription?
2. What is capital redemption reserve?
3. What is working capital?
4. What is interim dividend?
5. What is sinking fund?
6. Under what headings will you classify the following items while preparing B/S of a company?
  - (a) Preliminary expenses
  - (b) Accrued incomes
  - (c) Bills Payable
  - (d) Unclaimed dividend
7. Ascertain the change in working capital from the following
  - a) Increase in some items of current assets Rs. 15,000
  - b) Decrease in some items of current assets Rs. 8,000
  - c) Increase in some items of current liabilities Rs. 12,000
  - d) Decrease in some items of current liabilities Rs. 7,000
8. Following are the extracts from the Balance sheets of a Company as on 31<sup>st</sup> December 2007 and 31<sup>st</sup> December 2008. You are required to calculate Funds from operations for the year ending 2008.

	As on 31 <sup>st</sup> December	
	2007	2008
Profit and Loss Appropriation A/C	30,000	40,000
General Reserve	20,000	25,000
Good Will	10,000	5,000
Preliminary Expenses	6,000	4,000
Provision for Depreciation on Machinery	10,000	12,000

9. A Company purchased building of the book value of Rs. 1,98,000 from another firm. It was agreed that the purchase consideration be paid by issuing 10% debentures of Rs. 100 each. Give journal entries if the debentures have been issued  
 (i) at par                                      (ii) at premium of 10%                                      (iii) at discount of 10%
10. Radical Products Ltd. issued 5,000 14% debentures of Rs. 100 each at a discount of 5%. The debentures are to be repaid in 4 equal annual instalments starting from the end of the 4<sup>th</sup> year. You are required to ascertain the discount to be written off under fluctuating instalment method.

### SECTION – B

**ANSWER ANY FIVE QUESTIONS:**

**( 5 x 8 = 40 )**

11. Bright Ltd invited applications for 10000 shares of Rs. 100 each at a discount of 6% payable as follows:  
 On application Rs. 30; on allotment Rs. 24; on first & final call Rs. 40.  
 Applications were received for 9,500 shares and all these were accepted. All moneys due were received except the final call on 250 shares which were forfeited. All the forfeited shares were reissued at Rs. 80 per share of the company.  
 Journalise the transactions in the books of the company.
12. 'A' Ltd., made the following issue of debentures:  
 a) For cash at 90% but repayable at 110%, debentures of Rs. 10,000.  
 b) To a creditor who supplied machinery costing Rs. 1,00,000, 1,100 debentures of Rs. 100 each.  
 c) To-Bank for a loan of Rs. 7,00,000 as collateral security 10,000 debentures of Rs. 100 each.  
 Give the necessary journal entries for the issue of debentures.
13. Balance Sheet of Ravi Limited as on 31-12-98

Liabilities	Rs.	Assets	Rs.
<b>Share capital :</b>		Land	6,20,000
8,500 Equity Shares of Rs. 100 each	8,50,000	Buildings	8,00,000
8000 6% Redeemable Preference Shares of Rs. 100 each	8,00,000	Stock	3,00,000
<b>Reserves &amp; Surplus</b>		Debtors	2,00,000
Security Premium	20,000	Bank	6,00,000
General Reserve	4,00,000		
Profit and Loss	4,50,000		
	<b>25,20,000</b>		<b>25,20,000</b>

It was decided to redeem Preference Shares at 5% premium. For this purpose 3000 shares of Rs. 100 each were issued at premium of Rs. 10. Give journal entries and prepare Balance Sheet after redemption.

14. Following are the Comparative Balance Sheets of a Company for the year 2004 and 2005

Liabilities	31-12-2004	31-12-2005	Assets	31-12-2004	31-12-2005
	Rs.	Rs.		Rs.	Rs.
Share Capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Creditors	10,360	11,840	Stock	49,200	42,700
Profit & Loss A/c	10,740	11,360	Land	20,000	30,000
			Goodwill	10,000	5,000
	<u>1,03,100</u>	<u>1,03,200</u>		<u>1,03,100</u>	<u>1,03,200</u>

Additional Information :

- Dividends paid Rs. 4,000
- Land was purchased for Rs. 15,000

You are required to prepare a statement showing changes in working capital and a Funds flow statement.

15. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.

The Profit & Loss Account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items :

	Rs.
(a) Depreciation (including special depreciation of Rs. 40,000)	1,00,000
(b) Provision for income tax	2,00,000
(c) Donation to political parties	50,000
(d) Ex-gratia payment to a worker	10,000
(e) Capital profit on sale of assets	15,000

16. From the following details calculate the cash from operating activities for the year 2006.

	31-12-2005	31-12-2006
	Rs.	Rs.
Good will	50,000	40,000
Provision for depreciation	75,000	80,000
P & L A/c balance (cr)	50,000	75,000
Bills receivable	45,000	35,000
Outstanding salaries	10,000	4,000
Prepaid insurance	3,000	3,500
Debtors	45,000	35,000

17. A Ltd issued 2,000 shares of Rs. 100 each at a premium of 10% payable as follows: Rs. 25 on application, Rs. 35 on allotment (including premium), Rs. 20 on first call, Rs. 30 on second call.

2000 shares were applied for and allotted. All the money was received with the exception of first and second call on 200 shares. These shares were forfeited. Give journal entries.

## SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Bright Ltd, was registered with an authorized capital of Rs. 12,00,000 in equity shares of Rs. 10 each. The following is its Trial Balance on 31<sup>st</sup> March, 1998.

## TRIAL BALANCE OF BRIGHT LTD.

Particulars	Debit	Credit
Goodwill	50,000	
Cash	1,500	
Bank	79,800	
Purchases	3,70,000	
Preliminary Expenses	10,000	
Share capital		8,00,000
12% debentures		6,00,000
P & L A/c (Cr)		52,500
Calls-in-arrears	15,000	
Premises	6,00,000	
Plant & Machinery	6,60,000	
Interim dividend	78,500	
Sales		8,30,000
Stock (1-4-97)	1,50,000	
Furniture & Fixture	14,400	
Sundry debtors	1,74,000	
Wages	1,69,730	
General Expenses	13,670	
Freight and Carriage	26,230	
Salaries	29,000	
Director's fees	11,450	
Bad debts	4,220	
Debentures interest paid	36,000	
Bills Payable		74,000
Sundry Creditors		80,000
General reserve		50,000
Provision for bad debts		7,000
	<b>24,93,500</b>	<b>24,93,500</b>

Prepare Profit & Loss Account, Profit & Loss Appropriation A/c and Balance Sheet in proper form after making the following adjustments :

- (i) Depreciate Plant & Machinery by 15%
- (ii) Write off Rs. 1000 from Preliminary expenses.
- (iii) Provide for 6 months interest on debentures.
- (iv) Leave bad and doubtful debts provision at 5% on sundry debtors.
- (v) Provide for income tax at 50%
- (vi) Stock on 31-3-1998 was Rs. 1,90,000.

19. The balance sheet of ABC & Co. Ltd. As on 31-12-1990 stood as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Equity shares of Rs. 100 each	5,00,000	Fixed Assets	8,00,000
9% Redeemable preference share of Rs. 100 each	3,00,000	Investments	1,00,000
Securities premium	50,000	Bank Balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P & L A/c.	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	<u>16,00,000</u>		<u>16,00,000</u>

The Redeemable preference shares were due for redemption on 1.1.91.

The company arranged for the following :

1. It issued 2,000 equity shares of Rs. 100 at a premium of 10%
2. It sold the investments for Rs. 90,000
3. It arranged a bank overdraft to the extent necessary.

The redemption was carried out. Give entries for redemption of preferences shares and balance sheet after redemption

20. The comparative Balance Sheet of Thiru Raj Sekhar for the two years were as follows :

	1987 Rs.	1988 Rs.
<b>Liabilities</b>		
Loan from wife	-	20,000
Bills Payable	12,000	8,000
Creditors	25,000	24,000
Bank overdraft	43,000	60,000
Capital	66,000	34,000
	<u>1,46,000</u>	<u>1,46,000</u>
<b>Assets</b>		
Cash	11,000	15,000
Debtors	40,000	35,000
Stock	25,000	30,000
Machinery	20,000	14,000
Buildings	50,000	80,000
	<u>1,46,000</u>	<u>1,74,000</u>

Additional Information :

- (i) Net loss for the year amounted to Rs. 13,000
- (ii) During the year a machine costing Rs. 5,000 (accumulated depreciation Rs. 2,000) was sold for Rs. 2,500.

The provision for depreciation against machinery as on 31-12-87 was Rs. 6,000 and on 31-12-88 Rs. 7,000.

From the above information prepare cash flow statement.

21. Samy Ltd., issued 6% debentures for Rs. 12,00,000 on 1.1.94. It was provided in the debenture trust deed that the debentures are repayable at the end of 1996 with a premium of 10%. A sinking fund was set up to provide cash for the redemption on the due date. The amounts set aside annually are to be invested in 5% government bonds. Sinking fund tables show that 0.31720856 at 5% compound interest in 3 years will become Re. 1.  
You are required to write the ledger accounts for all the 3 years in the company's books. Calculations may be made to the nearest rupee.

