QP CODE: 21006038

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Reg No : .....

Name : .....

B.COM DEGREE CBCS PRIVATE EXAMINATION, OCTOBER 2021

Third Semester

B.COM

CORE - CO3CRT07 - CORPORATE ACCOUNTING I

2017 ADMISSION ONWARDS

E03BE838

Time: 3 Hours Max. Marks : 80

Instructions: *This question paper contains* ***two sections.*** *Answer* ***Section I*** *questions in the answer book provided.* ***Section II Internal Examination*** *questions must be answered in the* ***question paper itself.*** *Follow the detailed instructions given under* ***Section II.***

Section I

Part A

Answer any ***ten*** *questions.*

Each question carries 2 marks.

1. What is ESOP?
2. What are sources of buy back of shares?
3. What is buy back of shares?
4. What is joint underwriting?
5. How will you treat share issue expenses in final accounts?
6. How will you treat profit/loss prior to incorporation?
7. What are free reserves?
8. What is dividend distribution tax? How will you treat it in final accounts?
9. Define fair value.
10. Give the format of investment account.
11. What is loss of stock policy?
12. What is meant by loss of profit policy?

(10×2=20)

Part B

Answer any ***six*** *questions.*

Each question carries ***5*** *marks.*

13. What is Share Premium Reserve Account? what are the uses of Share Premium Reserve as per the Companies Act?

14. Sujatha Ltd. Purchased assets for 5,00,000 from Raja Ltd. The company issued fully paid up equity shares of 10 each in satisfaction of the claim. Shares of 2,00,000 were issued at par to the promoters for their services. Give journal entries assuming that : (i) Shares were issued at par and (ii) Shares were issued at a premium of 20%.

15. Raj Ltd. Decides to redeem 25,000, 10% preference Shares of 10 each at a premium of 10%. For the purpose of redemption, the company decides to issue 12,500 Equity shares of 10 each at a premium of 10%. The balance in the statement of Profit and Loss is 7,25,000. Assume that the above decisions were implemented, give journal entries.

16. Mazon Ltd issued 50000 shares at a premium of Rs. 10 per share. The entire issue was underwritten by X - 30000 shares; Y- 15000 shares; Z- 5000 shares. They also applied shares firm X - 5000 shares; Y - 2000 shares; Z - 1000 shares. Out of the issue 45000 shares including firm underwriting were subscribed. Marked forms were X - 16000 shares; Y - 10000 shares; Z - 4000 shares. Calculate the liability of each underwriter assuming shares underwritten are treated as unmarked applications

17. From the following data, prepare relevant Notes to Accounts:

Particulars	Rs. in 000's
Salaries	250
Wages	150
Contribution to PF	200
Contribution to Gratuity	72
Staff welfare expense	150
Expenses on ESPP	28
Outstanding Wages	50
Interest Expense	25
Brokerage	5
Interest on Debentures	6

18. A firm which was carrying on business from 1st January 2017 gets itself incorporated as a company on 01.05.2017. The first accounts are drawn on 30.09.2017. The general expenses are ` 14,220; directors fees ` 9,000 and formation expenses ` 2,000. Rent upto 30.06.2017 is ` 1,200 p.a after which it was increased to ` 3,000 p.a. salary of the manager is ` 500 per month. On formation of the company, his salary was to ` 800 per month. The net sales are ` 9,00,000 of which sales upto 30.04.2017 was ` 4,50,000. The gross profit from 01.01.2017 to 30.09.2017 is ` 56,000. Compute profit prior and after incorporation.

19. Explain the legal provisions regarding payment of manageral remuneration u/s 197.

20. On 01.12.2017, Sachin purchased 200, 6% debentures of Rs 100 each at Rs 104 ex-interest per debenture. He paid 0.5% brokerage in this connection. Interest is payable on 30th June and 31st December. Pass Journal entries in the books of Sachin. He closes his books on every 31st December.

21. What is under-insurance? Illustrate with an example.

(6×5=30)

Part C

Answer any two questions.

Each question carries 15 marks.

22. Jaya Ltd. Issued a prospectus inviting applications for 20,000 share of 10 each at a premium of 2 per share, payable as 2 on Application, 5 on Allotment (including premium), 3 on First call and 2 on Final call. Applications were received for 30,000 shares and pro-rata allotment was made on the applications for 24,000 shares. it was decided to utilise the excess application money towards the amount due on allotment. Ms. Suma to whom 500 shres were alloted, failed to pay the allotment and calls. Mr. Raju the holder of 600 shares failed to pay the two calls. These were subsequently forfeited after the final call. Of these shares forfeited, 900 shares were reissued to Mr. Raman credited as fully paid for 9 per share, the whole of Ms. Suma's shares being included. Pass necessary Journal entries. Also show how these transactions will be reflected in the company's balance sheet.

23. The following are the ledger balances of Essar Ltd.

Debit balances	Rs	Credit balances	Rs
Opening stock	30,000	Equity Capital	8,00,000
Purchases	1,36,000	General Reserve	1,80,000
Wages	10,000	Surplus A/c	1,30,000
Salaries	12,000	8% Debentures	3,00,000
Office expenses	28,000	10% Loans	1,00,000
Depreciation on plant	30,000	Sales	4,40,000
Debtors	2,40,000	Creditors	40,000
Furniture	3,00,000	Bills Payable	10,000
Plant	6,00,000		
Bills Receivable	3,000		
Audit Fees	13,000		
Investment	5,00,000		
Debenture Interest	24,000		
Interest on Loans	10,000		
Bank Balance	15,000		
Cash in hand	49,000		
	20,00,000		20,00,000

Adjustments:

a) Closing stock – Rs. 83,000

b) Provision for taxation – Rs.50,000

c) Transfer to General Reserve – Rs. 60,000

d) Directors recommended a dividend of 10%

Prepare final accounts of the company as per Schedule III of the Companies Act, 2013.

24. Tandon carried out the following transactions in the shares of Bright Ltd.

a) On 01.04.2017, he purchased 20,000 equity shares of Rs 1 each fully paid for Rs 30,000.

b) On 15.05.2017, Tandon sold 4,000 shares for Rs 7,600.

c) At a meeting on 15.06.2017, the company decided:

i) To make a bonus issue of one fully paid share for every four shares held on 01.06.2017; and

ii) To give its members, the right to apply for one share for every five shares held on 01.06.2017 at a price of Rs 1.50/share of which 75 paise is payable on or before 15th July, 2017 and the balance 75 paise per share, on or before 15th September, 2017.

The shares issued under (i) and (ii) were not to rank for dividend for the year ending 31.12.2017.

d) Tandon received his bonus shares and took up 2,000 shares under the rights issue, paying the sums thereon when due and selling the rights to the remaining shares at 40 paise/share; the proceeds were received on 30.09.2017.

e) On 15.03.2018, he received a dividend from Birght Ltd. of 15% in respect of the year ended 31.12.2017.

f) On 30.03.2018 he received Rs14,000 for the sale of 10,000 shares.

Prepare Tandon's investment account. Apply Average Cost basis. Expenses and tax to be ignored.

25. The premises of White Ltd. was partially destroyed by fire on 1st March, and as a result, the business was practically disorganized upto 31st August. The company is insured under a loss of profits policy for ` 6,60,000, having an indemnity period of 6 months.

From the information given below, find out claim under the policy.

Particulars	
Actual turnover from 1st March to 31st August	3,20,000
Turnover from 1st March to 31st August (during the previous year)	9,60,000
Turnover from 1st March to 28th February (Previous year)	24,00,000
Net profit of previous financial year	3,60,000
Insured standing charges (Previous year)	2,40,000
Uninsured standing charges (Previous year)	20,000
Turnover for the last financial year	20,00,000

The company incurred additional expenses amounting to Rs. 40,000 immediately after fire, which reduced the loss in turnover. Otherwise turnover during the period of dislocation would have been only amounting to Rs. 2,20,000. The saving in insured standing charges in consequences of the fire amounted to Rs. 10,800. Adjustment of 10% to be made in respect of the upward trend in turnover. Assume that trend adjustment is required on total amount of annual turnover.

(2×15=30)