

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008-2009)

SUBJECT CODE : CM/MC/CA54

B.Com. DEGREE EXAMINATION NOVEMBER 2010
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 meant by forfeiture of shares?
2. Explain briefly about capital redemption reserve:
3. Write a note on Managerial remuneration.
4. What is meant by sinking fund?
5. Explain the significance of cash flow analysis.
6. Joseph Ltd purchased assets of Rs. 16, 00,000 from Albert brothers it issued equity shares of 100 rupees each fully paid up in satisfaction of their claim. Pass necessary journal entries.
7. The following is the extract from the balance sheet of Big Limited as on 31.03.2009.
 - a. Rs. 6,00,000, 6% redeemable preference shares of Rs. 10/- each- Rs. 60,00,000
 - b. General reserve Rs. 18,00,000
 - c. Profit and Loss Account Rs. 51,00,000The company has sufficient profits to redeem the preference shares on 1.4.2009. Pass necessary journal entries to record the redemption.
8. On 31.3.2009 the trail balance of ABC company shows the provision for tax of Rs. 1,00,000 representing the provision of the previous year. The trail balance also shows income tax paid Rs. 90,000/- It is estimated that a provision Rs. 1,40,000 is required for the current year's income. Tax deducted at source while receiving interest on investments amounted to Rs. 20,000. The gross amount of the interest was shown in the profit and loss account. Write the provision for income tax account incorporating the above details.
9. Chankya Limited issued 2,000 8% debentures of Rs. 100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows:
 - a. Issued at par, redeemable at par,
 - b. Issued at a discount of 5% repayable at par.

10. The directors of R Ltd. resolved on 1st May 2000 that 2000 ordinary shares of Rs. 10 each. Rs. 7.50 paid, be forfeited for non payment of final call of Rs. 2.50. On June 10, 2000, out of the above. 1,800 shares were reissued for Rs. 6 per share. Show the entries to give effect to the above transactions.

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 thereon was received except on 300 shares (including 200 shares on which allotment money was not received). 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 of the company.

12. Shyam Ltd has part of their share capital in 2,500, 6% redeemable preference shares of Rs. 100 each. The company decided to redeem the preference shares at premium at 10% The general reserve of the company shows a credit balance of Rs. 3,00,000. The directors decide to utilize 60% of the reserve in redeeming the reference shares and the balance is to be met from the proceeds from fresh issue of sufficient number of shares of Rs. 10 each. The premium is to be met form the year's profit and loss appreciation account. Give journal entries to record the above transactions.

13. A company has Rs. 60,000, 6% debentures outstanding on 1.1.2009; On that date, the debenture redemption fund stood at Rs. 50,000, represented by Rs. 59,000, 3% loan of the Government of India. The Annual instalment added to the debenture redemption fund is Rs. 8,230. On 31.12.2009, the balance at bank (after interest on investments has been received) was Rs. 15,640. On that date the investments were sold at 83% net and the debentures were paid off.

Show the debentures account, Redemption fund account, Debenture redemption fund investment account and Bank account for the year 2009.

14. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company. The profit and loss account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

| | |
|---|----------|
| a. Depreciation including special depreciation of Rs. 40,000) | 1,00,000 |
| b. Provision of income tax | 2,00,000 |
| c. Donation to political parties | 50,000 |
| d. Ex-gratia payment to a worker | 10,000 |
| e. Capital profit on sale of assets | 15,000 |

15. From the following items found in the trial balance of a company on 31.12.2009 and the adjustments given there under, show how the items would appear in the relevant accounts:

| Trial Balance | | | |
|-------------------------------|------------|------------|--|
| Particulars | Rs. | Rs. | |
| Advance Tax paid (2008) | 60,000 | | |
| Provision for taxation (2008) | - | 80,000 | |
| Tax deducted at source | 10,000 | | |

Adjustments:

- a. Income tax for 2008 has been assessed at Rs. 1,00,000 against which the advance payment of tax and tax deducted at source are to be adjusted.
 - b. Provide Rs. 60,000 for taxation on current profits.
16. The Balance Sheets of National Ltd. are as under:

| Liabilities | 2008 Rs. | 2009 Rs. | Assets | 2008 Rs. | 2009 Rs. |
|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| Share capital | 50,000 | 70,000 | Buildings | 8,000 | 12,000 |
| General Reserve | 5,000 | 7,000 | Machinery | 50,000 | 70,000 |
| Profit and loss a/c | 10,000 | 16,000 | Stock | 10,000 | 8,000 |
| Sundry Creditors | 16,000 | 19,000 | Debtors | 12,000 | 16,000 |
| Bills Payable | 4,000 | 3,000 | Cash | - | 9,000 |
| | | | Discount on shares | 5,000 | - |
| | 85,000 | 1,15,000 | | 85,000 | 1,15,000 |

Additional information:

- (a) Depreciation charged on fixed Assets @ 10% p.a.
 - (b) Dividend paid for the year 2008 @ 12%
- Prepare Funds flow Statement.
17. the following are the Balance Sheets of S.V.P. Co. Ltd. as on 31.12.2008 and 31.12.2009.

| Liabilities | 2008 Rs. | 2009 Rs. | Assets | 2008 Rs. | 2009 Rs. |
|--------------------|---------------------|---------------------|---------------|---------------------|---------------------|
| Share capital | 1,00,000 | 1,25,000 | Building | 1,00,000 | 95,000 |
| General reserve | 25,000 | 30,000 | Machinery | 75,000 | 85,000 |
| Profit & Loss a/c | 15,250 | 15,300 | Stock | 50,000 | 37,000 |
| Bank loan | 35,000 | - | Debtors | 40,000 | 31,100 |
| Creditors | 75,000 | 67,600 | Cash | 250 | 300 |
| Provision for tax | 15,000 | 17,500 | Bank | - | 4,000 |
| | | | Investment | - | 2,500 |
| | 2,65,250 | 2,55,400 | | 2,65,250 | 2,55,400 |

Additional Information:

- (i) Dividend of Rs. 11,000 was paid.
 - (ii) Machinery was purchased for Rs. 15,000.
 - (iii) Income tax paid during the year Rs. 16,500.
- Prepare Cash flow Statement.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Kumaran Ltd issued for public subscription Rs. 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 |
| On second call | - Rs. 3 per share |

Applications were received for 30,000 shares. Allotment was made pro- rate to the applicants for 24,000 shares, the remaining applications were refused. Money over paid on application was utilized towards sums due on allotment. Raj to whom 800 shares were allotted, failed to pay allotment and two calls and Ravi to whom 1,000 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 Madura as fully paid up at Rs.8/- per share. Show the journal entries in the books of Kumaran Limited.

19. The following is the summarized balance sheet of Don Bosco ltd as on 31st March 2008

| Liabilities | Amount in Rs. | Assets | Amount in Rs. |
|--|------------------|--|--|
| Share capital Authorized 30,000, 6% Redeemable preference shares of Rs.10 each | 3,00,000 | Plant and machinery Land and buildings Furniture Bank | 6,00,000 4,00,000 2,40,000 4,20,000 |
| 1,00,000 equity shares of Rs 10 each | 10,00,000 | | |
| Paid up capital 22,000,6% redeemable preference shares of 10Rs each | 2,20,000 | | |
| 60,000 equity shares of Rs 10 each | 6,00,000 | | |
| Profit and loss a/c | 4,00,000 | | |
| Reserve fund | 4,00,000 | | |
| Sundry creditors | 40,000 | | |
| | 16,60,000 | | 16,60,000 |

On 6th April 2008 the company has redeemed preference shares at the premium of 40% per share. The company could not trace the holders of 2400 preference shares. On 8th April 2008, a bonus issue of one fully paid equity shares for 4 shares held was made. Show the necessary journal entries and prepare the balance sheet after redemption.

20. American company Ltd was registered with an authorized capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its Trial Balance on 31st march 2008.

| | Debit Balance Rs. | Credit Balance Rs. |
|-------------------------|----------------------|-----------------------|
| Goodwill | 25,000 | - |
| Cash | 750 | - |
| Bank | 39,900 | - |
| Purchase | 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 (1.4.97) | 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 Account, Profit & Loss Appropriation account and Balance Sheet in proper form after making the following Adjustments.

- (i) Depreciate plant and 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 31.3.2008 was Rs.95,000.

21. Following are given balance sheets as on 31st December 2008 and 2009 of Udhaya Steel Co. Ltd., You are required to prepare a fund flow statement.

BALANCE SHEETS

| Liabilities | 2008 | 2009 | Assets | 2008 | 2009 |
|----------------------|-------------|-------------|----------------------|-------------|-------------|
| Equity Share capital | 3,20,000 | 4,80,000 | Fixed Assets | | |
| Capital reserve | 80,000 | 1,28,000 | Land & Buildings | 2,64,000 | 6,52,800 |
| Revenue reserve | 1,77,600 | 1,67,200 | Furniture & Fixtures | 7,200 | 14,400 |
| 6% debentures | 1,60,000 | 2,60,000 | Plant & Machinery | 44,800 | 59,200 |
| | | | Investments | 2,16,000 | 1,36,000 |
| | | | Current Assets: | | |
| Current liabilities: | | | Stock –in- trade | 1,28,000 | 1,04,000 |
| Sundry creditors | 2,04,000 | 93,600 | Book debts | 1,67,200 | 1,52,000 |
| Bills payable | 5,600 | 8,000 | Bills receivable | 25,600 | 10,400 |
| | | | Cash at Bank | 94,400 | 8,000 |
| | | | | | |
| | <hr/> | <hr/> | | <hr/> | <hr/> |
| | 9,47,200 | 11,36,800 | | 9,47,200 | 11,36,800 |

Additional Information:

- (a) Depreciation provided on plant and machinery during the year 2009 amounted to Rs. 20,000.
- (b) Machinery cost Rs. 10,000 and accumulated depreciation Rs. 6,000 was sold for Rs. 7,000.
- (c) An interim dividend of Rs. 20,000 was paid.
- (d) Furniture which cost Rs. 5,000, written down value Rs. 1,000, was sold for Rs. 2,000.
- (e) Income tax paid during the year Rs. 28,000.
- (f) Assets of another company were purchased for a consideration of Rs. 50,000 payable in shares. The following assets were purchased: Stock Rs. 20,000, Machinery Rs. 25,000.

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