E 2804 (Pages : 4) Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH/APRIL 2012

Fourth Semester

Core Course XI—CORPORATE ACCOUNTING

(Common for Model I, Model II (Vocational) and UGC Sponsored B.Com. Degree Programmes)

Time : Three Hours Maximum Weight : 25

Answers may be written **either** *in English* **or** *in Malayalam.*

Section A

This section consists of **four** *bunches of four question each.*
Each bunch carries a weight of 1.
Answer **all** *questions.*

I. Choose the correct answer from the choices given below :

1. The profit on reissue of forfeited shares is transferred to ————.
   (a) General reserve. (b) Capital reserve.
   (c) Capital redemption reserve. (d) None of these.
2. If the purchase price of debentures includes interest for the expired period, the quotation is said to be ————.
   (a) Cum interest. (b) Ex-interest.
   (c) Old. (d) New.
3. Preliminary expenses are an example of ————.
   (a) Intangible asset. (b) Contingent asset.
   (c) Fictitious asset. (d) None of these.
4. Investment allowance reserve is a ————.
   (a) Revenue reserve. (b) Capital reserve.
   (c) Statutory reserve. (d) Secret reserve.

II. Fill in the blanks :

5. When the same subject matter is insured with two or more insurers to cover the same risk, it is called ————.
6. The method used by banks for posting entries rapidly to books kept on double entry principles is known as ————.
7. The dividend declared between two annual general meeting is called ————.
8. ———— is the merger of two or more existing companies into a single new company.

Turn over

III. State whether the following statements are True *or* False :

9. The first item in the order of payment to be made by the liquidator is the payment to creditors.
10. Winding-up by the court is known as compulsory winding up.
11. A company can issue bonus shares only when the partly paid up shares are converted into fully paid up shares.
12. Liquidation expense paid by the purchasing company is to be debited to goodwill account.

IV. Match the following :

13. Preferential creditors	(a) Current assets.
14. Goodwill	(b) Capital reserve account.
15. Bonus shares	(c) Internal reconstruction.
16. Capital reduction	(d) Amount due to Government.
	(e) Capitalization of profit.
	(f) Intangible assets.

(4 × 1 = 4)

Section B

Answer any **five** *questions.*
Each question carries a weight of 1.

17. State the differences between Capital Reserve and Reserve Capital.
18. What is meant by Redemption of Preference Shares ?
19. What do you mean by Buy-back of shares ?
20. What is Book Building ?
21. State any *two* differences between Public Company and Private Company.
22. The nominal value of equity shares of a company is Rs. 10. The current market price is Rs. 40. The company makes a right issue of one share for every two existing shares held, the right shares being issued at a premium of 10%. Calculate the value of right.
23. What do you mean by profit prior to incorporation ?
24. A Company invites application for 10,000 shares of Rs. 10,00,000. 30 on application, 40 on allotment, 30 on final call. All the money received except 500 shares held by Mr. Arun, who failed to pay final call money. Pass required journal entries.

(5 × 1 = 5)

Section C

Answer any **four** *questions.*
Each question carries a weight of 2.

25. XY Ltd. forfeited 100 equity shares of Rs. 10 each, issued at a discount of 10%, held by Raju on 15th January, 2010 for non-payment of the First Call of Rs. 2 per share and the Final Call of Rs. 3 per share. Out of these 60 equity shares were reissued to Sanjay at Rs. 8 per share on 30th January, 2010, and the rest of these shares were re-issued on 10th March, 2010, to Ram at Rs. 7 per share. Give Journal Entries for forfeiture and reissue of shares.

26. What are the conditions for the issue of shares at discount ? Give journal entry with respect to issue of shares at discount.

27. (a) A Company purchased building for Rs. 2,75,000 and issued equity shares of Rs. 10 each at a premium of 10% in full settlement.

    (b) A Company purchased machinery for Rs. 3,80,000 and issued preference shares of Rs. 100 each at Rs. 95.

    Show Journal Entries.

28. Determine the amount of fresh issue of shares from the following information relating to Saigon Leather Works Ltd.

		Rs.
(a) Redeemable preference shares	...	2,00,000
(b) Premium on redemption	...	10%
(c) Divisible profits available	...	60,000
(d) Balance in general reserve	...	40,000
(e) Securities Premium Account	...	15,000

If fresh issue is to be made : (i) at a premium of 5% and (ii) at a discount of 10%.

29. A Ltd. decides to redeem 50,000 11% preference shares of Rs. 10 each at a premium of 10%. For the purpose of redemption the company decides to issue 25,000 equity shares of Rs. 10 each at a premium of 15%. The balance in the Profit and Loss Account is Rs. 14,25,000. Assume that above decisions were implemented. Give Journal entries.

30. State SEBI's guidelines on issue of bonus shares.

$(4 \times 2 = 8)$

Section D

Answer any **two** *questions.*
Each question carries 4 *weight.*

31. X Company Ltd. invited applications for 20,000 of its Equity Shares of Rs. 10 each at a premium of Rs. 2. per share, payable Rs. 3 on application, Rs. 7 on allotment including premium and the balance on first and final call.

Applications for 25,000 shares were received. It was decided :

(a) to refuse allotment to the applicants for 1000 shares.

(b) to allot in full to applicants for 4000 shares.

(c) to allot the balance of the available shares pro-rata among other applicants, and

(d) to utilize excess application money in part payment of allotment moneys. Mr. X holding 200 shares failed to pay the amount due on allotment and call and Mr. Y holding 100 shares to whom full allotment was made failed to pay the amount due on call only. These shares were forfeited.

160 forfeited shares of Mr. X and 40 forfeited shares of Mr. Y were reissued at a discount of Re. 1 per share to Mr.Z.

Show the necessary journal entries including cash in the books of X Co. Ltd.

32. The following are the summarized Balance Sheet of X Ltd. as at 31st March 2011.

Balanced Sheet of X Limited

Liabilities :	Rs.	*Assets* :	Rs.
12000 shares of Rs. 500 each	60,00,000	Land and Buildings	27,20,000
2,600 debentures of Rs. 500 each	13,00,000	Plant and machinery	30,00,000
Sundry creditors	5,00,000	Furniture and fittings	1,00,000
Workmen savings bank	4,00,000	Patents and trade marks	4,00,000
Insurance fund	1,30,000	Stocks	20,00,000
Reserve fund	6,50,000	Sundry debtors	6,00,000
Profit and Loss account	20,000	Cash	1,80,000
Total	90,00,000	Total	90,00,000

Y Company Ltd. agreed to take over X Ltd on the following basis :

(a) Payment of cash at Rs. 90 for every share in X Ltd.

(b) Payment of cash at Rs. 550 for every debenture holder in full discharge of debentures.

(c) Exchange of 4 shares of Y Company Ltd. of Rs. 75 each (quoted in the market at Rs. 140 each) for every shares in X Company Ltd.

Show the necessary Ledger accounts in X Ltd.

33. Answer the following :

(a) Distinguish between Internal and External reconstruction.

(b) What are the ways for which securities premium amount can be utilized ?

(c) Give the differences between Open and Firm underwriting.

(d) Briefly explain the procedure for liquidation.

(2 × 4 = 8)