

**B. COM. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2017
SEMESTER IV – CORE COURSE (COMMERCE)
CO4B15B - CORPORATE ACCOUNTING**

Time: Three Hours**Maximum Marks: 80****PART A****I. Answer all questions. Each question carries 1 mark.**

1. What is Escrow Account?
2. What do you mean by Firm Underwriting?
3. What is stock split?
4. What is profit prior to incorporation?
5. Who is a contributory?
6. What do you mean by preliminary expenses?

(6×1=6)**PART B****II. Answer any seven questions. Each question carries 2 marks.**

7. What are the differences between an underwriter and a broker?
8. What is the order of payment of liabilities under liquidation?
9. What are the conditions for amalgamation in the nature of merger?
10. Mention the names of profits available for the issue of bonus shares.
11. What is statement of affairs?
12. What do you mean by internal reconstruction through surrender of shares?
13. What do you mean by consolidation and subdivision of shares?
14. What are contingent liabilities? Give two examples.
15. Give specimen journal entries for bonus issue
 - a) on making the partly paid shares fully paid
 - b) on issuing fully paid up bonus shares
16. A company with equity share capital of Rs. 10, 00,000 in shares of Rs. 10 each reduces the shares by Rs. 5 each under capital reduction scheme. The amount thus available is utilized for writing off goodwill. Give Journal Entries.

(7×2=14)**PART C****III. Answer any five questions. Each question carries 6 marks.**

17. Distinguish between internal reconstruction and external reconstruction.
18. What are the objectives of issuing bonus shares?
19. What are the grounds for voluntary liquidation?
20. What are the provisions in the Companies Act for the redemption of preference shares?
21. The following scheme of reconstruction has been approved for B Ltd.
 - a. The shareholders to receive in lieu of their present holding of 50,000 shares of Rs. 10 each, the following:
 - i) Fully paid ordinary shares equal to 2/5 of their holdings.
 - ii) 5% preference shares, fully paid, to the extent of 1/5 of the above new ordinary shares, and
 - iii) Rs. 60,000, 6% second debentures.
 - b. An issue of Rs. 50,000, 5% First Debentures was made and allotted, payment for the same has been received in cash.
 - c. The Goodwill which stood at Rs. 3,00,000 was written down to Rs. 1,50,000.
 - d. Plant and machinery which stood at Rs. 1,00,000 was written down to Rs. 75,000.

- e. Freehold and Leasehold premises which stood at Rs. 1,75,000 were written down to Rs. 1,50,000. Give Journal entries in the books of the company for the implementation of reconstruction scheme.
22. RJ & Co. Pvt. Ltd. was incorporated on 1st July, 2016 to take over the business carried on by RJ & Bros. as a going concern with effect from 1st April, 2016. The following is the profit and loss account for the year ended 31st March, 2017 of RJ & Co. Pvt. Ltd.:

To Opening Stock	1,20,000	By Sales (upto 30th June 2016 Rs. 1,00,000)	3,00,000
To Purchases	1,75,000	By Closing Stock	70,000
To Gross Profit c/d	75,000		
	<u>3,70,000</u>		<u>3,70,000</u>
To Administrative Expenses	18,000	By Gross Profit b/d	75,000
To Director's Fees	3,000		
To Selling Expenses	36,000		
To Audit Fees	1,000		
To Preliminary Expenses	3,000		
To Net Profit	14,000		
	75,000		75,000

You are required to prepare a statement showing the profit earned prior to and after incorporation.

23. Following is the balance sheet of Alice Ltd. as on 31st March 2016

Liabilities	Amount	Assets	Amount
Equity share capital (80,000 shares of Rs.10)	8,00,000	Land & Buildings	4,00,000
General reserve	4,00,000	Debtors	3,75,000
Security Premium	2,00,000	Stock	1,00,000
8% debentures	1,00,000	Bank	6,85,000
Creditors	60,000		
	<u>15,60,000</u>		<u>15,60,000</u>

The company decided to buy back 15,000 equity shares at Rs. 15 per share.

Give Journal Entries in the books of the company and show its Balance Sheet immediately after buy-back of shares.

24. Following underwriting of shares takes place:

A- 6,000 shares; B- 2,500 shares and C- 1,500 shares

In addition there is firm underwriting- A – 800 shares; B- 300 shares; C- 1,000 shares.

The issue consists of 10,000 shares. The total subscription including the firm underwriting was 7,100 shares, and the forms included the following marked forms:

A- 1,000 shares; B- 2,000 shares and C- 500 shares.

Show the allocation of liability of underwriters.

(5×6=30)

PART D

IV. Answer any two questions. Each question carries 15 marks.

25. What do you mean by purchase consideration? Explain the methods for calculating purchase consideration.
26. The Tyson Ltd. with an authorized capital of Rs. 10,00,000 in equity shares of Rs. 10 each issued 80,000 shares. The following is the trial balance of the company as on 31-12-2016.

	Dr.	Cr.
Equity share capital		8,00,000
Calls in arrears	10,000	
Securities Premium		1,00,000
8% Debentures		3,00,000
Sales		3,80,000
Stock on 1-1-2016	42,000	
Plant & Machinery	3,00,000	
Purchases	1,60,000	
Wages	10,000	
Salary	18,000	
Office Expenses	6,000	
Commission		12,000
Sundry Debtors	80,000	
Sundry Creditors		18,000
Bills Payable		12,000
Furniture	1,00,000	
Cash at Bank	30,000	
Cash in hand	10,000	
Preliminary Expenses	56,000	
10% Investment	3,00,000	
Goodwill	6,00,000	
P & L a/c (1-1-2016)		1,00,000
	17,22,000	17,22,000

Additional Information:

1. Stock on 31-12-2016 is valued at Rs. 12,000.
2. Interest accrued on investment Rs. 30,000.
3. Salary outstanding Rs. 6,000.
4. One-tenth of preliminary expenses to be written off.
5. Transfer Rs. 30,000 to general reserve.
6. Directors recommended a dividend of 10% on paid up capital.
7. Provide for taxation Rs. 35,000.
8. Provide for debenture interest for one year.
9. Ignore corporate dividend tax.

Prepare Trading and Profit and loss a/c, profit and loss appropriation a/c and Balance sheet.

27. The Balance Sheet of X Ltd. as on 31-3-2016 is given below:

Liabilities	Amount	Assets	Amount
9% Redeemable Preference shares of Rs. 100 each, fully paid up	6,50,000	Sundry Assets	9,50,000
Equity shares of Rs. 5 each fully paid up	2,25,000	Investments	2,75,000
General Reserve	1,00,000	Cash at Bank	67,500
Profit and Loss A/c	2,60,000		
Sundry Creditors	57,500		
	12,92,500		12,92,500

The preference shares are to be redeemed on 1-4-2016 at a premium of 7.50%. In order to facilitate redemption the company had decided:

- a) To sell the investments for Rs. 2,60,000.
- b) To finance part of the redemption from company's fund.
- c) To issue sufficient equity shares at a premium of Rs. 1 per share to raise the balance of funds required.
- d) Minimum bank balance to be retained at Rs. 10,500. The investments were sold, the equity shares were fully subscribed and the shares were duly redeemed.

Show the journal entries and prepare the balance sheet

28. The following is the Balance Sheet of M. Ltd. as on 31-3-2016 is given below:

Liabilities	Amount	Assets	Amount
Share Capital:		Fixed Assets:	
2,000 Equity shares Rs. 100 each, Rs. 75 paid up	1,50,000	Land and Building	4,00,000
6,000 Equity shares of Rs. 100 each, Rs. 60 paid up	3,60,000	Plant and Machinery	3,80,000
2,000 Preference shares of Rs. 100 each fully paid up	2,00,000	Current Assets:	
Secured Loans:		Stock at cost	1,10,000
10% Debentures (having a floating charge on all assets)	2,00,000	Sundry Debtors	2,20,000
Interest accrued on Debentures (all secured as above)		Cash at Bank	60,000
Current Liabilities:	10,000	Profit & Loss A/c	2,40,000
Sundry Creditors			
	4,90,000		
	14,10,000		14,10,000

On the date, the company went into Voluntary liquidation. The dividends on preference shares were in arrears for the last two years. Sundry creditors include a loan of Rs. 90,000 on mortgage of Land & Building. Liquidator realized the assets as under:

Land & Buildings Rs. 3,40,000, Plant & Machinery Rs. 3,60,000, Stock Rs.1,20,000, Sundry Debtors Rs. 1,60,000.

Interest accrued on loan on mortgage of buildings upto the date of payment amounted to Rs. 10,000. The expenses of liquidation amounted to Rs. 4,600. The Liquidator is entitled to a remuneration of 3% on all the assets realized (except cash at bank) and 2% on the amounts distributed among equity shareholders. Preferential creditors included in sundry creditors amount to Rs. 30,000. All payments were made on 30th June, 2016.

Prepare Liquidator's Final Statement of Account.

(2×15=30)