

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 2015
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 the different situation under which issue of shares for consideration other than cash with examples.
2. How premium on redemption of preference share is dealt under redemption of preference shares?
3. What is a sinking fund?
4. Explain the legal provisions relating to payment of dividend by a company.
5. What are the various reasons for valuing shares?
6. A company forfeited 100 shares of Rs. 10 each issued at a premium of 10% for non-payment of final call of Rs. 3 per share. Out of these, 70 shares were reissued at Rs. 8 per share as fully paid up. Give journal entries for forfeiture and reissue.
7. X Co. Ltd. has to redeem redeemable preference shares of the value of Rs. 2, 00,000 at a premium of 10% for which the company has issued 10,000 equity shares of Rs. 10 each at a premium of 20%. You are required to calculate the amount to be transferred to capital redemption reserve account and also pass necessary journal entries, assuming there is a sufficient revenue profit.
8. 'C' Ltd. acquired the business of Kamal & Co. for a consideration of Rs. 5, 00,000. The vendors were paid Rs. 1, 40,000 in cash and the balance in 10% debentures of Rs. 100 each, issued at 90%. Give journal entries.
9. From the following particulars relating to Z Ltd. Calculate the balance profit to be transferred to Balance Sheet.
 - (i) Equity Share Capital Rs. 2, 00,000
 - (ii) P & L a/c (Cr) Rs. 30,000
 - (iii) Net Profit for the current year Rs. 56,800
 - (iv) Dividend proposed by the directors @ 12% p.a. after the minimum transfer to General Reserve as required by Law.

10. Calculate goodwill, if it is to be calculated at 3 years purchase of the super profit: The firm started business with a capital of Rs. 4, 00,000. The normal rate of earnings in this class of business is 15%. The firm earned Rs. 74,000 as profit during the year.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. NALLI & Co. ltd. was registered with an authorised capital of Rs. 20, 00,000 divided into 20,000 shares of Rs. 100 each. The company offered 12,000 shares to the public which were payable: Rs. 20 per share on application, Rs. 40 per share on allotment and Rs. 40 on call. Applications for 18,000 shares were received on which the directors allotted as follows:-

Applicants for 10,000 shares - full
 Applicants for 5000 shares - 2000 shares
 Applicants for 3000 shares - NIL

The excess application money was adjusted towards allotment. All the money due on allotment and call was fully received. Make the necessary entries in the books of the company.

12. The balance sheet of LKS Co. ltd. as on 31.03.2012 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% pref. shares of Rs. 100 each fully paid up	1,00,000	Investments	12,500
Securities premium	4,850	Current assets	95,000
Profit & Loss A/C	60,000	Misc. Expenditure	
Current Liabilities	28,900	Not yet written off	48,750
	3,93,750		3,93,750

On the above date, it was decided to redeem the preference shares at a premium of 10%. The Directors 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.

13. (a) Give journal entries in the books of 'A' Co. Ltd., if
 (i) 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.

- (ii) 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 purchased price is to be satisfied by issue of 10% debentures of Rs. 100 each at par.
- (b) Zed Ltd. issues 1,000 6% debentures of Rs. 100 each. Give journal entries in each of the following cases:-
- The debentures are issued and redeemable at par.
 - They are issued at a discount of 6%, but redeemable at 10% premium.
 - They are issued at a premium of 5%, but redeemable at 5% premium.
 - They are issued at par, but redeemable at 10% premium.
14. Bharath 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 prepare a working note on Reserves and Surplus.
15. The Manager of Thackery Ltd., is entitled to get a salary of Rs. 2,500 per month plus 1% commission on the net profits of the company after such salary and commission. The following is the P & L a/c of the company for the year ended 31-03-2008.

	Rs.		Rs.
To Salaries, wages and bonus	1,92,500	Pay Gross profit ltd	9,00,000
To General expenses	74,000	Pay subsidy from Govt.	60,000
To Depreciation	82,000	Pay profit on sale of assets (Cost price Rs. 2,50,000 and written down value Rs. 1,80,000)	1,00,000
To Expenditure on Scientific Research (cost of an apparatus)	14,000		
To Manager's Salary	30,000		
To Commission to Manager	6,000		
To Provision for bad and doubtful debts	17,500		
To Provision for Income tax	2,40,000		
To proposed dividend	1,00,000		
To balance ltd.	3,04,000		
	<u>10,60,000</u>		<u>10,60,000</u>

Depreciation is as per Income tax rules amount to Rs. 81,000. Calculate remuneration payable to the manager.

16. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit:
- Average capital employed in the business is Rs. 20, 00,000.
 - Rate of interest expected from capital having regard to the risk involved is 10%.
 - Net trading profits of the firm for the past three years were Rs. 3, 50,400, Rs. 2, 80,300 and Rs. 3, 10,100.
 - Profit of the last year have been reduced by Rs. 12,000, because goods were destroyed by fire.
 - Non-recurring income of Rs. 15,000 is included in the first year profit.
 - Second year profit include Rs. 21,000 income on investment.
 - Fair remuneration to the partners for their services is Rs. 48,000 p.a.
17. On 31st December, 2008. The balance sheet of a limited company disclosed the following position.

Liabilities	Rs.	Assets	Rs.
Issued capital in Rs. 10 shares	8,00,000	Fixed assets	10,00,000
Profit & Loss a/c	40,000	Current assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current Liabilities	2,60,000		
	14,80,000		14,80,000

On December 31, 2008, the fixed assets were independently valued as Rs. 7, 00,000 and the goodwill at Rs. 1, 00,000. The net profits for the 3 years were: 2006 – Rs. 1,03,200, 2007 – Rs. 1,04,000 and 2008 – Rs. 1,03,000 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by

- (a) the net assets method and (b) the yield method.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Ambitions 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 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 overpaid on application was utilised towards sum due on allotment.

Adam to whom 800 shares were allotted, failed to pay allotment and calls money and Basha 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 sold to Charles as fully paid up at Rs. 8 per share. Show the Journal entries in the books of the company.

19. Samy Ltd., issued 6% debentures for Rs. 12, 00,000 on 1.1.2008. It was provided in the debenture trust deed that the debentures are repayable at the end of 2010 with a premium of 10%. The 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 table show that 0.31720856 at 5% compound interest in 3 years will become Re 1. The Investment realised Rs. 8, 58,366 at the end of the third year. The debentures were also redeemed at the end of the third year.

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.

20. A Ltd., was registered with an authorised capital of Rs. 6, 00,000 in equity shares of Rs.10 each. The following is its Trial Balance on 31.03.2008.

Trial Balance of 'A' Ltd.

	Debit Balance	Credit Balance
	Rs.	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 (1.4.2007)	75,000	--
Furniture r Fixtures	7,200	--
Sundry debtors	87,000	--
Wages	84,865	--
General Expenses	6,835	--
Freight and Carriage	13,115	--
Salaries	14,500	--

	Debit Balance	Credit Balance
	Rs.	Rs.
Director's 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 account, profit & loss Appropriation A/C and Balance Sheet in proper form after making the following adjustments.

- (i) Depreciation on plant & machinery is 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 31.3.2008 was Rs. 95,000.
- (vii) Goods to the value of Rs. 3,000 were distributed as tree samples during the year.
But no entry in the respect had been made.

21. Swan Ltd., issued 8,000 9% Redeemable preference shares of Rs. 100 each at par on 1.7.2006, redeemable at the option of the company on or after 30th June 2012 partly or fully.

Redemptions were made out of profits as follows:-

- (i) 1200 shares on 30th June 2012 at par.
- (ii) 1600 shares on 31st December 2012 at 10% premium.
- (iii) Remaining shares on 30th June 2013 at a premium of 5% by making a fresh issue of 40,000 equity shares of Rs.10 each at a premium of Re.1 each.

On 30th June 2013, the company also decided to capitalise 50% of its capital redemption reserve by issuing bonus shares of Rs. 10 each fully paid at a premium of Rs. 2.50 per share.

Pass necessary entries to record the above transactions.
