E 7206 (Pages : 8) Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2014

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 choice given below :—

1 A private company can start only after getting a document called :

(a) Memorandum.

(b) Certificate of incorporation.

(c) Articles of association.

(d) Certificate of commencement of business.

2. Under compulsory winding up, who will appointment the liquidator ?

(a) Creditors. (b) Share holders.

(c) government. (d) Court.

3 Under this methods of purchase consideration be consider the market value of shares.

(a) Net asset method. (b) Net payment method.

(c) Intrinsic value method. (d) Lump sum method.

4 Balance on security premium account is transferred to ————.

(a) General reserve account. (b) Premium on redemption.

(c) Capital reserve account. (d) None of these.

II. Fill in the blanks

5 An underwriter agrees to buy a definite number of shares in addition to the existing shares is called ————.

6 Issue and allotment of shares to a selected group of persons is called ————.

Turn over

7 Cancellation of shares due to nonpayment of allotment *or* call money is called ———.

8 When a large company takes over a business of an existing small company, is termed as ———.

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

9 Capital reserve is arising out of transferring of capital asset.

10 In internal reconstruction the existing company is liquidated.

11 A company can issue bonus shares only when the partly paid up shares are converted in to fully paid up shares.

12 Under net asset method market value of shares is considered.

IV. Match the following :—

A	B
13 Capital reduction account.	(a) Bonus issue.
14 Pooling of interest.	(b) Capital reserve account.
15 Preference shares.	(c) Internal reconstruction.
16 Share forfeiture account.	(d) Reserve capital.
	(e) Capital redemption reserve account.
	(f) External reconstruction.

(4 × 1 = 4)

Section B

Answer any **five** *questions.*

Each question carries a weight of 1.

17 State the difference between amalgamation in the nature of merger and amalgamation in the nature of purchase

18 What do you mean by capital reduction account ? How does it differ from capital redemption reserve ?

19 What do you mean by underwriting commission ?

20 What do you mean by profit prior to incorporation ?

21 A company invites application for 10,000 shares of Rs. 10, 00,000. Rs. 30 on application, Rs. 40 on allotment, Rs. 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 ?

22 The nominal value of the equity shares of company is Rs. 10 and current market price is Rs. 40. The company issues right shares @ 1 equity share for every two existing share held. Calculate the value of right assuming that right shares being issued @ at a premium of 10 %.

23. A company had purchased a business on 1/1/2005 and received its certificate of incorporation on 1/6/2005. The average monthly sales for the period before incorporation were 25 % more than the average monthly sales for the period after incorporation. The total sales during the year was 13, 25,000. Find pre incorporation sales and post incorporation sales ?

24 What do you mean by realization account ? How can it be prepared ?

(5 × 1 = 5)

Section C

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

25 Explain the term purchase consideration and various methods used for its valuation.

26 What do you understand by liquidator's final statement of accounts ?

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

28 Differentiate between stocks and shares.

29 X company was incorporated on 1'st April 1998. The trading profit and loss account for the year ending 31'st march 1999 showed the following results :

		Rs.			Rs.
To opening stock	...	28,000	By sales	...	2, 80,000
To purchases	...	1,82,000	By closing stock	...	14,000
To gross profit c/d	...	84,000			
		2, 94,000			2, 94,000

Turn over

		Rs.			Rs.
To rent, rate and insurance	...	3,600	By gross profit b/d	...	84,000
To directors fee	...	4,000			
To salaries	...	12,000			
To office expenses	...	9,000			
To travelling commission	...	2,800			
To discount	...	3,500			
To bad debt	...	700			
To auditors fee	...	500			
To depreciation	...	1,200			
To debenture interest	...	900			
To interest on purchase Consideration to 30 Nov	...	3,200			
Net profit	...	42.600			
		84,000			84,000

It is ascertained that the sale for April , June, December, 2010 are one and half times the average of those for the year, while those for March 2011 are twice the average and those for May, it is only half the average. Apportion the year's profit between pre-incorporation period and post incorporation period

30 A Ltd. Company had issued capital comprising of 20,000 equity shares of Rs. 10 each payable as :

Rs 2 on application

Rs 3 on allotment (including premium)

Rs 3 on first call and

Rs 3 on final call

The shares were called up to the first call stage. All the share money was received except from A, holding 300 shares who paid only up to application and except from B, holding 400 shares, who paid up to allotment. All the shares are forfeited. Out these forfeited shares, 400 shares (whole of A's holding and balance of B's holdings) were re-issued to C, on payment of Rs. 6 per share and paid up to some extent as other shares.

Journalize the entries for forfeiture and re-issue only

(4 × 2 = 8)

Section D

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

31 The following are the summarized balance sheet of X Ltd. As at 31st March 2011.

BALANCE SHEET OF X LTD.

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.

32 The following information was extracted from the books of a limited company on 31-12-2011 on which date a winding up order was made

		Rs.
Ordinary share capital-2000 shares of Rs. 10 each	...	20,000
6 % Preference share capital 3000 shares of Rs. 10 each	...	30,000
Calls in arrear estimated to produce Rs. 200	...	400
5% first mortgage debentures secured by floating charge on the whole of the assets of the company (interest paid to date)	...	20,000
Creditors fully secured (Value of securities Rs. 4000)	...	3,500
Creditors partly secured (Value of securities Rs. 2000)	...	4,000
Preferential creditors for wages, rates and taxes, etc.	...	750
Unsecured creditors	...	27,000
Bank overdraft, secured by a second charge on the whole of the assets of the company	...	2,000
Cash in hand	...	120
Book debts : - Good	...	3800
- Doubtful (estimated to produce Rs. 300)	...	800
- Bad	...	450
Stock-in-trade (estimated to produce Rs. 6,000)	...	7200
Freehold land and buildings (estimated to produce Rs. 18,500)	...	21,000
Plant and machinery (estimated to produce Rs. 6,300)	...	6,000
Fixtures and fittings (estimated to produce Rs. 800)	...	1,200

You are required to prepare a statement of affairs of the company.

33 Auto parts manufacturing company limited was registered with a nominal capital of Rs. 10 crore dividends in to shares of Rs. 10 each, of which 4000000 shares had been issued and fully called. The following is the trial balance extracted on 31/3/2010

		Rs.	Rs.
Stock 1/4/2009	...	18,642	
Manufacturing wages	...	10,974	
Manufacturing expenses	...	1,924	
Purchases and sales	...	71,821	1,16,990
Machinery repairs	...	861	
Carriage inward	...	491	
Carriage outward	...	926	
Advance payment of tax	...	1,429	
Bank loan 80%	...		5,000
Interest on loan	...	450	
Debtors and creditors	...	16,440	9,222
Profit and loss account 1/4/2009			864
Bank current account	...	10,686	
Cash in hand	...	192	
Lease hold factoring	...	16,421	
Plant and machinery	...	12,840	
Loose tools	...	1,250	
Share capital	...		40000
Calls in arrears	...	100	
Rates and electricity	...	1,761	
(Factory Rs. 1421 Office Rs. 340)			
Directors fee	...	1,200	
Office salary	...	1,300	
Auditors fee	...	125	
Office furniture	...	500	
Commission	...	860	
Returns	...	1,264	981
Preliminary expense	...	600	
		1,73,057	1,73,057

Turn over

You are required to prepare trading profit and loss account for the year ended 31/3/2010 and Balance Sheet after taking the following considerations

1 Write off 1/3 of preliminary expenses.

2 Depreciation: plant and machinery 15 %

Office furniture 10 %

3 Manufacturing wages Rs. 1,809 and office salary Rs. 120 had accrued due

4 Provide for interest on bank loan for 6 month.

5 Stock was valued at Rs. 12,484 and loose tools 1,000

6 Provide Rs. 850 on debtors for doubtful debtors.

7 Provide further Rs. 312 for discount on debtors.

8 Provision for Income tax 40%.

(2 × 4 =8)