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**III Semester B.B.A.3 Degree Examination, Nov./Dec. 2016**  
**CORPORATE ACCOUNTING – I**  
**(New Syllabus)**

Time : 3 Hours

Max. Marks : 80

***Instruction : Use of simple calculator is allowed.***

**PART – I**

Answer **any ten** of the following questions :

**(10×2=20)**

1. What is oversubscription of shares ?
2. Define reconstruction.
3. Mention the accounting entry for pre-incorporation loss.
4. What are preliminary expenses ?
5. What is net assets method ?
6. Define Goodwill.
7. What is issue of shares at par ?
8. What is profit prior to incorporation ?
9. Give the meaning of valuation of shares.
10. What do you understand from proposed dividend ?
11. Define company.
12. What is Internal Reconstruction ?

**PART – II**

Answer **any four** of the following.

**(4×5=20)**

13. Explain any five terms used in Financial Statements.
14. Explain the methods of valuation of goodwill.
15. Explain the procedure of ascertaining profit or loss before incorporation.

**P.T.O.**



16. Unsuccessful Ltd. decided to reduce Equity as well as Preference share capital which were subscribed by public. Hence, the company resolved : to reduce 20000 Equity shares of Rs. 10 each fully paid to an equal no. of shares of Rs. 5 per share paid up and 10000 Preference shares of Rs. 10 each fully paid as Rs. 6 per share paid up.

Further, the amount so available is to be used for writing off accumulated losses of Rs. 80,000, to write down goodwill to the extent of Rs. 30,000, patents Rs. 25,000 and preliminary expenses Rs. 50,000.

Pass Journal Entries to give the effect of the above.

17. Hari Ltd. issued 3000 Equity shares of Rs. 50 each at par. The amount was payable as follows :

Rs. 4 on Application

Rs. 10 on Allotment

Rs. 16 on First call

Rs. 20 on Final call

All the shares were subscribed and money duly received. Pass journal entries.

18. From the following information given by Kiran Ltd., find the value of Equity shares using Net Assets Method.

1) Total Assets Rs. 12,50,000.

2) External liabilities Rs. 4,50,000.

3) Share capital consisted of following :

a) 2000 Equity shares of Rs. 100 each, Rs. 2,00,000.

b) 10000 Preference shares of Rs. 50 each, Rs. 5,00,000.

### PART – III

Answer **any three** of the following questions :

(3×10=30)

19. 'X' Company Ltd. has authorised capital of Rs. 4,00,000 in Equity shares of Rs. 10 each, of these 30000 shares were issued to the public. The amount was payable as under :

Rs. 3 on Application

Rs. 2 on Allotment

Rs. 3 on First call

Rs. 2 on Final call

All the shares were subscribed and the money was duly received excluding the final call on 2000 shares. The directors decided to forfeit these shares and re-issue them at Rs. 7/share.

Pass necessary Journal Entries.

20. The following is the Balance Sheet of 'RS' Co. Ltd. as at 31-3-2015.

Particulars	Note No.	Amount
<b>I) Equity and Liabilities :</b>		
1) Shareholder's Fund		
Share Capital	1	1,00,000
Reserves and Surplus : Surplus		20,000
2) Non-current Liabilities		
Long term Borrowings : Debentures		26,000
3) Current Liabilities :		
Trade Payables : Sundry Creditors		10,000
Short term provisions	2	24,000
<b>Total Equity and Liabilities</b>		<b>1,80,000</b>
<b>II) Assets :</b>		
1) Non-current Assets		
Tangible Fixed Assets	3	1,45,000
Non-current investments : 5% Govt. Security		20,000
2) Current Assets		
Inventories : Stock		10,000
Trade Receivables : Debtors		4,000
Cash and cash Equivalents : Cash at Bank		1,000
<b>Total Assets</b>		<b>1,80,000</b>

**Notes to Balance Sheet as at 31-3-2015**

**Note 1 : Share Capital**

Issued, subscribed and paid up capital	
10000 Equity shares of Rs. 10 each, fully paid up	1,00,000
<b>Share Capital</b>	<b>1,00,000</b>

**Note 2 : Short-term provisions**

Provision for Income Tax	10,000
Provision for proposed dividend	14,000
<b>Short-term provisions</b>	<b>24,000</b>

**Note 3 : Tangible Fixed Assets**

Land and Building	80,000
Plant and Machinery	60,000
Furniture	5,000
<b>Tangible Fixed Assets</b>	<b>1,45,000</b>



The net profits of the company after charging depreciation and income tax were as follows :

2010-11 – Rs. 17,000, 2011-12 – Rs. 19,000  
2012-13 – Rs. 18,000, 2013-14 – Rs. 20,000 and  
2014-15 – Rs. 19,000.

On 31-3-2015 the Land and Buildings were revalued at Rs. 91,000, Plant and Machinery at Rs. 71,000 and Furniture at Rs. 4,000. The normal rate of return on investment in similar business is 10%.

Compute the value of Goodwill based on 4 years purchase of super profit of last 5 years.

21. From the following Trial Balance of National Co. Ltd. Prepare Financial Statements for the year ending 31-3-2014.

Particulars	Debit	Credit
Share Capital (Equity Shares of Rs. 10 each)	—	80,000
Salaries	11,000	—
Cash at Bank	12,600	—
Fixed Deposits	14,000	—
Furniture	37,000	—
Rent and Taxes	10,000	—
Sale of Goods	—	1,10,000
Opening Stock	7,000	—
10% Debentures	—	20,000
Interest on Debentures	2,000	—
Buildings	18,000	—
General Reserve	—	1,000
Plant and Machinery	20,000	—
Purchase of goods	34,000	—
Surplus (Opening)	—	2,000
Welfare expenses	2,400	—
Trade payables	—	17,000
Trade Receivables	32,000	—
Office Rent	5,000	—
Goodwill	25,000	—
	<b>2,30,000</b>	<b>2,30,000</b>

**Adjustments :**

- 1) Closing Stock was valued at Rs. 9,000.
- 2) Make provision for tax at 30%.
- 3) Transfer Rs. 1,000 to General Reserve.
- 4) Directors have proposed a dividend of 10%.
- 5) Depreciate Plant and Machinery by 10% and Buildings by 5%.

22. The following is the Balance Sheet of 'Weak' Ltd. as on 31-3-2015.

Particulars	Note No.	Amount
<b>I) <u>Equity and Liabilities :</u></b>		
1) Shareholders Fund		
Share Capital	1	2,50,000
Reserve and Surplus	2	(−) 60,000
2) Non-current Liabilities		
—		
3) Current Liabilities :		
Trade Payables : Sundry Creditors		60,000
<b>Total Equities and Liabilities</b>		<b>2,50,000</b>
<b>II) <u>Assets :</u></b>		
1) Non-current Assets		
Tangible Assets	3	1,39,000
Intangible Assets : Patents		35,000
2) Current Assets :		
Inventories : Stock		45,000
Trade Receivables : Sundry Debtors		30,000
Cash and cash Equivalents : Cash in hand		1,000
<b>Total Assets</b>		<b>2,50,000</b>

**Notes to Balance Sheet as on 31-3-2015**

Note 1: Share Capital

Equity shares of Rs. 10 each	1,50,000
Preference shares of Rs. 100 each	1,00,000
	<b>2,50,000</b>



## Note 2 : Reserves and Surplus

Profit and Loss A/c (Dr.)	(-) 60,000
	<b>(-) 60,000</b>

## Note 3 : Tangible Assets

Buildings	39,000
Machinery	1,00,000
	<b>1,39,000</b>

The following scheme of Reconstruction is sanctioned :

- 1) The existing all Equity shares are reduced to Rs. 5 each.
- 2) The existing all Preference shares are reduced to Rs. 75 each.
- 3) Accumulated losses to be written off.
- 4) Machinery is written down by 10% and stock is revalued at Rs. 40,000 and the balance amount is utilised to write off patents.

Pass the Journal entries and prepare the Balance Sheet after reconstruction.

23. The following is the Balance Sheet of Jyoti Co. Ltd. as on 31-3-2013.

Particulars	Note No.	Amount
<b>1) <u>Equity and Liabilities :</u></b>		
1) Shareholders Fund		
Share Capital	1	2,90,000
Reserves and Surplus	2	(-) 90,000
2) Non-current Liabilities		
Long term Borrowings : Secured loans		80,000
3) Current Liabilities :		
Trade Payables : Sundry Creditors		30,000
		<b>3,10,000</b>



II) Assets :

1) Non-current Assets

Tangible Fixed Assets : Land and Buildings	1,50,000
Non-current investments : Investments	30,000

2) Current Assets :

Inventories : Stock	40,000
Trade Receivables : Sundry Debtors	70,000
Cash and cash Equivalents : Cash at Bank	20,000
	<b>3,10,000</b>

**Notes to Balance Sheet as at 31-3-2013**

Note 1 : Share Capital

Issued, subscribed, paid up capital

10000 Equity shares of Rs. 10 each fully paid	1,00,000
20000 Equity shares of Rs. 10 each, Rs. 7 paid up	1,40,000
500, 10% Preference shares of Rs. 100 each fully paid	50,000
	<b>2,90,000</b>

Note 2 : Reserves and Surplus

Surplus : Debit balance in P and L A/c	(-) 90,000
	<b>(-) 90,000</b>

The current value of Land and Building is Rs. 2,50,000 and that of investment Rs. 20,000. Stock is valued at Rs. 50,000. Debtors are expected to realise only 50% of their book value.

The dividend on Preference shares is in arrears for the last 4 years.

Calculate value of Equity Shares under Net Assets Method.



## PART – IV

**Compulsory :****(10×1=10)**

24. 'X' Co. Ltd. was incorporated on 1-8-2013 to take over the running business of M/s. X and Y as a going concern as from 1-4-2013. The following statement of Profit and Loss has been prepared for the year ending 31-3-2014 of the company.

<b>Particulars</b>	<b>Amount</b>
Revenue from operations (total sales)	8,00,000
	<b>8,00,000</b>
<b>Expenses :</b>	
Cost of sales	6,00,000
Salaries and allowances	60,000
Rent and Taxes	23,000
General expenses	7,200
Directors expenses	3,000
Selling expenses	4,000
Discount on sales	1,000
Advertisement	3,000
Audit fees	4,500
Formation expenses	1,800
Misc. expenses	1,500
Interest on debentures	1,400
Interest on vendors (upto 30-09-2013)	6,000
Repairs to Buildings	1,200
Depreciation	2,400
Net Profit for the year	80,000

**Additional Information :**

- a) Rent was paid at Rs. 1,000 per month upto 1-8-2013 and thereafter it was increased by Rs. 2,000 per month.
- b) The average sales for pre incorporation period was Rs. 2,40,000 and post incorporation was Rs. 5,60,000.

Prepare statement showing profit prior to incorporation of the company.