

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004-2005 & thereafter)

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

B.Com. DEGREE EXAMINATION NOVEMBER 2007
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 Forfeiture of shares? Explain the effects of Pro-rata allotment on Forfeiture of shares?
2. What do you mean by Ex-interest & Cum-interest Quotations?
3. What are the conditions for redemption of preference shares?
4. Explain the accounting procedure relating to the calculation of managerial remuneration.
5. State the 'Preference creditors' in the event of liquidation.
6. JS ltd issued 1,000, 10% Debentures of Rs.100 each at a discount of 10% and at a premium of 10%. Pass the journal entry.
7. State the equation to determine the number of fresh issue of shares at the time of Preference shares.
8. The Liquidator of a company is entitled to a remuneration of 2% on assets realized and 3% on the amount distributed to unsecured creditors. The assets realized Rs.1,00,000 including cash balance of Rs.5,000. Amount available for distribution to unsecured creditors before paying liquidator's remuneration was Rs.43,100. Calculate liquidators remuneration.
9. The company purchased the business of Mani Bros. for Rs.11,54,000 payable in fully paid shares of the company. Give journal entries, if the shares are issued at a premium of 20%, and at a discount of 10%.
10. What journal entries will be made for the following issues:
A company issued 5,000 8% Debenture of Rs.100 each at par, at a discount of 5%, at premium of 5%.

SECTION – B

ANSWER FIVE QUESTIONS:

(5 x 8 = 40)

11. Joy ltd issued 1,00,000 shares of Rs.10 each payable as: Rs.2 on application; Rs.3 on allotment; and the balance on first call. The public applied for 90,000 shares, which were allotted. All the money due on shares was received except call money on 4,000 shares. Which were forfeited & re-issued at Rs.8 per share. Show cash book and pass the necessary entries.
12. A company issued 5,000 debentures of Rs.100 each at par on 1.1.2001 redeemable at par on 31.12.2005. A sinking fund was established. Investments would earn 5% interest. Tables show that Re.180975 amounts to Re.1 at the end of 5 years at 5%. On 31.12.2005, investments were realized at Rs.3,90,000. The debentures were redeemed. Give ledger accounts in the books of the company.
13. From the following information, determine the maximum amount of remuneration available to Full time Director of a manufacturing company. The P&L a/c showed a net profit of Rs.40,00,000 after considering the following items: i) Depreciation (with special Depreciation of Rs.40,000) Rs.1,00,000. ii) Provision for income tax Rs.2,00,000 iii) Donation to political parties Rs.50,000; iv) Ex-gratia payment to worker Rs.10,000 iv) Capital profit on sale of assets Rs.15,000.
14. The summarized balance sheet of Marris Ltd as on 31.12.2006 was as follows:

LIABILITIES	Amount in Rs.	ASSETS	Amount in Rs.
2000 9% Pref. Shares of Rs.100 each, fully paid	2,00,000	Sundry assets	9,80,000
80,000 Equity shares @ Rs.10 fully paid	8,00,000	Cash at Bank	4,20,000
Profit & loss a/c	<u>1,40,000</u>		
Creditors	14,00,000		<u>14,00,000</u>

On the above date Preference Shares were redeemed @ a premium of 10%. Pass journal entries and give the amended balance sheet.

15. Symonds Ltd made the following purchases in the open market for immediate cancellation :
- 1.06.2006 6% Debentures of the nominal value Rs.20,000 at Rs.96
 1.12.2006 1000 6% Debentures at Rs.94.
- Record the transaction in the books of Symonds Ltd. if the quotation is i) Cum-interest and ii) Ex-interest.
 Assume that interest is payable every year on 30th June and 31st December.

16. Robin & Co. went into liquidation with the following liabilities:
 Secured creditors Rs.40,000 [Securities realized Rs.50,000]
 Preferential creditors Rs.1,200
 Unsecured creditors Rs.61,000
 Liquidation expenses Rs.5,00
 The liquidator is entitled to a remuneration of 3% on the amounts realized (including the securities in the hands of secured creditors) and 1.5% on the amount distributed to the Unsecured Creditors. The various assets (excluding the securities in the hands of secured creditors) realized RS.52,000. Prepare liquidators's statement of account showing the payment made to unsecured creditors.
17. X Ltd. Had issued 2,00,000 6% redeemable preference shares of Rs.100 each . Under the terms of the issue , redemption was to take place on 1st April 2004. A general reserve of Rs.1,25,00,000 had already been built up out of past profits. For the purpose of redemption 75,000 new 5 % preference shares of Rs.100 each were issued to the public. On the due date , the shares were duly redeemed . Show journal entries to record the above transactions.

SECTION C

ANSWER ANY TWO QUESTIONS

(2 X 15 = 30)

18. Asir Ltd issued a prospectus inviting 10,000 shares of Rs.10 each at a premium of Rs.2 each payable Rs.2 application. Rs.5 (with premium) in allotment. First call Rs.3 and final call Rs.2. Applications were received for 15,000 shares and pro-rate allotment was made to 12,000 applicants and the balance was returned. Money overpaid on applications was adjusted towards money due on allotment. Rahul to whom 200 shares were allotted failed to pay allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Raman holder of 300 shares failed to pay two calls and his shares were forfeited. Of these forfeited shares 400 shares were sold to Dayal as fully paid for Rs.9 share, the whole of Rahuls share being included. Pass the journal entries in the book of Asir Ltd.
19. M.Co.,Ltd. Went into voluntary liquidation on 1.3.2005. The following balances are extracted from its books on that date.

Liabilities	Rs.	Assets	Rs.
Capital:		Buildings	1,50,000
50,000 equity shares of Rs. 10 each	5,00,000	Plant & Machinery	2,10,000
Debentures (secured by Floating charge)	2,00,000	Stock in trade	95,000
		Book debts 75,000	
		Less: Provision 10,000	
Bank overdraft	30,000	Calls in arrears	1,00,000
Creditors	40,000	Cash in hand	10,000
		Profit & Loss A/c	1,40,000
	<u>7,70,000</u>		<u>7,70,000</u>

CM/MC/CA54

Plant & Machinery and Buildings are valued at Rs.1,50,000 and Rs.1,20,000 respectively. On realization, losses of Rs.50,000 are expected on stock. Book debts will realize Rs.70,000. Calls in arrears are expected to realise 90%. Bank overdraft is secured against Buildings. Preferential creditors for taxes and wages are Rs.6,000. Prepare a statement of affairs & deficiency account.

20. Blue Ltd. Had Rs.4,00,000 debenture redemption fund in it's books on 31.12.2004. The fund was invested in Rs.5,00,000 (nominal Value) Port Trust Bonds. On that day, the debentures account showed a balance of Rs.15,00,000. The company sold Rs.3,00,000 nominal value of investments at 84% for the purpose of redeeming Rs.2,50,000 debentures at Rs.100.50. Show the relevant ledger accounts in the books of the company.
21. The following balances appeared in the book of Star Bright Ltd. as on 31st March.

Particulars	Debit	Credit
Equity shares of Rs.10 each, fully paid up		6,00,000
General reserve		2,30,000
Unclaimed dividend		526
Trade creditors		42,858
Buildings (at cost)	1,50,000	
Purchases	5,00,903	
Sales		10,83,947
Manufacturing expenses	3,50,000	
Establishment charges	26,814	
General charges	31,078	
Machinery (at cost)	2,30,000	
Furniture (at cost)	5,000	
Opening stock	1,72,058	
Book debts	2,32,380	
Investments	2,88,950	
Provision on depreciation on fixed assets		91,000
Advance payment of income tax	50,000	
Cash at bank	72,240	
Directors fees	1,800	
Interest on investments		8,544
Profit and loss account (1.4.1997)		16,848
Staff provident fund		37,500
	21,11,223	21,11,223

From the above mentioned balances and the following information, prepare the company's balance sheet as on 31st March, 1998 and its profit and loss account for the year ended on the date:

- The stock on 31st March, 1998 was valued at Rs.1,48,680.
- Provide Rs.19,000 for deprecation on fixed assets and Rs.8,000 for managing directors remuneration.
- Interest accrued on investments amounted to Rs.2,750.
- Make a provision for Rs.50,000 for income tax.
- The directors purpose a dividend @ 8% after transfer of Rs.35,000 to general reserve.

