3250 – C21 – IIISC – O – N – 14

THIRD SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2014

CORPORATE ACCOUNTING–I

(Old)

Time : 3 Hours] [Max. Marks : 80

Attempt **all** *Sections according to internal choice.*

Simple calculators are allowed.

Question No. 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 a premium?

   b) Write any two features of equity shares.

   c) What is forfeiture of shares?

   d) Write the meaning of underwriting contract.

   e) When the company issues bonus shares?

   f) What is the limit to managerial remuneration?

   g) What do you mean by time ratio?

   h) Who are secured creditors?

   i) What are cumulative preference shares?

   j) What is the nature of profit prior to incorporation?

   k) Who are the liquidators of a company?

   l) What are fictitious assets? Give two examples.

Section – B (Marks: 3 × 5 = 15)

Attempt any **three**.

2. Distinguish between shares and debentures.

3. Explain the provisions of companies act with regard to remuneration payable to Managerial Personnel.

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4. 'A' Co. Ltd. issued 50,000 equity shares. The whole of the issue was underwritten as under:

   P– 40% Q – 30% R– 30%

   Applications for 40,000 shares were received in all, out of which applications for 10,000 shares had the stamp of P, those for 5,000 shares that of Q and 10,000 shares that for R. The remaining applications for 15,000 shares did not bear any stamp. Show the liability of underwriters.

5. On 1-1-2013 the directors of XY Co. Ltd. resolved that 1,000 equity shares of Rs. 10 each are to be forfeited for non-payment of final call money of Rs. 3 per share. On 1-2-2013 the above forfeited shares were reissued at Rs. 8 per share as fully paid up.

   Give the journal entries.

6. Ramu & Co. Ltd. issued 20,000 shares of Rs. 10 each of which the shares were underwritten as under:

   A – 10,000 shares, B – 6,000 shares

   The public subscribed for 16,000 shares which included marked applications as under:

   A – 2,400 shares, B – 600

   Determine the liability of underwriters.

7. X Co. Ltd. was incorporated on 1-5-2013 to take over the running business of Z Co. Ltd. from 1st Jan, 2013. The P & L a/c for the year ending on 31-12-2013 was as under.

Particulars	Rs.	Particulars	Rs.
Salary	36,000	Gross Profit	1,00,000
Rent	12,000		
Publicity	10,000		
Selling Expenses	15,000		
Bank charges	3,000		
Preliminary expenses	7,000		
Directors fees	3,000		
Net Profit	14,000		
	1,00,000		1,00,000

   The turnover upto 30-4-2013 was Rs. 2,00,000 and after 30-4-2013 was Rs. 3,00,000.

   Ascertain the profit after and before incorporation.

Section – C (Marks: 3 × 15 = 45)

Question No.13 is compulsory.

Answer any **two** *of the remaining.*

8. Malatesh Co., Ltd invited public to subscribe to its 20,000 equity shares of Rs. 100 each at a discount of Rs. 10 per share.

The payment to be made as under:

On application Rs. 10 per share

On allotment Rs. 20 per share

On First call Rs. 30 per share

On Final call Rs. 30 per share

The total applications received were 24,000 of which 2,000 applications were rejected and the money has been refunded. The excess money received on 2,000 applications were adjusted to the allotment account.

All the money received in full except from Suresh who fails to pay the final call on 600 shares.

Pass the journal entries in the books of Malatesh Company Ltd.

9. Om Sai Co. Ltd. issued 2,00,000 shares of Rs. 100 each. They were underwritten as follows:

Mr. Akshay – 1,20,000 shares

Miss. Anusha – 50,000 shares

Miss Arpita – 30,000 shares

The underwriters made applications for 'firm' underwriting as under:

Mr. Akshay – 16,000 shares

Miss. Anusha – 20,000 shares

Miss. Arpita – 6,000 shares

The total applications excluding firm underwriting but including marked applications were for 1,00,000 shares.

The marked applications were as follows:

Mr. Akshay – 20,000 shares

Miss. Anusha – 25,000 shares

Miss. Arpita – 10,000 shares.

Determine the liability of underwriters assuming that the benefit of firm underwriting is given to underwriters and unmarked applications are distributed in the gross liability ratio.

10. Shri Shivabasav Co., Ltd. issued 20,000 debentures of Rs. 100 each at a premium of Rs. 10 per debenture. The amount was payable as follows:

Rs. 20 on application.

Rs. 50 on allotment (Including premium)

Rs. 30 on first call and

Rs. 10 on Final Call.

All the debentures are subscribed and money was duly received.

Pass the necessary journal entries and show the above items in the Balance Sheet.

11. Following is the trial balance of M/s. Vijaya Ltd. for the year ending 31-3-2014.

	Name of Accounts	Dr.	Cr.
1)	Building (after depreciation of Rs. 8,750)	57,500	–
2)	Furniture (after depreciation of Rs. 250)	3,750	–
3)	Work-in-progress (cost of construction)	2,500	–
4)	Investment in Govt. securities (Non-current)	7,500	–
5)	Investment in shares (non-current)	3,130	–
6)	Closing stock	30,000	–
7)	Loose tools	1,450	–
8)	Trade receivables (short-term)	30,120	–
9)	Cash-in-hand	6,875	–
10)	Cash-at-bank	8,175	–
11)	Share Capital:		
	750 equity shares of Rs. 10 each	–	7,500
	2,500 preference shares of Rs. 10 each	–	25,000
12)	Securities premium	–	12,500
13)	General reserve	–	28,125
14)	P & L (Debit balance for current year)	7,500	–
15)	Bonds and debentures	–	15,000
16)	Long-term loans from banks	–	10,000
17)	Other long-term loans	–	5,000
18)	Short-term borrowings from others	–	7,500
19)	Trade payables (short-term)	–	26,125
20)	Other current liabilities	–	4,250
21)	Provision for income tax	–	16,250
22)	Provision for salaries & wages	–	1,250
	Total	1,58,500	1,58,500

Additional Information:

a) Other current liabilities consists of 'income received in advance'

b) Authorised capital of the company consists of 1,000 equity shares of Rs. 10 each and 5,000 preference shares of Rs. 10 each.

Prepare the balance sheet as on 31-3-2014 as prescribed by Schedule VI of the Companies Act along with detailed notes to accounts.

12. Laxmi Ltd. was formed on 1-4-2013 to take over the business of M/s. Sweta Traders with effect from 1-1-2013. The following was the information for the year ending 31-12-2013.

Particulars	Rs.
Gross Profit	7,00,000
Expenses	
Salaries and Allowances	1,60,000
Rent and Rates	35,000
Directors fees	18,000
Commission on sales	56,000
General Expenses	48,000
Advertisement	14,000
Audit fees	10,000
Depreciation	64,000
Interest on Debentures	18,000
Interest to vendors (upto 30-6-2013)	10,000
Total Expenses	4,33,000
Net Profit (Gross profit - Expenses)	2,67,000

The following further information is available:

a) Rent was paid at Rs. 2,000 per month upto 31-3-2013 and thereafter it was increased to Rs. 3,000 per month.

b) The average monthly sales of the first three months during 2013 was Rs. 1,60,000 whereas the monthly average sales for the subsequent period was Rs. 3,20,000.

Prepare the statement showing profit prior to incorporation and after incorporation.

13. The Weak Ltd. went into voluntary liquidation on 31-12-2013 at which date preference shares divided was in arrears for one year. The issued capital comprised of as under:

500 – 8% preference shares of 100/- each fully paid.

5,000 – Equity shares of Rs. 10 each fully paid.

10,000 – Equity shares of Rs. 10/- each Rs. 8 paid.

15,000 – Equity shares of Rs. 10/- each Rs. 5 paid.

The assets realised Rs. 1,75,000. Expenses of liquidation come to Rs. 800. The unsecured creditors amounted to Rs. 22,500 including Rs. 2,500 preferential creditors. The liquidator's remuneration is fixed at 3% commission on the amount of assets realised and 2% commission on the amount distributed to unsecured creditors.

The preferential shareholders have priority over all the equity shareholders with regard to repayment of capital and dividends, arrears (of one year).

a) Prepare liquidators final statement of account.

b) How much money should be collected on partly paid up equity shares? Justify.

c) Is there any maximum limit for payment of liquidators remuneration?