

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 2008
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 statement of affairs.
2. What are the various profits which are normally available for redemption of preference shares?
3. What is capital Redemption Reserve?
4. State maximum remuneration payable to different managerial personnel as per companies Act 1956.
5. Who are preferential creditors?
6. A Ltd forfeited 1,000 equity shares of Rs.10 each, issued at a discount of 10% for non payment of the first call of Rs.2 and the final call of Rs.3 per share. Show the necessary journal entry.
7. A company had decided to issue 4000 equity shares of Rs.100 each at premium of 10% and utilize the proceeds to redeem 40,000 12% preference shares of Rs.10 each at premium of 5%. The new issue was fully subscribed and paid-up. The preference shares were duly redeemed. Pass necessary journal entries.
8. TRK Ltd., issued 4000 15% debentures of Rs.100 each repayable after five years at a premium of 10% Journalise.
9. A company has Rs.20,00,000 13.5% debentures at issue Interest is payable on 30th September and 31st March. The company closes its books of accounts on 31st March Ascertain debenture interest to be transferred to profit & loss account.
10. Calculate the amount payable to equity share holders from the following particulars of a liquidated company: 12,000 Equity shares of Rs.10 each, fully paid-up Rs.1,20,000 6,000 Equity shares of Rs.10 each, Rs.7 paid-up Rs.42,000 Amount available for equity share holders Rs.1,08,000.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Journalise the following transactions:
- X Ltd., issued 40,000 shares of Rs.10 each for cash. The whole amount is duly received
 - Y Ltd., issued 10,000 shares of Rs.10 each for cash at a premium of Rs.2 each. The whole amount is duly received.
 - Z Ltd., issued 1,00,000 equity shares of Rs.10 each for cash at a discount of 10% the whole amount is duly received.
 - P Ltd. Issued 20,000 shares of Rs.10 each to the vendor for assets purchased.
12. A company has 10,000 9% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on 31st December 2007 at a premium of 10% the company makes the following issues:
6000 equity shares of Rs.100 each at premium of 10%
The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits. You are required to give the necessary entries.
13. X Ltd. Had the following balances as on 1.4.2006.
- | | Rs. |
|--|----------|
| Debenture Redemption fund | 2,40,000 |
| Debenture Redemption fund investment (10% govt. securities Rs.3,00,000) | 2,40,000 |
- Appropriation to sinking fund amount to Rs.42,500. Debentures are redeemed on 31.3.2007, for the purpose of which investments are sold at 90%. Prepare Debenture Redemption fund account and investment account.
14. On 1st January, ABC Ltd has Rs.1,00,000 10% debentures, in accordance with the power to acquire the debentures in the open market for immediate cancellation. The following purchases, of own debentures were made by the company.
March 1st, Rs.20,000 debentures at Rs.98 cum-interest.
August 1st, Rs.40,000 debentures at Rs.99 ex-interest.
Debentures interest is payable half-yearly on 30th June and 31st December every year. Show journal entries for purchase and cancellation of the debentures.
15. Determine the maximum remuneration payable to the part time director and manager of Bharath Ltd. (a manufacturing company) under sec 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 2007 after taking into account the following matters:

| | Rs. |
|--------------------------------------|----------|
| Profit on sale of investments | 2,05,000 |
| Subsidy received from government | 4,10,000 |
| Loss on sale of fixed assets | 65,000 |
| Ex-gratia to an employee | 30,000 |
| Compensation paid to injured workman | 75,000 |
| Provision for taxation | 2,79,000 |
| Bonus to Foreign Technicians | 3,12,000 |
| Multiple shift allowance | 1,00,000 |
| Special depreciation | 75,000 |
| Capital expenditure | 5,10,000 |

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

16. N Ltd., has a credit balance on P&L a/c of Rs.3,00,000 on 1.4.2007 and the net profit for the year 2007-08 is Rs.30,00,000 before tax. It was decided that the following decisions be carried out regarding provisions, reserves and dividends:-
 General Reserve Rs.3,50,000
 Investment Allowance Reserve Rs.3,50,000
 Provision for taxation @35%
 Dividend equalization fund a/c Rs.2,00,000
 Dividend on 10% preference shares of Rs.20,00,000
 Dividend at 15% on 3,00,000 equity shares of Rs.10 each fully paid.

You are required to give P & L appropriation a/c for the year ended 31.3.2008.

17. The following particulars are related to a company which has gone into liquidation. You are required to prepare liquidator's final statement of account allowing for his remuneration at 2% on the amount realised on assets including cash and 2% on the amounts distributed to unsecured creditors other than preferential creditors.

Unsecured creditors Rs.2,24,000
 Preferential creditors Rs.70,000
 Debentures Rs.75,000

The assets realised the following amounts:

Cash in hand Rs.20,000
 Land & Buildings Rs.1,30,000
 Plant & Machinery Rs.1,10,500
 Furniture & Fittings Rs.7,500

The liquidation expenses amounted Rs.2,000. A call of Rs.2 per share on the partly paid 10,000 equity shares was made and duly paid except in case of one share holder owing 500 shares.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Aparna Ltd. issued 10,000 shares of Rs.100 each at Rs.110 payable as Rs.30 on application, Rs.50 on allotment (including premium) and the balance on call.

The issue was subscribed to the extent of 2 ½ times. Applications for shares below 20 (5000 in all) were rejected. An applicant for 5000 shares was given 1000 shares. The remaining shares were issued pro-rata.

The excess amount to be full extent of share value was retained. A share holder holding 450 shares failed to pay call money. All these 750 shares were forfeited. Show the necessary Journal entries.

19. The Balance sheet of LKS & Co. Ltd as on 31.3.2003 was as follows:

| Liabilities | Rs. | Assets | Rs. |
|--|-----------------|----------------|-----------------|
| 20,000 Equity shares of Rs.10 each fully paid-up | 2,00,000 | Fixed assets | 2,37,500 |
| 10% Redeemable pref. Shares of Rs.100 each fully paid-up | 1,00,000 | Investments | 12,500 |
| Securities premium | 60,000 | Current assets | 95,000 |
| Profit & Loss A/C | 28,900 | Goodwill | 48,750 |
| | <u>3,93,750</u> | | <u>3,93,750</u> |

On the above date, it was decided to redeem the preference shares at premium of 10%. The Director wish that only the minimum number of fresh equity shares of Rs.10 each at a premium of 5% be issued to provide for redemption of such preference shares as could not otherwise be redeemed. Give the necessary journal entries and also prepare the Balance Sheet after redemption.

20. A Ltd was registered with a n authorized capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its Trail Balance on 31.3.2003.

| TRIAL BALANCE OF 'A' Ltd. | | | |
|---------------------------|----------|-------------------------|----------|
| Debit balances | Rs. | Credit Balances | Rs. |
| Good will | 25,000 | Share capital | 4,00,000 |
| Cash | 750 | 12% debentures | 3,00,000 |
| Bank | 39,900 | P & L A/C (Cr) | 26,250 |
| Purchases | 1,85,000 | Sales | 4,15,000 |
| Preliminary Expenses | 5,000 | Bill payable | 37,000 |
| Calls in arrears | 7,500 | Sundry creditors | 40,000 |
| Premises | 2,40,000 | General Reserve | 25,000 |
| Plant & Machinery | 3,30,000 | Provision for Bad debts | 3,500 |
| Interim dividend | 39,250 | | |
| Stock (1-4-2002) | 75,000 | | |
| Furniture & fixtures | 7,200 | | |
| Sundry debtors | 87,000 | | |

| | | |
|-------------------------|------------------|------------------|
| Wages | 84,865 | |
| General expenses | 6,835 | |
| Freight & carriage | 13,115 | |
| Salaries | 14,500 | |
| Directors' fees | 5,725 | |
| Bad debts | 2,110 | |
| Debenture Interest paid | 78,000 | |
| | <u>12,46,750</u> | <u>12,46,750</u> |

Prepare Profit & Loss A/c, 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.500 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 31.3.2003 was Rs.95,000.

21. The Insol Ltd. is to be liquidated their summarized Balance sheet as at 30th September, 2005 appear as under taking all the details into account, prepare the statement of affairs.

| Liabilities | Rs. | Assets | Rs. |
|--|-----------|--------------------|-----------|
| 2,50,000 equity shares of Rs.10 each | 25,00,000 | Land & Buildings | 5,00,000 |
| Secured debentures (on Land & Buildings) | 10,00,000 | Other Fixed assets | 20,00,000 |
| Unsecured loan | 20,00,000 | Current assets | 45,00,000 |
| Trade creditors | 35,00,000 | Profit & Loss A/C | 20,00,000 |
| | 90,00,000 | | 90,00,000 |

Contingent liabilities are :- for bills discounted Rs.1,00,000 and for excise duty demands Rs.1,50,000.

On investigation, it is found that contingent liabilities are certain to devolve and assets are likely to be realised as follows:- Land & Buildings Rs.11,00,000, other fixed assets Rs.18,00,000 and current assets Rs.35,00,000.

× × × × × × ×