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II Semester 5 Yr. B.Com. LL.B. Examination, March/April 2024 (Odd Sem.)
CORPORATE ACCOUNTING

Duration : 3 Hours | Max. Marks : 80

Instructions :
1. **Answer all five Units.**
2. **One essay type question and short note/problems is compulsory from each Unit.**
3. **Figures to the right indicate marks.**
4. **Answer should be written either in English or Kannada completely.**

UNIT – I

Q. No. 1. (a) Chaitanya Chemicals Ltd. planned to set up a unit for manufacture of bulk drugs for the purpose of financing the unit BOD have issued 15,00,000 equity shares of Rs. 10 each. 30% of the issue was reserved for the promoters and the balances was offered to the public.

Aditya, Diwan and Anoop have come forward to underwrite the public issue in the ratio 3 : 1 : 1 and also agreed for firm underwriting of 30,000, 20,000 and 10,000 shares respectively. The underwriting commission was fixed of 4%. The amount payable on application was Rs. 2.50 per share. The details of subscription are :

Marked form of

Aditya – 5,50,000 shares

Diwan – 2,00,000 shares

Anoop – 1,50,000 shares

Unmarked forms – 50,000 shares

You are required to show the allocation of liability among underwriters with workings, along with the payment of commission to underwriters. Marks : 10

OR

Q. No. 1. (a) Bangalore House Building Association Ltd. issued 1,00,000 equity shares of Rs. 100 each. P, Q, R and S underwrite the entire issue in the proportion of 40%, 30%, 20% and 10% respectively in consideration of commission in cash at 4%. They also apply for firm shares as follows :

P – 3,000 shares, Q – 2,000 shares, R – 2,000 shares and S – 3,000 shares. Besides, the firm applications from the underwriters, the public applied for 6,00,000 shares of which marked application are as follows :

P – 10,000 shares

Q – 6,000 shares

R – 8,000 shares

S – 16,000 shares

Show the number of shares to be taken up by each of the underwriters and also commission receivable in cash. Marks : 10

Q. No. 1. (b) ABC company issued 20,000 shares which were underwritten by X, Y and Z as follows :

X – 10,000 shares, Y – 6,000 shares, Z – 4,000 shares. In addition there was firm underwriting by X – 1,000 shares Y – 500 shares, 2 – 1,500 shares. The company received applications for 15,200 shares including firms underwriting and the number of marked forms were as below :

X – 3,000 shares, Y – 4,500 shares, Z – 1,700 shares. Show the allocation of liability of underwriters assuming that the underwriting agreement did not provide any relief for firm application. Marks : 6

OR

Q. No. 1. (b) X Ltd. issued 4,00,000 shares of Rs. 10 each. The entire issue was underwritten as follows :

A – 2,00,000 shares (Firm underwriting – 40,000 shares)

B – 1,20,000 shares (Firm underwriting – 20,000 shares)

C – 80,000 shares (Firm underwriting – 20,000 shares)

Shares applied were for 3,60,000. The following being the marked forms including firm underwriting.

A – 1,40,000 shares

B – 56,000 shares

C – 64,000 shares.

Calculate the liability of each underwriter. Marks : 6

UNIT – II

Q. No. 2. (a) On April 1, 2018 a Ltd. Company was incorporated with an authorised capital of Rs. 8,00,000 divided into shares of Rs. 10 each. It offers to public for subscription of 60,000 shares payable as follows :

On application Rs. 3 per share

On allotment (May 1, 2018) Rs. 2 per share

On first and final call (one month after allotment) Rs. 5 per share

Public applied for 92,000 shares and the application money was duly received on April 15, 2018. Application for 2,000 shares were rejected and applications for 90,000 shares were allotted 60,000 shares. Give journal entries to record the transaction of the amount due has been duly received and prepare Balance Sheet. Marks : 10

OR

Q. No. 2. (a) Mahesh Ltd. invited applications for issuing 10,000 equity shares of Rs. 10 each. The amount was payable as follows :

On Application Re. 1

On Allotment Rs. 2

On first call Rs. 3

On second and final call – Balance

The issue was fully subscribed. Mohan to whom 100 shares were allotted, failed to pay allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, failed to pay the first call and his shares were forfeited immediately. Afterward the second and final call, Manish failed to pay 50 shares, his shares were forfeited. All the forfeited shares were re-issued at Rs. 9 per shares fully paid up. Pass necessary journal entries in the book of Mahesh Ltd. Marks : 10

Q. No. 2. (b) Alpha Company Ltd. issued 10,000 equity shares of Rs. 10 each at a discount of 10% payable Rs. 2 on application, Rs. 3 on allotment and Rs. 4 on first and final call. Mr. Raja who held 4000 shares did not pay call money. Mr. Raja's holding were forfeited and re-issued at Rs. 9 per share fully paid. Pass the journal entries for the forfeited and re-issued shares. Marks : 6

OR

Q. No. 2. (b) Answer the following :

Differentiate between debentures and shares. Marks : 6

UNIT – III

Q. No. 3. (a) Shankar Pvt. Ltd. Co. took over the business of Shankar on 1-04-2016 and it was incorporated on 1-07-2016. The profit and loss account of Shankar Pvt. Ltd. as on 31-03-2017 was as follows.

Particulars	Amount	Particulars	Amount
To Commission (Sales)	2,625	By Gross Profit	98,000
To Advertising	5,250	By Bad debts	
To MD remuneration	9,000	recovered	500
To Depreciation	2,800		
To Salaries	18,000		
To Insurance	600		
To Preliminary exp.	700		
To Rent and taxes	3,000		
To Discount	350		
To Bad debts	1,250		
To Net profit	54,925		
	98,500		**98,500**

Further details :

i) The average monthly sales after incorporation were twice the average monthly sales before.

ii) Rent, which was paid for the 1st 3 months at Rs. 200 per month, increased by Rs. 50 per month for the balance of the period.

iii) Bad debts of Rs. 350 related only to the period after 1-9-2016 and the balance related to the sales made upto 1-9-2016.

iv) The bad debts realised belonged the bad debts which were written off in 2015 – 2016.

Find out the profits before and after incorporation. Marks : 10

OR

Q. No. 3. (a) A company incorporated on 1-8-2015 acquired a business with effect from 1-4-2015. The first accounts were drawn on 30-12-2015. The gross profit is Rs. 56,000. The general expense are Rs. 14,400. The director's remuneration Rs. 1,000 per month, formation expenses amounted to Rs. 1,500. Rent which till September 30, 2015 was Rs. 100 per month was increased to Rs. 3,000 p.a. from 1-10-2015. The manager of the earlier firm whose salary was Rs. 500 per month was made a director upon the incorporation and his remuneration thereafter is included in the figure of director's remuneration given earlier.

Prepare P/L account for the period, assuming the net sales were Rs. 8,40,000. The monthly average for the 1st four months of 2015 – 2016 being one half of the remaining period. Find out profit or loss before and after incorporation. Marks : 10

Q. No. 3. (b) A company was incorporated on 30-9-2015 to acquire the business of Mohan as from 1-4-2015. The accounts for the year ended 31-3-2016 (31st March 2016) disclosed the following :

a) There was a gross profit of Rs. 2,40,000.

b) The sales for the year amounted to Rs. 12,00,000 of which Rs. 5,40,000 were for the first six months.

c) The expenses debited to profit and loss account included director's fees Rs. 15,000, bad debts Rs. 3,600, advertising Rs. 12,000 (under contract amounting to Rs. 1,000 per month), salaries and general expenses Rs. 64,000, preliminary expenses written off Rs. 5,000 and donation to political party by the company Rs. 5,000. Prepare a statement showing the amount to profit made before and after incorporation. Marks : 6

OR

Q. No. 3. (b) X Ltd. which was incorporated on 01-08-2019 acquired a business on 1-4-2019. The first accounts were closed on 31-12-2019. The gross profit for the period was Rs. 42,000. Details of other expenses : general expenses Rs. 7,200; Director's remuneration Rs. 12,000 and preliminary expenses Rs. 2,000. Rent upto 30-9-2019 was Rs. 6,000 per annum after which it was increased by 40%. Salary of the manager, who on formation of the company had become a whole-time director and whose remuneration has been given above, was agreed at Rs. 5,100 p.a. The company earned a uniform gross profit. The sales upto December 2019 were Rs. 98,000. The monthly average sales for the first four months of the year was one-half of the remaining period.

Show the profit and loss account and indicate how you would deal with the pre and post incorporation results. Marks : 6

UNIT – IV

Q. No. 4. (a) The following information is given :

i) Capital employed Rs. 1,50,000

ii) Normal rate of return 10%

iii) Present value of annuity of Re. 1 for 5 years at 10% = Rs. 3.78

iv) Net profit for the five years

2015 – 2016 Rs. 14,400

2016 – 17 Rs. 15,400

2017 – 18 Rs. 17,400

2018 – 2019 Rs. 16,900

2019 – 20 Rs. 17,900

The profits included a non-recurring profit on an average basis of Rs. 1,000 out of which it was decided that even non-recurring profits had a tendency of appearing at the rate of Rs. 600 pa.

You are required to calculate goodwill

a) As per annuity method

b) As per 5 years purchase of super-profit method

c) As per capitalisation of super-profit method. Marks : 10

OR

Q. No. 4. (a) The following is the Balance Sheet of Sunmate Ltd. as on 31-3-2015.

Liabilities	Amount	Assets	Amount
2,000, 6% preference		Building	55,000
shares of Rs. 10		Machinery	65,000
each	20,000	Patents	10,000

8,000 equity shares		Stock	28,000
of Rs. 10 each	80,000	Sundry debtors	40,000
Reserve fund	50,000	Cash	26,000
Profit and Loss A/c	16,000	Preliminary	
Workmen's Saving A/c	15,000	expenses	6,000
Sundry creditors	49,000		
	2,30,000		**2,30,000**

Adjustments :

1) It was discovered that machinery was under depreciated by Rs. 5,000.
2) Value of Buildings is Rs. 1,30,000 and goodwill is Rs. 20,000.
3) 16,000 worth of debts are bad.
4) The preference shares have priority for capital repayment.

Find out the intrinsic value of both types of shares. Marks : 10

Q. No. 4. (b) The following is the Balance Sheet of 'A' Company Ltd. as on 31st March 2015.

Liabilities	**Amount**	**Assets**	**Amount**
3,000 equity shares		Cash in hand	2,000
of Rs. 100 each	3,00,000	Cash at bank	20,000
1,500 8% preference		Sundry debtors	80,000
shares of Rs. 100		Stock-in-trade	1,40,000
each	1,50,000	Land and building	2,05,000

General reserves	40,000	Furniture	30,000
Profit and Loss A/c	10,000	Goodwill	70,000
Bank loan	50,000	Discount on shares	18,000
Sundry creditors	15,000		
	5,65,000		**5,65,000**

The value of assets is assessed as follows :

1) Furniture to be depreciated at 10%.
2) Value of stock-in-trade, land and building and goodwill is estimated at ₹ 1,20,000, ₹ 2,50,000 and Rs. 80,000 respectively.
3) Debtors are expected to realise 80% of bank value.

Find out value of equity shares. Marks : 6

OR

Q. No. 4. (b) State various circumstances necessitating valuation of shares. Marks : 6

UNIT – V

Q. No. 5. (a) Premium Co. has the following trial balance as on 31-3-2020. Prepare Final Accounts.

Debit Balance	**Amount**	**Credit Balance**	**Amount**
Calls-in-arrears	5,000	Share capital	5,00,000
Premises	7,50,000	Sales	10,00,000
Machinery	1,50,000	Reserve fund	1,80,000
Furniture	50,000	Profit and Loss A/c	35,000

Purchases	6,80,000	Creditors	75,000
Wages	1,25,000	10% debenture	4,00,000
Salaries	60,000	Bills payable	10,000
Interim dividend (Including CDT)	20,000	Reserves for DD	1,000
Goodwill	2,00,000		
Debtors	60,000		
Bills receivable	38,000		
Bad debts	2,000		
Debenture Interest (30-9-19)	20,000		
Stock (1-4-2019)	41,000		
	22,01,000		**22,01,000**

Adjustment :

1) The stock on 31-3-2020 was valued at ₹ 80,000.
2) Depreciate machinery and furniture by 10%.
3) Maintain reserve for DD at 5% on debtors.
4) Proposed dividend at 15%.
5) Debenture interest is unpaid for 6 months. Marks : 10

OR

Q. No. 5. (a) Explain financial statement. Bringout the format of financial statement as per Companies Act, 2013. Marks : 10

Q. No. 5. (b) Under which headings are the following items shown in Balance Sheet of a company ?

a) 6% debentures

b) Underwriting commission

c) Goodwill

d) Proposed dividend

e) Fixed deposits

f) Discount on issue of debentures

g) Share premium

h) Sinking fund.

Marks : 6

OR

Q. No. 5. (b) What do you mean by contingent liability ? Give two examples.

Marks : 6