STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015 – 2016 and thereafter)
SUBJECT CODE: 15CM/MC/CA55

B.Com. / B.Com. (C.S)DEGREE EXAMINATION NOVEMBER 2018
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)**

1.Define Goodwill.
2.Explain the meaning of Current Asset and Current Liability.
3.What do you mean by Working Capital?
4.Write a note on Internal reconstruction.
5.What is Yield Value of Shares?
6.Calculate funds from operations from the following Profit & Loss A/c.

Profit and Loss A/c

Particulars	Rs.	Particulars	Rs.
To Expenses paid	3,00,000	By Gross Profit	4,50,000
To Depreciation	70,000	By Gain on sale of land	60,000
To Loss on sale of machine	4,000		
To Discount	200		
To Goodwill	20,000		
To Net Profit	1,15,800		
	5,10,000		5,10,000

7. The provision for tax at the beginning of the year 1.4.2001 stood at Rs. 3,00,000 and at the end of 31-03.2002 provision for tax was Rs.2,74,000. Tax paid during the year is Rs.82,000. What amount will you show as provision for tax in profit & Loss A/c.

8. Kay Ltd., has an issued capital of Rs.5,00,000 in 50,000 shares of Rs.10 each on which Rs.8 per share has been called up. The company now decides to reduce the share capital to share of Rs.8 each fully paid by cancelling the unpaid amount of Rs.2 per share. Pass journal entry.

9.Compute the cash flow from operating activities.

P&L A/c balance on 31-3-2004	Rs.4,00,000
P&L A/c balance on 31-3-2003	Rs.2,50,000
Transfer to General Reserve	Rs.50,000
Depreciation on Fixed Assets	Rs.10,000

10. Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:
I Year Rs.4,800 II Year Rs.7,200 III Year Rs.10,000 IV Year Rs.3,000
V Year Rs.5,000

…2

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

11. Determine the maximum remuneration payable to the part time directors and manager of Bharat Ltd.(a manufacturing company) under sections 309 and 387 of the companies Act 1956 from the following particulars:
Before charging any such remuneration, the profit & loss account 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 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.

12. Babu & Co. presents the following financial statements for 2008 and 2009. Prepare a sources and application of funds statement.

Balance sheet

Liabilities	2008 (Rs.)	2009 (Rs.)	Assets	2008 (Rs.)	2009 (Rs.)
Bills payable	4,52,000	6,28,000	Cash	1,06,000	62,000
Creditors	8,26,000	12,54,000	Investments	1,74,000	-
Loan from bank	2,00,000	4,70,000	Debtors	6,92,000	10,56,000
Reserves & Surplus	13,84,000	17,28,000	Stock	8,64,000	13,66,000
Share capital	12,00,000	12,00,000	Net fixed assets	22,26,000	27,96,000
	40,62,000	52,80,000		40,62,000	52,80,000

Depreciation of Rs.3,78,000 was written off for the year 2009 on fixed assets.

13. From the following Balance sheets of Arvind Ltd., you are required to prepare a Cash flow statement.

Balance sheet

Liabilities	2009 (Rs.)	2010 (Rs.)	Assets	2009 (Rs.)	2010 (Rs.)
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Trade Creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
Profit & Loss A/c	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	5,60,000	6,36,000		5,60,000	6,36,000

14. ABC Company Ltd., passed resolution and got court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:
(i) To write off the debit balances of P&L A/c of Rs.2,10,000.

…3

(ii) To reduce the value of Plant & Machinery by Rs.90,000 and goodwill by Rs.40,000.
(iii) To reduce the value of investments by 80,000.
The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 is paid up into 50,000 equity shares of Rs.10 each fully paid up. Pass Journal entries to record the share capital reduction.

15. A firm earned net profits during the last three years as follows:
I Year Rs.36,000 II Year Rs.40,000 III Year Rs.44,000
The capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved, is 10%. Calculate the value of goodwill on the basis of 3 years' purchase of super profit.

16. The following is the balance sheet of NSC Ltd., as on 31st Dec 2008.

Liabilities	Rs.	Assets	Rs.
4,000 10% Pref. Shares of Rs. 100 each 60,000 equity shares of Rs.10 each Bills payable Creditors	4,00,000 6,00,000 50,000 1,50,000	Sundry assets at book value	12,00,000
	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 value of each equity share. (it is to be assumed that preference shares have no prior claim as to payment of dividend or to repayment of capital)

17. The following scheme of reconstruction has been approved for Divya Ltd.,
a) The Shareholders to receive in lieu of their present holding of 60,000 shares of Rs.10 each fully paid the following:
(i) Fully paid new equity shares equal to 1/3 rd of their holding.
(ii) 8% Preference shares fully paid, to the extent of 1/5th of the above new equity shares.
(iii) Rs.60,000 8% secured debentures.
b) The debenture holders' total claim of Rs.75,000 to be reduced to Rs.25,000. This will be satisfied by the issue of 2,500 8% preference shares of Rs.10 each fully paid.
c) An issue of Rs.50,000 6% first debentures was made and allotted, payment for the same having been received in cash.
d) The goodwill which stood at Rs.3,00,000 was written down to Rs.50,000. Plant & Machinery which stood at Rs.1,00,000 was written down to Rs.75,000.
e) The freehold premises which stood at Rs.1,75,000 was written down by Rs.75,000.
Give Journal entries in the books of Divya Ltd. for the above reconstruction scheme.

SECTION – C

ANSWER ANY TWO QUESTIONS: (2 x 20 = 40)

18. Moon and Star Co. Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2003.

Trial Balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.04)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing	15,700
Rent	6,000	director	2,50,000
General expenses	8,950	Share capital	
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Profit & Loss Account for the year ended 31.12.2003 and a balance sheet as on that date. The following further information is given:

(a) Closing stock was valued at Rs.1,91,500
(b) Depreciation on plant at 15% and on furniture at 10% should be provided.
(c) A tax provision of Rs.8,000 is considered necessary.
(d) The directors declared an interim dividend on 15.8.2003 for 6 months ending June 30, 2003 @ 6%.

19. From the following balance sheet of Ponni Ltd., make out the statement of cash flow.

Balance sheets

Liabilities	2009(Rs.)	2010 (Rs.)	Assets	2009(Rs.)	2010 (Rs.)
Equity Share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Redeemable Pref.			Land & buildings	2,00,000	1,70,000
Share Capital	1,50,000	1,00,000	Plant	80,000	2,00,000
General reserve	40,000	70,000	Debtors	1,60,000	2,00,000
Profit & Loss A/c	30,000	48,000	Stock	77,000	1,09,000
Proposed dividend	42,000	50,000	Bills receivable	20,000	30,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	20,000	16,000	Cash at bank	10,000	8,000
Provision for taxation	40,000	50,000			
	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 and buildings account respectively in 2010.
b) An interim dividend of Rs.20,000 has been paid in 2010.
c) Income tax Rs.35,000 was paid during the year 2010.

20. The following is the balance sheet of United Industries Ltd., on 31.12.2008.

Liabilities	Rs.	Assets	Rs.
Share capital :		Goodwill	45,000
6,000 6% Preference shares of Rs.100 each	6,00,000	Land & Buildings	6,00,000
12,000 Equity shares of Rs.100 each	12,00,000	Plant & Machinery	9,00,000
8% Debentures	3,00,000	Stock	1,30,000
Bank overdraft	3,00,000	Debtors	1,40,000
Sundry creditors	1,50,000	Cash	15,000
		Profit & Loss A/c	7,00,000
		Preliminary expenses	20,000
	25,50,000		25,50,000

On the above date, the company adopted the following scheme of reconstruction:

(a) The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.

(b) The debenture holders took over stock and debtors in full satisfaction of their claims.

(c) The Land & Buildings to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.

(d) The fictitious and intangible assets are to be eliminated.

(e) Expenses of reconstruction amounted to Rs.5,000.

Give Journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance sheet.

21. Under the articles of a Private Limited company dealing in wines and tobacco, you as auditor, have to fix annually the fair value of the shares. At 31st Dec. 2010, the company's position was as follows:

Liabilities	Rs.	Assets	Rs.
1000, 8% preference shares of Rs.100 each fully paid up	1,00,000	Buildings at cost	80,000
4000 equity shares of Rs.100 each, fully paid	4,00,000	Furniture at cost	3,000
Reserve fund	1,50,000	Stock in trade (at Market value)	4,50,000
Profit & Loss A/c:		4% Government securities at cost (Face value Rs.4,00,000)	3,80,000
Balance on 1.1.2010 80,000		Book debts 3,00,000	
Profit for 2010 4,30,000	5,10,000	Less: Provisions 20,000	2,80,000
Provisions against:		Cash and bank balances	60,000
Buildings 10,000		Preliminary expenses	10,000
Investments 45,000	55,000		
Creditors	48,000		
	12,63,000		12,63,000

You are given the following information:

(i) The company's prospectus for 2009 are equally good.

(ii) The buildings are now worth Rs.3,50,000.

(iii) Public companies doing similar business show a profit earning capacity of 15%.

(iv) Profits for the past 3 years have shown an increase of Rs.50,000 annually.

(v) Provide for income tax @ 50% and goodwill is to be valued at 3 years purchase of super Profits. Calculate the fair value of shares as on 31st Dec 2010.

****