E 2317 (Pages : 6) Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, AUGUST 2021

Fourth Semester

Core Course XI—CORPORATE ACCOUNTING

(Common for Model I, Model II and U.G.C. Sponsored B.Com. Degree Programmes)

[2013 – 2016 Admissions]

Time : Three Hours Maximum Marks : 80

Part A

Answer **all** *questions.*

Each question carries 1 *mark.*

1. What is meant by Redemption of Preference Shares?
2. What is Escrow account?
3. What are Intangible assets?
4. What is Finance Cost?
5. Name the types of Amalgamation.
6. What is understood by External Reconstruction?
7. Show the journal for consolidating shares into shares of larger amounts.
8. What are the reasons for Internal Reconstruction?
9. Who is a contributory?
10. Mention the modes of Liquidation.

(10 × 1 = 10)

Turn over

Part B

Answer any **eight** *questions.*

Each question carries 2 *marks.*

11. What are the methods of redemption of preference shares?
12. Explain the accounting treatment for untraceable preference shareholders in case of redemption.
13. What are the sources of Buy-back of shares?
14. What are Secret reserves?
15. What are included in 'Preliminary Expenses'?
16. What is Scrip dividend?
17. Write short note on 'Net asset method'.
18. What is fraction share?
19. What is capital reduction account?
20. What is Internal Reconstruction?
21. What are the types of 'Voluntary winding up'?
22. Who are Preferential Creditors?

(8 × 2 = 16)

Part C

Answer any **six** *questions.*

Each question carries 4 *marks.*

23. Explain the 'Redemption of Preference Shares' out of Profits.
24. What are the benefits of Buy-back of shares?
25. How the paid up capital of dissenting shareholders are treated in amalgamation?
26. Explain with journals the surrender of shares in arrangement of capital.

27. The accounts of Ms. Ram and Co. showed an amount of Rs. 1,00,000 to the credit of Profit and Loss Account on 31st March 2018 from which the directors decided to place Rs. 20,000 to General Reserve and Rs. 5,000 to Debenture Redemption fund. At the annual general meeting, it was decided to place Rs. 10,000 to a Development Reserve and to pay a bonus of 2½% profit to Directors additional remuneration. The payment of half yearly dividends on Rs. 2,50,000, 5% Cumulative Preference Shares on September 30, 2017 and March 31, 2018 was confirmed and a dividend at 10% was declared on equity capital of Rs. 3,00,000. Ignoring Corporate dividend taxes prepare Profit and Loss Appropriation Account.

28. The Balance Sheets of A Limited and B Limited as on 31.3.2018 are as under :

Liabilities	*A Ltd*	*B Ltd*	*Assets*	*A Ltd*	*B Ltd*
Equity Share ...	1,50,000	1,25,000	Goodwill ...	40,000	10,000
Capital (Rs. 100 each)			Land and Building ...	60,000	50,000
General Reserve ...	32,000	–	Debtors ...	35,000	40,000
Profit & Loss Account ...	18,000	–	Stock ...	60,000	12,000
Sundry Creditors ...	32,000	18,600	Bank ...	37,000	9,600
			P&L a/c ...	–	22,000
	2,32,000	1,43,600		2,32,000	1,43,600

A new AB Limited was formed to take over the two businesses on following conditions :

(i) A Limited - Land and Building to be revalued at Rs. 75,000 stock at Rs. 77,000 and debtor to be taken over at 80%.

(ii) B Limited stock to be revalued at Rs. 13,000 and debtors to be taken over at 90%.

Calculate Purchase Consideration.

29. Give journal entries for the following transaction in connection with internal reconstruction :

(a) 10,000 Equity shares of Rs. 100 each fully paid, reduced to Rs. 50 each fully paid.

(b) 1,000, 8% debentures of Rs. 100 converted into 500, 6% debentures of Rs. 100 each.

(c) The debit balance of Profit and Loss account of Rs. 50,000 and preliminary expenses of Rs. 10,000 were written off.

(d) The value of plant and machinery and stock were written down by Rs. 30,000 and Rs. 20,000 respectively.

30. The 'Janatha Ltd' went into voluntary liquidation with the following liabilities :

Trade Creditors	:	Rs. 2,40,000	
Bank Overdraft	:	Rs. 4,00,000	
Capital	:	Rs. 2,00,000	
Preference shares of Rs. 10 each Rs. 7 called up	:	Rs. 14,00,000	
2,00,000 Ordinary shares of Rs. 10 each, Rs. 9 called up	:	Rs. 18,00,000	
Less : Calls in arrears	:	Rs. 40,000	
			17,60,000
Calls in advance received on :			
Preference shares	:	Rs. 4,80,000	
Ordinary shares	:	Rs. 80,000	5,60,000

The assets realized Rs. 40,00,000. Prepare a general liquidation account allowing Rs. 40,000 as expenses of liquidation.

31. What are the statutory provisions for the transfer of profits to Reserves ?

(6 × 4 = 24)

Part D

Answer any **two** *questions.*

Each question carries 15 *marks.*

32. Explain in detail the various methods of Internal Reconstruction.

33. What is vertical balance sheet ? Give a specimen of it.

34. Following is the trial balance of M/s. Modern Ltd :

Particulars		Debit Rs.	Credit Rs.
Stock	...	7,500	
Sales			35,000
Wages	...	5,000	
Discounts	...	700	500
Salaries	...	750	
Rent	...	495	
General Expenses	...	1,705	
Profit and Loss Account	...		1,503
Dividend paid	...	500	
Interim Dividend	...	400	
Capital 10,000 shares of Re. 1 each	...		10,000
Debtors & Creditors	...	3,750	1,750
Plant & Machinery	...	2,900	
Cash in hand/Bank	...	1,620	
Reserves	...		1,550
Loan to MD	...	325	
Bad debts	...	158	
Purchases	...	24,500	
		50,303	50,303

Additional Information :

(a) Closing stock was Rs. 8,200.

(b) Depreciate machinery by 10%.

(c) Reserve of 5% for discount on debtors.

(d) Allow 2½% discount on creditors.

(e) Provide for Managing Directors' commission, 15% on net profits before his commission.

(f) One month rent of Rs. 45 was due.

(g) Six months insurance included is general expenses was unexpired at Rs. 75 p.a.

Prepare Corporate Financial Statements.

Turn over

35. The following is the Balance Sheet of M/s. Dhana Ltd as on 01.04.2018, on the date of liquidation:

Liabilities		*Amount*	*Assets*		*Amount*
		Rs.			Rs.
2,000, equity shares of			Fixed Assets	...	2,00,000
Rs. 100 each Rs. 80 paid up	...	1,60,000	Book Debts	...	1,50,000
500, Preference shares of			Profit and Loss A/c	...	50,000
Rs. 100 each 70 called up	...	35,000			
Secured Loan from					
Banks on Building	...	75,000			
Creditors	...	1,30,000			
		4,00,000			4,00,000

The assets were realised as follows :

1.7.2018 Fixed Assets Rs. 50,000, Book debts Rs. 50,000, Expenses paid Rs. 2,000.

1.9.2018 Fixed assets [final] Rs. 1,00,000 ; Book debts Rs. 50,000

1.11.2018 Book debts [final] Rs. 23,000.

The liquidator is entitled to receive remuneration @ 5% on collections and 2% on amount paid to equity holders.

Prepare 'Liquidator's final statement on assumption that the disbursements are made as and when cash is available.

(2 × 15 = 30)