

**B.Com. DEGREE EXAMINATION NOVEMBER 2009**  
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. State the purposes for which 'securities premium' can be used?
2. Explain capital 'Redemption Reserve'.
3. Write a short note on 'own debentures'
4. What is interim Dividend?
5. How would you deal with debenture interest at the time of liquidation if the company is a) solvent b) insolvent
6. Ram Ltd. purchased the business from Mary Bros for Rs 72,00,000 payable in fully paid shares of Rs100 each at a discount of 10%. Journalise.
7. Ravi Ltd issued 50,000 equity shares of Rs 10 each at a premium of 10 % in order to utilize the proceeds to redeem 80,000 12 % preference shares of Rs 10 each at a premium of Rs 2 per share. There was adequate balance in revenue profit and securities premium. Journalise
8. Z Ltd . Redeemed Rs 10,000 12% debentures, out of capital by drawing a lot and it has also redeemed Rs 20,000 10 % debentures out of profit by drawing a lot. Journalise.
9. From the following particulars of Ganesh Ltd. Calculate the Managerial Remuneration assuming there are two whole time Directors; a part time Director and Manager. Net profit before provision for Income Tax and Managerial remuneration but after depreciation is Rs 8,70,410 . Depreciation provided in the books Rs 3,10,000 Depreciation allowable under schedule XIV is Rs 2,60,000
10. On the date of liquidation of a company, the salaries of 4 clerks for 4 months at the rate of Rs 7,000/ p.m and salaries of 4 peons for 3 months at the rate of Rs 1,500 p.m are outstanding. You are required to calculate the amount to be included in preferential creditors and unsecured creditors.

**SECTION – B**

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

11. X Co. Ltd issued 4,000 shares of Rs 10 each at a premium of Rs 2 per share. The amount was payable as under:  
On application Rs 3 per share; on allotment Rs 4 per share(including premium);  
on first call Rs 3 per share and on second and final call Rs 2 per share.

The company received applications for 5,000 shares and the allotment was made as under:-

- |                                   |              |
|-----------------------------------|--------------|
| i. Applicants for 200 shares –    | Nil          |
| ii. Applicants for 800 shares –   | Full         |
| iii. Applicants for 4000 shares – | 3,200 shares |

All moneys were duly received except the first call on 200 shares and final call on 300 shares. Pass journal entries and prepare the balance sheet of X Co. Ltd.

12. H. Ltd was incorporated with a share capital of Rs 12,00,000 in Rs 10 shares. The Company purchased machinery from XZ Co. for Rs 6,00,000 payable in fully paid shares of the company at a premium of Rs 2 per share. The directors also decided to allot 6,000 shares credited as fully paid to the promoters for their services. The rest of the shares were issued for cash at a discount of 10% and were taken up by the public. Give journal entries and show the balance sheet.

13. The balance sheet of ABC & Co., Ltd on 31.12.2005 stood as follows:-

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
Equity shares of Rs 100 each	5,00,000	Fixed Assets	8,00,000
9 % redeemable preference shares of Rs 100 each	3,00,000	Investments	1,00,000
Securities Premium	50,000	Bank Balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P & L A/C	2,00,000		
10 % Debentures	3,00,000		
Creditors	1,50,000		
	<b>16,00,000</b>		<b>16,00,000</b>

Both redeemable preference shares and 10 % Debentures were due for redemption on 1.1.2006. The company arranged the following:

- i. It issued 2000 equity shares of Rs 100 at a premium of 10%
- ii. It sold the investments for Rs 90,000
- iii. It arranged Bank Overdraft to the extent necessary

The redemption were carried out. Give entries for redemption of preference shares and debentures and balance sheet after redemption.

14. On 14.1.2004, Rama Ltd issued 2500 8% Debentures of Rs 100 each at a 5% discount. Holders of the debentures have option to convert their holdings into equity shares of Rs 100 each at a premium of Rs 25 per share at any time within 3 years. On 31.3.2005, holders of 500 Debentures notified their intention to exercise the option. Show the necessary journal entries in the Company's books relating to issue and conversion of the debentures. Also show how the items affected would appear in the Company's balance sheet.

15. Calculate the managerial remuneration from the following particulars of Ankit & Co Ltd. due to the managing director of the company at the rate of 5% of the profits. Also determine the excess remuneration if any:-

Net profit Rs 2,00,000

Net profit is calculated after considering the following:-

Depreciation	Rs 40,000
Tax provision	Rs 3,10,000
Bonus	Rs 15,000
Provision for doubtful debts	Rs 9,000
Scientific research expenditure (for setting up new machinery)	Rs 20,000
Preliminary expenses	Rs 10,000
Director's fees	Rs 8,000
Profit on sale of fixed assets (Original cost Rs 21,000; WDV – Rs 11,000)	Rs 15,500
Managing Director's remuneration paid	Rs 30,000

Other information:-

- i. Depreciation allowable under Income Tax rules Rs 35,000
- ii. Bonus liability as per payment of Bonus Act 1965 Rs 18,000

16. From the following particulars, prepare the profit and loss appropriation account of K Ltd., which had Rs 21,00,000 profit on 31.3.2006 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:-

- i. To transfer Rs 6,30,000 to General Reserve
- ii. To pay Rs 85,000 as ex-gratia bonus to employees of the company.
- iii. To declare dividend @ 5% on Equity shares
- iv. To transfer Rs 45,000 to staff Gratuity reserve.
- v. To transfer Rs 50,000 to development rebate reserve.
- vi. 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 31.3.2006, the directors transferred Rs 40,000 to dividend equalization reserve and Rs 30,000 to debenture redemption fund account. [Corporate Dividend tax rate 10%]

17. The following was the balance sheet of Delta Co., Ltd as on 31.12.2006

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
Share Capital: 20,000 shares of Rs 10 each	2,00,000	Goodwill	30,000
Bank Overdraft(unsecured)	1,100	Buildings	25,000
Partly secured creditors	29,180	Plant and Machinery	37,400
Salaries & wages for 6 months	6,300	Stock	58,000
Taxes due to Government	800	Debtors	46,000
Trade Creditors	97,600	Cash	500
		P & L a./c	1,38,080
	<b>3,34,980</b>		<b>3,34,980</b>

The company went into liquidation and the asset realized as follows:-  
Buildings which were used in first instance to pay partly secured creditors Rs 18,000; plant and machinery Rs 25,000 ; Stock Rs 31,000 ; Debtors Rs 43,500  
Expenses on liquidation amounted to Rs 1,100 The liquidator's remuneration was agreed at 3 % on the amount realized except cash and 2 % on the amount paid to unsecured creditors other than preferential creditors. Prepare liquidator's final statement of account.

### SECTION – C

**ANSWER ANY TWO QUESTIONS:**

( 2 x 15 = 30 )

18. A Ltd Company issued a prospectus inviting applications for Rs 2000 shares of Rs 10 each at premium of Rs 2 per share payable as follows: - On application Rs 2 per share; on allotment Rs 5 per share (including premium); on first call Rs 3 per share and Rs 2 per share on final call.  
Applications were received for 3000 shares and allotment was made pro-rata to the applicants for 2500 shares, the remaining applications being refused. Money over paid on applications was employed on account of sum due on allotment.  
P to whom 80 shares were allotted, failed to pay allotment money and on his subsequent failure to pay the first call, his shares were forfeited. 'Q' the holder of 40 shares failed to pay the two calls and his shares were forfeited, after the second call was made. Of the shares forfeited, 100 shares were sold to 'R' credited as fully paid, for Rs 9 per share, the whole of 'P's share being included. Show journal entries and prepare the balance sheet.
19. On 1.1.2002, 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 realize 4% net. Sinking fund table show that 0.235490 amounts to Re1.00 @ 4% in four years. Investments were made in multiples of hundred only.

On 31.12.2005, the balance at bank was Rs 1,18,000 and the investments realized as Rs 3,1,3600 . The debentures were paid off. Give journal entries and show ledger accounts. (Except for debenture interest.)

20. The following are the balances of M/S Modern Dress Ltd. As on 31.3.2006.

<b>Debit balances</b>	<b>Rs</b>	<b>Credit balances</b>	<b>Rs</b>
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	Profit & Loss a/c	2,62,500
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Bank	4,06,500	Sales	41,50,000
Calls in arrear	75,000	General Reserve	2,50,000
Interim dividend paid	3,92,500	Bad debts provision	35,000
Purchases	18,50,000		
Preliminary Expenses	50,000		
Wages	9,79,800		
General Expenses	68,350		
Salaries	2,02,250		
Bad Debts	21,100		
Debenture interest paid	1,80,000		
	<b>1,24,67,500</b>		<b>1,24,67,500</b>

Additional information:-

- i. Stock on 31.3.2006 was Rs 9,50,000
- ii. Depreciate plant by 15%
- iii. Write off Rs 5,000 from preliminary expenses
- iv. Interest on debentures is due for 6 months
- v. Create 5% provision for doubtful debts
- vi. Provide for income tax @ 50%

Prepare final accounts for the company.

21. The Insol Ltd. Is to be liquidated. Their summarized Balance Sheet as at 30.9.2005 appears as under:-

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
2,50,000 equity shares of Rs 10 each	25,00,000	Land & buildings	5,00,000
Secured debentures(on land & buildings)	10,00,000	Other fixed assets	20,00,000
Unsecured loans	20,00,000	Current assets	45,00,000
Trade Creditors	35,00,000	Profit & Loss a/c	20,00,000
	<b>90,00,000</b>		<b>90,00,000</b>

**Contingent liabilities are :-**

For bills discounted                      Rs 1,00,000  
 For excise duty demands                Rs 1,50,000

On investigation, it is found that the contingent liabilities are certain to devolve and the assets are likely to be realized as follows:-

Land & Buildings                        Rs 11,00,000  
 Other Fixed assets                        Rs 18,00,000  
 Current assets                              Rs 35,00,000.

Taking the above account, prepare the Statement of affairs.