1193 – C01 – IIISC – R – N – 15

THIRD SEMESTER B.Com. (Revised) DEGREE EXAMINATION, NOVEMBER 2015

CORPORATE ACCOUNTING – I

(New)

Time : 3 Hours] [Max. Marks : 80

Attempt **all** *Sections according to internal choice.*
Simple and non-programmable calculators are allowed.
Question number **13** *is Compulsory.*

Section – A (Marks: 10 × 2 = 20)

1. Answer any **ten** of the following:

   a) What do you mean by issue of shares at discount?

   b) Name the two important methods of public issue of shares.

   c) What are calls-in-arrears?

   d) What is underwriting of shares?

   e) What is marked application?

   f) What do you mean by Registered Debentures?

   g) What are Divisible profits?

   h) What is interim dividend?

   i) What do you mean by profit prior to incorporation?

   j) What is time-ratio?

   k) What is internal Re-construction?

   l) If average sales for first 4 months is Rs. 60,000 and next 8 months Rs. 80,000 calculate sales ratio.

Section – B (Marks: 3 × 5 = 15)

Answer any **three** *of the following.*

2. Distinguish between shares and debentures.

3. Star Ltd. issued 10,000 equity shares of Rs. 10 each. The issue of these shares were underwritten as under:

   'P' – 30%, 'Q' – 30% and 'R' 20%

   However the company received the applications for 8000 shares only. Determine the liability of underwriters.

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4. Rajat Ltd. issued 10,000, 12% debentures of Rs. 100 each. Pass journal entries in the following cases:

   a) If the debentures are redeemed at par.

   b) If the debentures are redeemed at 10% premium.

5. What are the maximum limits of managerial remuneration when company is not having sufficient profits?

6. Kiran Ltd. was incorporated on 1.5.2012 to take over the running business of Raj Ltd. from 1.1.2012. The profit and loss account for the year ended 31.12.2012 was as under.

Particulars	Rs.
Gross profit	80,000
Expenses:	
Salaries	24,000
Rent	8,000
Advertisement	8,000
Selling expenses	28,000
Directors fees	4,000
	72,000
Profit Gross profit – Expenses	8,000

   The sales ratio for pre-acquisition and post acquisition was 3:5.

7. Sudeep Company Ltd. decided to go in for internal reconstruction. The schemes of reconstruction is as follows:

   a) 10,000 equity shares of Rs. 10 each fully paid reduced to Rs. 5 each fully paid.

   b) 5,000 preference shares of Rs. 10 each fully paid reduced to shares of Rs. 5 each fully paid.

   c) 100, 10% debentures of Rs. 500 each converted into 500 6% debentures of Rs. 50 each.

   d) The debit balance of profit and loss account of Rs. 25,000 and preliminary expenses of Rs. 30,000 were to be written off.

   e) The value of plant and machinery and stock were written down by Rs. 15,000 and Rs. 12,000 respectively. Pass journal entries.

Section – C (Marks: 3 × 15 = 45)

Question number **13** *is compulsory. Answer any* **two** *of the remaining.*

8. Sunder Co. Ltd. issued 15,000 equity shares of Rs. 100 each payable at a premium of Rs. 20 per share. The amount was payable as follows:

   Rs. 20 on application

   Rs. 50 on allotment (including premium)

   Rs. 30 on First call

   Rs. 20 on Second and Final call.

   All the shares were subscribed and the amount was duly received.

   Pass the journal entries and prepare the balance sheet.

9. R.K. Ltd. had issued 1000 10%. Debentures of Rs. 100 each on 1.4.2008 which were redeemable at 5% premium on 31.3.2014. The company set up debenture redumption fund and invested the same in 5% Government of India bonds.

   Following are the balances on 31.3.2014 10% debentures account Rs. 1,00,000, Debenture Redumption Fund Account Rs. 1,05,000. Debenture Redumption Fund Investment A/c Rs. 90,500 (in 5% Government of India Bonds of the face value of Rs. 92,500)

   Bank Account (after interest receipt and payment) Rs. 2,00,000, premium on Redumption of Debentures Account Rs. 5,000. On 31.3.2014 Government of India Bonds were sold at 102% and all the debentures were duly discharged. Show necessary ledger accounts in the books of R.K. Ltd.

10. Following is the trial balance of Aditi Co. Ltd. on 31.3.2014:

Particulars	Dr.	Cr.
Subscribed capital		
(1,00,000 shares of Rs. 20 each)		20,00,000
Calls-in-arrears	30,000	–
General Reserves	–	80,000
Profit and Loss A/c	–	1,30,000
Bank A/c	1,42,600	–
Sundry debtors	3,48,000	–
Reserve for doubtful debts	–	17,400
Sundry creditors	–	3,32,000
Goodwill	80,000	–
Building	16,00,000	–

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Particulars	Dr.	Cr.
Machinery	13,20,000	–
Furniture	28,800	–
Depreciation	–	1,32,000
Investments	1,90,000	–
Preliminary expenses	18,000	–
12% Debentures	–	12,00,000
Outstanding interest on debentures	–	56,000
Loans and Advances	1,70,000	–
Closing Stock	20,000	–
Total	39,47,400	39,47,400

Prepare the Balance Sheet in vertical form as per the Companies Act.

11. Prakash Co. Ltd. has an authorised capital of 5,00,000 shares of Rs. 10 each. The company issued 1,00,000 shares for subscription to the public at a premium of Rs. 5 each.

The whole of the issue was underwritten as follows:

Mahesh – 60,000 shares (Firm underwriting 10,000 shares)

Rakesh – 30,000 shares (Firm underwriting 4,000 shares)

Suresh – 10,000 shares (Firm underwriting 2000 shares)

Of the total issue only 90,000 shares including firm underwriting were subscribed for marked applications excluding firm underwriting were as follows:

Mahesh – 32,000, Rakesh 20,000, Suresh – 8000

Calculate the liability of each underwriter giving the benefits of firm underwriting to all underwriters.

12. The following is the Balance Sheet of Vijay Ltd. on 31.3.2014:

	Particulars	Notes	Rs.
i)	Equity and Liabilities		
	Shareholders Fund:		
	Share Capital	1	12,50,000
	Reserves and surplus	2	(–) 1,45,000

Particulars	Notes	Rs.
Current Liabilities:		
Trade payables (Creditors)	–	30,000
Bank overdraft	–	20,000
Total		11,55,000
ii) Assets:		
Non-current assets:		
Tangible fixed assets	3	1,73,000
Intangible fixed assets (Patent)	–	8,50,000
Current assets:		
Inventories (Stock)	–	55,000
Trade Receivable (Debtors)	–	76,500
Cash	–	500
Total		11,55,000

Notes:

	Rs.
1) Share capital : Authorised	
10,000 6% preference shares of Rs. 100 each	10,00,000
10,000 Equity shares of Rs. 100 each	10,00,000
Subscribed capital :	
7,500 6% preference shares of Rs. 100 each fully paid	7,50,000
5,000 Equity shares of Rs. 100 each fully paid	5,00,000
Total	12,50,000
2) Reserves and Surplus:	
Discount on issue of shares	(–) 18,000
Profit and loss account (debit balance)	(–) 1,15,000
Preliminary expenses	(–) 12,000
Total	1,45,000

3) Tangible fixed assets:

Lease hold premises	1,30,800
Plant and Machinery	42,200
Total	1,73,000

The Company suffered heavy losses and was not getting well. The following scheme of reconstruction was adopted.

a) The preference shares be reduced to an equal number of fully paid shares of Rs. 50 each.

b) The equity shares be reduced to an equal number of fully paid shares of Rs. 25 each.

c) The amount so available be used to write off Rs. 30,800 of the lease hold premises, Rs. 15,000 off stock, 20% off plant and machinery and sundry debtors and balance available of patents.

Pass journal entries and prepare the balance sheet after the reconstruction has been carried out.

13. Case study (Compulsory):

Deepak Co. Ltd., was incorporated on 1.7.2013 to take over the business of Shekar as from 1.4.2013. The following was the profit and loss account for the year ended 31.3.2014:

Particulars	Rs.
Gross profit	2,80,000
Expenses:	
Salaries	1,44,000
Office expenses	48,000
Printing and Stationery	8,000
Rent and Rates	7,200
Commission on sales	32,000
Audit fees	4,000
Free samples	8,000
Interest on debentures	12,000
Depreciation	16,000
Bad debts	3,200

Particulars	Rs.
Directors fees	4,000
Formation expenses	4,000
Sundry Expenses	1,600
	2,92,000
Net Loss (Expenses – Gross profit)	12,000

Additional Information:

a) Bad debts upto 30.6.2013 were Rs. 800

b) Rent was paid at Rs. 400 per month

c) Sales upto 1.7.2013 amounted to Rs. 3,20,000 and thereafter Rs. 4,80,000.

Prepare statement showing profit or loss prior to incorporation and after incorporation. Comment on the working result of the company for the period prior to and after incorporation. Give your opinion regarding the results of the company.