

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

SUBJECT CODE: 11CM/MC/CA54

B.Com./B.Com.(C.S) DEGREE EXAMINATION NOVEMBER 2014
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. Explain 'securities premium' that can be used for various purposes.
2. What are the various profits which are eligible, to be transferred to 'Capital Redemption Reserve'?
3. How do you deal with 'discount on issue of debentures' in accounts?
4. What is 'Corporate Dividend Tax'? How is it computed and treated in final accounts?
5. What are the various reasons for valuing shares?
6. K Ltd. purchased the business of M. Bros. for Rs. 54, 00,000 payable in fully paid shares of Rs. 100 each. What entries will be made in the books of K Ltd., if such issue is
 - (a) at par
 - (b) at a premium of 20% and
 - (c) at a discount of 10%?
7. Y. Ltd. Wishes to redeem its redeemable preference shares of Rs. 2, 00,000 at a premium of 20%. For this purpose, it has decided to make a fresh issue of Rs.100 shares at 10% premium and utilise the profits of Rs. 42,000 available for dividend. You are required to calculate the minimum fresh issue of shares that the Company has to make to the public.
8. A Company purchased assets of Rs. 8, 40,000 and took over liabilities of Rs. 80,000 for an agreed consideration of Rs. 7, 20,000. The Company issued debentures at 10% discount in full satisfaction of the purchase price. Give journal entries in the books of the purchasing company.
9. From the following trial balance and the adjustments given there under, Show how the items would figure in the P & L a/c and Balance sheet during the year 2010 – 11.

Trial Balance

Debit balances	Rs.	Credit balances	Rs.
Income tax (2009-10)	1,20,000	Provision for taxation	1,36,000
Adjustments: provide Rs. 1, 60,000 by way of provision for taxation for the year 2010-11.			

10. From the following data relating to Padma & Co., Calculate the goodwill on the basis of three years purchase of the average profits.
- profits for the year ending 2009, 2010 and 2011 were Rs. 80,000, Rs. 90,000 and Rs. 1, 00,000.
 - A non-recurring income of Rs. 15,000 is included in the profits of 2009.
 - The closing stock for the year 2010 was overvalued by Rs. 30,000.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. A Company issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable Rs. 5 on application, Rs. 5 (Including Premium) on allotment and the balance on call. All the shares offered were applied for and allotted. All the moneys due on allotment were received except on 200 shares. Call was made. All the amount due there on was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money was not received.
- Pass the necessary journal entries to record the above and also show how this will appear in the Balance sheet by the company.
12. The following is the summarized balance sheet of a company as on 31.03.2011.

Liabilities	Rs.	Assets	Rs.
Paid-up capital:		Sundry assets	25,60,000
6000 8% preference shares of Rs. 100 each fully paid up	6,00,000	Cash at bank	2,85,000
3000 9% preference shares of Rs. 100 each, Rs. 75 paid up	2,25,000		
1,50,000 equity shares of Rs. 10 each	15,00,000		
Capital Reserve	1,00,000		
Securities premium A/c	60,000		
Current liabilities	3,60,000		
	28,45,000		28,45,000

It was decided to redeem both the classes of preference shares at a premium of 5%. The company issued equity shares of Rs. 10 each at a premium of 10% as were necessary to provide cash for redemption. The issue was fully subscribed and all the moneys were received. You are required to pass journal entries and prepare the balance sheet as on 31.03.2011.

13. Give journal entries in the books of A Ltd., if
- It purchased assets of Rs. 3, 00,000 and acquired liabilities of Rs. 30,000. It issued 8% debentures of Rs. 100 each at a discount of 10% to satisfy the net purchase price.

- (b) It purchased assets and liabilities of a firm for Rs. 4, 00,000. The assets acquired were valued as Rs. 6, 00,000 and liabilities taken over were Rs. 2,40,000. The purchase price is to be satisfied by issue of 10% debentures of Rs. 100 each at par.
- (c) It purchased building of the book value of Rs. 1, 98,000 from another firm. It was agreed that purchase consideration be paid by issuing 10% debentures of Rs. 100 each. Give journal entries if the debentures have been issued
- at discount of 10% and
 - at a premium of 10%.
14. National Ltd., has a credit balance on P & L a/c Rs. 3, 00,000 on 01.04.2010 and the net profit before tax for the year 2010- 11 is Rs. 30,00,000. 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 @ 50%.
 - Dividend equalisation 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 and give journal entries for payment of dividend.

15. Determine the maximum remuneration payable to the part time directors and Manager of Bharath Ltd. (a manufacturing company) under section 309 and 387 of the Companies Act 1956 from the following particulars:
- Before charging any such remuneration, the profit & loss a/c showed a credit balance of Rs. 23, 05,000 for the year ended 31st March 2008 after taking into account the following matters:

	Rs.
(i) Profit on sale of investments	2,05,000
(ii) Subsidy received from the Government	4,10,000
(iii) Loss on sale of fixed assets	65,000
(iv) Ex-gratia to an employee	30,000
(v) Compensation paid to injured workman	75,000
(vi) Provision for taxation	2,79,000
(vii) Bonus to foreign technicians	3,12,000
(viii) Multiple shift allowance	1,00,000
(ix) Special depreciation	75,000
(x) Capital Expenditure	5,10,000

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

16. The Balance sheet of X Ltd. is as follows:

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,40,000	Goodwill	68,000
Sundry creditors	1,20,000	Buildings	1,46,000
Bills payable	40,000	Stock	90,000
		Debtors	58,000
		Cash and bank	38,000
	4,00,000		4,00,000

JJ Co. Ltd., is to be formed to take over X Ltd. For this purpose, assets are revalued as under:

Stock Rs. 94,000; Debtors: Rs. 40,000; Buildings Rs. 1, 28,000.

Profits of X Ltd. for the past five years were Rs. 40,000; Rs. 60,000; Rs. 72,000; Rs. 64,000 and Rs. 74,000. Included in these profit were non-recurring items averaging Rs. 3,000, but from the nature of the business casual non-recurring items were found to arise every year and the promoters agreed that Rs. 2400 should be allowed as profit from this source. Similar business paid a dividend of 8% p.a on their equity shares. Calculate goodwill on five years purchase of super profits.

17. The paid up share capital of S Ltd. Consists of 4000 8% preference shares of Rs. 100 each and 20,000 equity shares of Rs. 50 each. According to Articles of Association, the preference shares are entitled to participate in the surplus profits to the extent of 1/10 of profits remaining after payment of 8% dividend on preference shares and 12% dividend on equity shares. The balance of profit is available to equity shareholders. The average annual profits of the company are Rs. 3, 92,000 after providing for depreciation and taxation. It is considered necessary to transfer Rs. 40,000 p.a. to reserve fund. The normal return expected on preference shares is 10% and on equity shares is 12%. Find out the value of each preference share and equity share of the company.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Y Ltd., issued for public subscription 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as under:
 On application Rs. 2 per share; on allotment Rs. 5 per share; on first call Rs. 2 per share; and on second and final call Rs. 3 per share.
 Applications were received for 30,000 shares. Allotment was made pro-rata to the applicants for 24,000 shares, the remaining applications were refused. Money over paid on application was utilised towards sum due on allotment.
 Amar to whom 800 shares were allotted, failed to pay allotment and calls money and Akbar to whom 1000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second call was made. All the forfeited shares were reissued to Antony as fully paid up at Rs. 8 per share. Show the journal entries in the books of Y Ltd.

19. The following is the summarized balance sheet of Bayer Ltd. As on 31st March 2008.

Liabilities	Rs.	Assets	Rs.
<u>Share Capital:</u>		Sundry assets	6,20,000
<u>Authorised:</u>		Bank a/c	2,10,000
15000 6% Redeemable preference shares of Rs. 10 each	<u>1,50,000</u>		
50,000 equity shares of Rs. 10 each	<u>5,00,000</u>		
<u>Paid-up capital</u>			
11,000 6% Redeemable preference Shares of Rs. 10 each	1,10,000		
30,000 Equity shares of Rs. 10 each fully paid	3,00,000		
Profit & Loss a/c	2,00,000		
Reserve Fund	2,00,000		
Sundry Creditors	20,000		
	<u>8,30,000</u>		<u>8,30,000</u>

On 6th April 2008, the preference shares were redeemed at a premium of Rs. 4 per share. The company could not trace the holders of 1200 preference shares. On 8th April 2008, a bonus issue of one fully paid equity share for four shares held was made. Show the journal entries and also prepare the balance sheet after redemption.

20. 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 realise 4% net. Sinking Fund table show that 0.235490 amounts to Rs. 1.00 @ 4% in 4 years. Investments were made in multiples of hundred only.

On 31.12.2011, the balance at bank was Rs. 1, 18,000 and the investments realised Rs. 3, 13,600. The debentures were paid off. Give journal entries in the books of Y Ltd.

21. Big Bull Ltd., has a nominal capital of Rs. 6, 00,000 divided into shares of Rs. 10 each. The following Trial Balance is extracted from the books of the company as on 31.03.2010.

Calls in arrear	7500	6% debentures	3,00,000
Premises (Rs. 60,000 added on 1.10.2009)	3,60,000	P & L a/c (1.4.2009)	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share Capital (called up)	4,60,000
Preliminary Expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Director's fees	5,740	Provision for bad debts	3,500

Bad debts	2,110	
4% Govt. Securities	60,000	
Stock on (1.4.2009)	75,000	
Furniture	7,200	
Sundry debtors	87,000	
Goodwill	25,000	
Cash	750	
Bank	39,900	
Wages	84,800	
General Expenses	16,900	
Salaries	14,500	
Debenture interest	9,000	
	<u>13,06,000</u>	<u>13,06,000</u>

Prepare final accounts of the company for the year ending 31.3.2010 in the prescribed form after taking into account the following adjustments.

- (a) Depreciate Machinery by 10% and Furniture by 5%.
- (b) Write off half of the preliminary expenses.
- (c) Wages include Rs. 10,000 paid for the construction of a compound wall to the premises and no adjustments was made.
- (d) Provide 5% for bad debts on Sundry debtors.
- (e) Transfer Rs. 10,000 to general reserve.
- (f) Provide for Income tax Rs. 25,000.
- (g) Stock on 31.3.2010 was Rs. 1, 01,000.
