

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2017**Fourth Semester****Core Course XI—CORPORATE ACCOUNTING****(Common for Model I, Model II and U.G.C. Sponsored B.Com. Degree Programmes)****[2013 Admission onwards]****Time : Three Hours****Maximum Marks : 80****Part A**

*Answer all questions.
Each question carries 1 mark.*

1. What is Securities Premium ?
2. What is Stock Split ?
3. What is Cooling Off Period ?
4. What is Sub-Underwriting ?
5. What is Corporate Dividend Tax ?
6. What is Intrinsic Value ?
7. What is Internal Reconstruction ?
8. What is Deficiency Account ?
9. What is escrow account ?
10. Who is a Contributory ?

(10 × 1 = 10)**Part B**

*Answer any eight questions.
Each question carries 2 marks.*

11. What is capital redemption reserves ? What is the purpose for which it can be utilised ?
12. What are the objectives of issuing bonus shares ?
13. Explain the method of buyback of shares.
14. What is fraudulent preference ?
15. What are the items covered under the heading 'Miscellaneous expenditure' ?
16. What is net worth method of calculating purchase consideration ?
17. Distinguish internal reconstruction from external reconstruction.
18. Write a note on alteration of capital.

Turn over

19. What are the powers entrusted with the liquidator ?
20. What do you mean by consolidation and sub-division of shares ?
21. What is profit prior to incorporation ?
22. A company with equity share capital of Rs. 20,00,000 in shares of Rs. 10 each reduces the shares by Rs. 5 each under capital reduction scheme. The amount thus available is utilised for writing off goodwill. Give entries in the books of the company.

(8 × 2 = 16)

Part C

*Answer any six questions.
Each question carries 4 marks.*

23. What is the order of payment of liabilities under liquidation ?
24. Explain about preferential creditors.
25. Explain about different types of underwriting.
26. Explain different methods of calculating purchase consideration.
27. Mention the guideline given by SEBI for issue of bonus shares.
28. A company has equity share capital of Rs. 10,00,000 consisting 10,000 shares of Rs.100
 - (a) It is resolved to sub-divide the share into shares of Rs. 10 each ; (b) To ask the shareholders to surrender 50 % of their shares ; (c) To issue 60 % of the surrendered shares to 15 % debenture holders of Rs. 5,00,000 in full settlement of their claims ; (d) To cancel the unissued surrendered shares.

Give entries in the book of the company.

29. XY Ltd. resolved to buyback 1,20,000 fully paid equity shares of Rs. 10 each at par. For the purpose, it issued 40,000 14 % preference shares of Rs. 10 each at par, the total sum being payable with applications. The company has Rs. 18,00,000 in general reserve account to fulfil the legal requirements regarding buyback. The expense on buyback amounted to Rs. 80,000. Pass journal entries for all the transactions involved in the buyback.
30. From the following particulars, calculate weighted time ratio for pre and post incorporation period and share the salaries accordingly :—

Accounting period—1-1-2010 to 31-12-2010.

Date of incorporation—1st April 2010.

Total salaries of the year Rs. 20,00,000.

Total number of workers.

Pre-incorporation period—10 .

Post incorporation period— 20.

31. On liquidation of DD Ltd. the amount realised by sale of assets is Rs. 3,75,000 and the amount due is Rs. 4,25,000. Including Rs. 12,500 preferential creditors. Calculate remuneration of liquidator if he is entitled to a commission of 3% on amount realised and 2% on amount distributed amongst the unsecured creditors.

(6 × 4 = 24)

Part D*Answer any two of the following questions.**Each question carries 15 marks.*

32. From the following trial balance and additional information provided, prepare accounts of Baby and Co. Ltd. for the year ending 31st March 2010 :

| Particulars | Dr. | Cr. |
|--|-----------|-----------|
| Capital 80,000 equity shares of Rs. 10 each fully paid | ... | 3,00,000 |
| Stock (1.4.2009) | 2,25,000 | ... |
| Purchase and sales | 7,35,000 | 10,50,000 |
| Productive wages | 1,50,000 | ... |
| Discount | 21,000 | 15,000 |
| Salaries | 22,500 | ... |
| Rent | 14,850 | ... |
| General Expenses | 51,150 | ... |
| Profit and Loss account (1.4.2009) | ... | 45,000 |
| Dividend paid for last year | 27,000 | ... |
| Debtors and creditors | 1,12,500 | 52,500 |
| Plant and machinery | 87,000 | ... |
| Cash at bank | 48,600 | ... |
| Reserve | ... | 46,500 |
| Loan to Managing Directors | 9,750 | ... |
| Bad debts | 4,650 | ... |
| | 15,09,000 | 15,09,000 |

Additional information :—

(a) Stock on 31st March 2010 Rs. 2,46,000 ; (b) Depreciate machinery @ 10 % p.a ; (c) Reserve 5 % on debtors for doubtful debts ; (d) provide 2 % for discount on creditors ; (e) One month rent Rs. 1,350 was due on 31st march 2010 ; (f) six months insurance was unexpired at Rs. 2,250 per annum ; (g) Provide Rs. 13,668 for income tax ; (h) The Board recommends a dividend @ 20 % per annum ; (i) Make provision for corporate dividend tax at the applicable rate ; and (j) Transfer to general reserve 5% of net profit.

Turn over

33. Soorya Ltd. went into voluntary liquidation on 31st December, 2014 when their balance sheet read as follows :—

| <i>Liabilities</i> | <i>Amount Rs.</i> | <i>Assets</i> | <i>Amount Rs.</i> |
|--|-----------------------|-------------------------|-----------------------|
| Issued and subscribed capital | | | |
| 15,000 10 % cumulative preference shares of Rs. 100 each full paid | ... 15,00,000 | Land and Buildings | ... 7,50,000 |
| 7,500 equity shares of Rs. 100 each, Rs. 75 paid | ... 5,62,500 | Plant and machinery | ... 18,75,000 |
| 22,500 equity shares of Rs. 100 each, Rs. 60 paid | ... 13,50,000 | Patents | ... 3,00,000 |
| 15 % Debentures secured by a floating charge | ... 7,50,000 | Stock | ... 4,12,500 |
| Interest outstanding on debentures | ... 1,12,500 | Sundry debtors | ... 8,25,000 |
| Trade Creditors | ... 9,56,250 | Cash at bank | ... 2,25,000 |
| | | Profit and Loss Account | ... 8,43,750 |
| | <u>52,31,250</u> | | <u>52,31,250</u> |

Preference dividends were in arrear for 2 years and the creditors included preferential creditors of Rs. 1,14,000.

The assets realised as follows :

Land and building Rs. 9,00,000 ; Plant and machinery Rs. 15,00,000 ; Patents Rs. 2,25,000 ; Stock Rs. 4,50,000 ; Sundry debtors Rs. 6,00,000.

The expenses of liquidation amounted to Rs. 81,750. The liquidator is entitled to a commission of 3 % on assets realised except cash. Assuming the final payment including those on debentures is made on 30th June, 2016. Show the liquidator's Final statement of account.

34. What is vertical balance sheet ? Give a specimen of it.
35. XY Ltd. is formed to take over X Ltd. for Rs. 12,50,000 and 6,25,000, payable in equity shares of Rs. 10 each. The balance sheets of two companies as on 31st March 2010 are given below :

| <i>Liabilities</i> | <i>X Ltd. Rs.</i> | <i>Y Ltd. Rs.</i> | <i>Assets</i> | <i>X Ltd. Rs.</i> | <i>Y Ltd. Rs.</i> |
|--------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Share capital | ... 9,37,500 | 7,50,000 | Land and building | ... 2,50,000 | 1,25,000 |
| Reserve | ... 2,50,000 | 31,250 | Plant and machinery | ... 2,81,250 | 93,750 |
| Sundry Creditors | ... 3,75,000 | 1,25,000 | Stock | ... 4,37,500 | 1,87,500 |
| Bills payable | ... 62,500 | 93,750 | Sundry debtors | ... 5,00,000 | 2,50,000 |
| | | | Bills receivable | ... 93,750 | 1,25,000 |
| | | | Cash and bank | ... 62,500 | 2,18,750 |
| | <u>16,25,000</u> | <u>1,00,000</u> | | <u>16,25,000</u> | <u>1,00,000</u> |

Additional information :

- (a) Sundry Debtors of Y Ltd. include Rs. 62,500 due from X Ltd. and
- (b) Bills payable of X Ltd. include Rs. 50,000 acceptances in favour of Y Ltd. But bills receivable of Y Ltd. includes Rs. 31,250 accepted by X Ltd.

Bills discounted by Y Ltd. but not yet matured amounts to Rs. 18,750.

You are required to pass acquisition entries in the books of XY Ltd. and to prepare Balance Sheet of XY Ltd.

(2 × 15 = 30)