

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2011-2012)**

**SUBJECT CODE : 11CM/MC/CA54**  
**B B.Com./B.Com.(C.S) DEGREE EXAMINATION NOVEMBER 2013**  
**COMMERCE**  
**CORPORATE SECRETARYSHIP**  
**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 meant by 'Forfeiture of Shares'?
2. Explain Capital Redemption Reserve.
3. List out the classification of Debentures.
4. Write a short note on 'Managerial Remuneration'.
5. Define Goodwill.
6. X Co. Ltd. issued 50,000 equity shares of Rs.10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of a company when :
  - (a) Shares are issued at par ;
  - (b) Shares are issued at a premium of 10% and
  - (c) Shares are issued at a discount of 10%.
7. The following extract from the balance sheet of Ram Co. Ltd. as on 31<sup>st</sup> Dec. 2008, is given to you:

	Rs.
Share Capital:	
2,00,000 Equity shares of Rs. 10 each	20,00,000
3,00,000, 6% Redeemable Preference shares of Rs. 10 each	30,00,000
Capital Reserve	15,00,000
General Reserve	9,00,000
Profit & Loss A/c	25,50,000

The company exercises its option to redeem the Preference shares on 1<sup>st</sup> January, 2009. The company has sufficient cash. Give journal entries to record the redemption.
8. Krishna Ltd. issued 15,000, 8% debentures of Rs.100 each at a discount of 5% payable after 5 years at a premium of 5%. You are required to show: journal entries at the time of issue and redemption of debentures.

9. From the following particulars of Ganga Ltd. Calculate the Managerial Remuneration assuming there are two whole time directors, a part time Director and manager:

	Rs.
Net Profit before provision for income tax and Managerial Remuneration but after depreciation	8,70,410
Depreciation provided in the books	3,10,000
Depreciation allowable under Income Tax	2,60,000

10. 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:

Year	Rs.
2010	10,000
2011	16,000
2012	6,000 (Loss)
2013	12,000

### SECTION – B

**ANSWER ANY FIVE QUESTIONS:**

**( 5 x 8 = 40 )**

11. Good Luck Ltd. invited applications for 20,000 shares of the value of Rs.20 each. The amount payable is Rs. 5 on application, Rs. 8 on allotment and the balance when required. The whole of the above issue was applied for and cash was duly received. Give the journal entries for the above transactions.
12. Star Ltd. issued 75,000 equity shares of Rs. 10 each and 5,000 Redeemable Preference shares of Rs. 100 each all shares being fully called and paid up on 31-3-2012. Profit & Loss account showed undistributed profits of Rs. 3,00,000 and General reserve stood at Rs. 2,50,000. On 1-4-2012, the directors decided to redeem the existing preference shares at 5% Premium utilising as much profits as would be required for the purpose. You are required to pass journal entries in the books of the company.
13. On 1-1-2008, Y Ltd., issues 4,000 12% Debentures of Rs. 100 each repayable at the end of four years at a premium of 5%. It has been decided to institute a Sinking Fund for the purpose, the investments being expected to realize 4% net. Sinking fund tables show that 0.235490 amounts to Rs. 1 @ 4% in four years. The investments realized Rs. 3,13,600. Prepare Sinking Fund account and Sinking Fund Investments account.

14. The accounts of the Sun Ltd. showed an amount of Rs. 3,00,000 to the credit of Profit & Loss A/c on 31-3-2013 out of which the directors decided to transfer Rs. 60,000 to general reserve and Rs. 42,000 to debenture redemption fund. At the annual general meeting held on 15-6-2013, it was decided to transfer Rs. 20,000 to a development reserve and to pay a bonus of 2½ % of the profit to the directors as additional remuneration. The payment of the half-yearly dividends on Rs. 5,00,000, 6% cumulative preference shares on September 30, 2012 and March 31, 2013 was declared and a dividend @ 10% was declared on the equity share capital of the face value of Rs. 6,00,000. Prepare Profit & Loss Appropriation A/c showing the above arrangements.
15. Average capital employed in Kodak Ltd. is Rs. 35,00,000 whereas net trading profits before tax for the last three years have been Rs. 14,75,000 ; Rs. 14,55,000 and Rs. 15,25,000. In these three years, the managing director was paid a salary of Rs. 10,000 p.m. But now he would be paid a salary of Rs. 12,000 p.m. Normal rate of return expected in the industry in which Kodak Ltd. is engaged is 18% . Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.
16. The following is the Balance Sheet of NSC Ltd. as on 31<sup>st</sup> Dec. 2012:

Liabilities	Rs.	Assets	Rs.
4,000, 10% preference shares of Rs. 100 each	4,00,000	Sundry assets at book value	12,00,000
60,000 equity shares of Rs. 10 each	6,00,000		
Bill Payable	50,000		
Creditors	1,50,000		
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	12,00,000		12,00,000

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs.10,000. Find the Intrinsic value of each equity share.

17. H Ltd. was incorporated with a share capital of Rs. 12,00,000 in Rs. 10 shares. The company purchased machinery from X & Co. for 6,00,000 payable in fully paid shares of the company. The directors also decided to allot 2,000 shares credited as fully paid to the promoters for their

services. The rest of the shares were issued for cash and were taken up by the public and fully paid for. Give journal entries and show the balance sheet.

**SECTION – C**

**ANSWER ANY TWO QUESTIONS:**

**(2 x 15 = 30)**

18. A Ltd. invited applications for 10,000 shares of Rs. 100 each at a discount of 5% payable as follows:  
On application Rs. 25 ; On allotment Rs. 34 ; On first & final call Rs. 36  
Applications were received for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs. 90 as fully paid. Show necessary journal entries in the books of the company.
19. The following is the summarized balance sheet of ABC Ltd. as on 30<sup>th</sup> June 2013:

Liabilities	Rs.	Assets	Rs.
Share Capital:			
Authorised:		Fixed Assets	2,00,000
640, 8% Redeemable preference shares of Rs.100 each fully paid up	64,000	Current Assets	1,20,000
	=====		
24,000 Equity shares of Rs.10 each fully paid up	2,40,000		
	=====		
Issued & Subscribed:			
560, 8% Redeemable preference shares of Rs.10 each fully paid up	56,000		
16,800 Equity shares of Rs.10 each fully paid up	1,68,000		
Securities Premium A/c	7,000		
Profit & Loss A/c	61,000		
Creditors	28,000		
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	3,20,000		3,20,000

The preference shares were redeemed on 10<sup>th</sup> July 2013 at a premium of 5%. A bonus issue of one equity shares for every five shares held was made on the same date. No trace could be found of the holders of 15 preference shares. You are required to give the journal entries in the books of the company and draw up the resultant balance sheet in a summarized form.

20. A Ltd. was registered with an authorized capital of Rs. 6,00,000 equity shares of Rs. 10 each. The following is its Trial Balance on 31<sup>st</sup> March 2013:  
Trial Balance of 'A' Ltd.

Particulars	Debit Balance Rs.	Credit Balance Rs.
Goodwill	25,000	----
Cash	750	----
Bank	39,900	----
Purchases	1,85,000	----
Preliminary expenses	5,000	----
Share Capital	----	4,00,000
12% Debentures	----	3,00,000
P & L A/c (Cr.)	----	26,250
Calls-in-arrears	7,500	----
Premises	3,00,000	----
Plant & Machinery	3,30,000	----
Interim dividend	39,250	----
Sales	----	4,15,000
Stock (1.4.2012)	75,000	----
Furniture & fixtures	7,200	----
Sundry debtors	87,000	----
Wages	84,865	----
General expenses	6,835	----
Freight and carriage	13,115	----
Salaries	14,500	----
Directors' fees	5,725	----
Bad debts	2,110	----
Debenture interest paid	18,000	----
Bills payable	----	37,000
Sundry Creditors	----	40,000
General reserve	----	25,000
Provision for bad debts	----	3,500
	12,46,750	12,46,750

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 31.3.2013 was Rs. 95,000.

21. The balance sheet of Shanmugam company Ltd. as on 31<sup>st</sup> December 2012 was as follows:

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs.10 each	2,00,000	Land & Buildings	1,68,000
Profit & Loss A/c	40,000	Plant & Machinery	1,20,000
Debentures	30,000	Furniture & fittings	10,000
Trade creditors	40,000	5%(tax-free) Govt. bonds	40,000
Provision for taxation	18,000	Stock	4,000
Proposed dividend	30,000	Book debts	12,000
		Cash	4,000
	<u>3,58,000</u>		<u>3,58,000</u>

The net profits of the company after charging depreciation and taxes were as follows: 2008 - Rs. 34,000 ; 2009 - Rs. 38,000 ; 2010 - Rs. 36,000 ;

2011 - Rs. 40,000 ; 2012 - Rs. 38,000

On 31<sup>st</sup> December 2012, Land & Buildings were revalued at Rs. 1,90,000 ; Plant & Machinery at Rs. 1,42,000 ; and furniture and fittings at Rs. 8,000. 10% represents a fair commercial rate of return on investments in the company. Calculate the value of Goodwill basing it at five years' purchase of the average super profits for the last five years.

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