

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**

**(For candidates admitted during the academic year 2015 – 2016)**

**SUBJECT CODE: 15CM/MC/CA55**

**B.Com. / B.Com. (C.S) DEGREE EXAMINATION NOVEMBER 2017**

**COMMERCE**

**CORPORATE SECRETARYSHIP**

**FIFTH SEMESTER**

**COURSE : MAJOR – CORE**

**PAPER : CORPORATE ACCOUNTING**

**TIME : 3 HOURS**

**MAX. MARKS: 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**(10 x 2 = 20)**

- Write any two advantages of setting accounting standards.
- Give a short note on shareholder's funds.
- What are the 'non-fund applications'?
- What is Capital Reduction?
- Write a note on 'intrinsic value' of shares.
- |                               |             |
|-------------------------------|-------------|
| Proposed dividend during 2013 | Rs. 80,000  |
| Proposed dividend during 2014 | Rs.1,10,000 |
| Dividend paid in 2014         | Rs. 80,000  |

Prepare Proposed Dividend Account.
- Calculate the Net cash flow from financing activities from the following details:

Issue of Debentures for cash	20,00,000
Long term loan from bank	5,00,000
Redemption of Preference Shares	6,00,000
Purchase of land	9,00,000
- Compute the Cash flow from operating activities:

P&L A/c Balance on 31-3-2014	4,00,000
P&L A/c Balance on 31-3-2013	2,50,000
Transfer to General Reserve	50,000
Depreciation on Fixed assets	10,000
- Total assets of a firm is Rs. 8,40,000. The liabilities of the firm is Rs. 4,40,000. Normal rate of return in this class of business is 12 ½%. The firm earned a profit of Rs. 64,000. Calculate the goodwill, if it is to be valued at 2 years' purchase of super profit.
- In order to eliminate the accumulated losses of Rs. 45,000 from the Balance sheet, a company has decided to convert its 15,000 7% preference shares of Rs.10 each into 6% Preference shares of Rs.10 each, Rs.6 per share paid. Show journal entries in the books of company.

**SECTION – B**

**ANSWER ANY FIVE QUESTIONS:**

**(5 x 8 = 40)**

- From the following particulars relating to X Ltd. Calculate the value of shares if
  - only a few shares are to be sold and
  - majority shares are to be sold
  - Share capital -20000 shares of Rs100 each fully paid
  - Profits after tax and dividend for the last three years-Rs.450000, Rs.750000 and Rs.550000
  - Dividend paid for the last three years 12%,15%,18%
  - Normal rate of return 10%
- Average capital employed in Kausik 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 Kausik Ltd is engaged is 18%. Rate of tax is 50%. Calculate the goodwill on the basis of three years' purchase of the super profits.

13. From the following Balance sheet, you are required to value the equity shares:

LIABILITIES	Rs.	Assets	Rs.
2,000 6% Pref. shares of Rs.100 each	2,00,000	Assets at book values	6,00,000
30,000 equity shares of Rs. 10 each	3,00,000		
Current liabilities	1,00,000		
	6,00,000		6,00,000

The market value of 50% of the assets is considered as 10% more than the book values and that remaining 50% at 5% less than the book values. There was a liability of Rs.5,000 which remained unrecorded. Assume preference shares have no priority as to the repayment of capital or dividend.

14. Give journal entries and prepare capital reduction a/c for the following transactions in connection with internal reconstruction.

- a) 30,000 equity shares of Rs. 10 each fully paid reduced to shares of Rs. 5 each fully paid.
- b) 300 9% debentures of Rs. 1,000 each converted into 1,500 12% debentures of Rs.100 each
- c) The debit balance of profit and loss a/c Rs. 1,50,000 and the preliminary expenses Rs. 30,000 were written off.
- d) The value of Plant and Machinery and Stock were written down by Rs.60,000 and Rs. 30,000 respectively.

15. Nathiya Ltd had Rs. 21,00,000 profit on 31.3.2015 after making provision for depreciation and taxation. Rs.1,30,400, profit was brought forward from last year. Following recommendations were made by the directors of the company to appropriate the profits:

- a) To transfer Rs. 6,30,000 to General Reserve
- b) To pay Rs.85,000 as ex-gratia bonus to employees of the company
- c) To declare dividend @ 5% on equity shares
- d) To transfer Rs. 45,000 to staff gratuity reserve
- e) To transfer 50,000 to development rebate reserve
- f) To transfer Rs.90,000 to deferred taxation reserve

The company's capital consisted of 1,00,000 equity shares of Rs.10 each fully paid. For the year ending at 31.3.2015, the directors transferred Rs.40,000 to dividend equalisation reserve and Rs. 30,000 to debenture redemption fund account. Prepare Reserves and Surplus note for the Balance Sheet.

16. From the following particulars calculate funds from operations.

Particulars	Rs.
Opening balance of P&L A/C On 1-1-2014	70,000
Closing balance of P&LA/C on 31-12-2014	1,20,000
Salaries	40,000
Depreciation	20,000
Interest on investments	10,000
Profit on sale of fixed assets	5,000
Provision for taxation	30,000
Interim dividend paid	20,000
Proposed dividend	30,000
Administrative and selling expenses	25,000
Goodwill written off	10,000
Preliminary expenses written off	5,000
Loss on sale of old machinery	5,000

17. From the following data you are required to calculate the cash generated from operations:  
 Operating profit before Working Capital Changes for the year 2015Rs. 84,000.  
 Current assets and liabilities as on 1-1-2015 and 31-12-2015 were as follows:

Particulars	1-1-2015 (Rs.)	31-12-2015(Rs.)
Trade creditors	1,82,000	1,94,000
Trade debtors	2,75,000	3,15,000
Bills receivable	40,000	35,000
Bills payable	27,000	31,000
Inventories	1,85,000	1,70,000
Trade investments	40,000	70,000
Outstanding expenses	20,000	25,000
Prepaid expenses	5,000	8,000

### SECTION – C

#### ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. From the following Balance Sheets of Ponni Ltd., make out the statement of Cash flow:

#### Balance sheets

Liabilities	2015 (Rs.)	2016 (Rs.)	Assets	2015 (Rs.)	2016 (Rs.)
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Redeemable preference share capital	1,50,000	1,00,000	Land	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
P & L a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

#### Additional Information

- (a) Depreciation of Rs. 10,000 and Rs. 20,000 have been charged on plant account and land account respectively in 2016.  
 (b) An interim dividend of Rs. 20,000 has been paid in 2016.  
 (c) Income tax Rs. 35,000 was paid during the year 2016.

19. The following is the Balance Sheet of Weak Co. Ltd as on 31<sup>st</sup> March 2016.

Liabilities	Rs.	Assets	Rs.
1,00,000 equity shares of Rs. 10 each	10,00,000	Land	1,00,000
Sundry creditors	1,73,000	Plant&Machinery	2,30,000
		Furniture	68,000
		Stock	1,50,000
		Debtors	70,000
		Cash at bank	5,000
		P&L a/c	5,50,000
	11,73,000		11,73,000

The approval if the court was obtained for the following scheme of reduction of capital:

- (i) The equity shares to be reduced to Rs. 4 per share
- (ii) Plant & Machinery to be written down to 1,50,000
- (iii) Stock to be revalued at 1,40,000
- (iv) The provision on debtors for doubtful debts to be created Rs.2,000
- (v) Land to be revalued at Rs. 1,42,000

Show journal entries to give effect to the above arrangement and also prepare reconstruction a/c.

20. The following is the balance sheet of Robert Lee Ltd. as on Dec 31.2015.

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs. 10 each	2,00,000	Land & Buildings	1,10,000
General Reserve	40,000	Plant & Machinery at cost (less depreciation)	1,30,000
Taxation reserve	60,000	Trade marks	20,000
Workmen savings account	30,000	Stock	48,000
P & L a/c	32,000	Debtors	88,000
Sundry Creditors	98,000	Cash	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

The Plant and Machinery is worth Rs. 1,20,000 and Land and Buildings have been valued at Rs. 2,40,000 by an independent valuer. Rs.8,000 of the debts are bad. The profits of the company have been as follows:

2013 – 80,000; 2014 – Rs. 90,000 and 2015 – Rs. 1,06,000. It is the company's practice to transfer 25% of the profits to reserve. Ignoring taxation, find out the intrinsic value and yield value of the shares. Similar companies give an yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs. 1,60,000.

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 31.12.2016.

	Rs.		Rs.
Calls in arrear	7,500	6% Debentures	3,00,000
Premises (Rs.60,000 added on 1.7.2016)	3,60,000	P&L A/c (1.1.2016)	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% Government securities	60,000		
Stock (1.1.2016)	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		
	<b>13,06,000</b>		<b>13,06,000</b>

Prepare final accounts of the company for the year ending 31.12.2016 in the prescribed form after taking into account the following adjustments:

1. Depreciate machinery by 10% and furniture by 5%
2. Write off preliminary expenses
3. Wages include Rs.10,000 paid for the construction of a compound wall to the premises and no adjustment was made.
4. Provide 5% for bad debt on sundry debtors
5. Transfer Rs.10,000 to general reserve
6. Provide for income tax Rs. 25,000
7. Stock on 31.12.2016 was Rs. 1,01,000.

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