



21101986

QP CODE: 21101986

Reg No :

Name :

B.COM DEGREE (CBCS) EXAMINATION, AUGUST 2021
Third Semester
Core Course - CO3CRT07 - CORPORATE ACCOUNTING I
(Common to all B.Com Degree Programmes)
2017 Admission Onwards
21203BE3

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. What is Book Building?
2. X Ltd. forfeited 500 shares of Mr. Raju of ₹ 10 each fully called-up for the non-payment of final call of ₹ 3 per share and re-issued to Mr. Saju as fully paid for ₹ 10 per share. Give journal entries.
3. What is Capital Redemption Reserve? How is it utilized?
4. How does brokerage differ from underwriting commission?
5. What is time ratio? Illustrate with an example.
6. What is profit prior to incorporation?
7. What is unpaid dividend account?
8. How will you treat excess provision for tax in the previous year while preparing final accounts?
9. What are non-current investments?
10. How will you calculate market value of investments for the purpose of valuation?
11. How will you deal with the following items in the calculation of claim under loss of stock policies?
a) Fire fighting expenses b) goods received on approval basis but lost by fire c) Goods sent on approval basis, not received by the customer d) Goods at the godown without purchase invoice





12. What do you mean by increased cost of working? How will you compute the allowable increased cost of working?

(10×2=20)

Part B

Answer any six questions.

Each question carries 5 marks.

13. Explain the advantages and disadvantages of bonus issue.
14. Explain briefly the steps for valuation of right.
15. What is Escrow account? Explain briefly its significance.
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 marked applications
17. What are contingent liabilities and commitments in Schedule III? Give examples.
18. For the year ended 31st March 2017, provision for income tax has been made for ` 50,00,000. Advance payment of tax for that year amounted to ` 45,00,000 and TDS on income earned by the company amounted to ` 46,000. On November 15, 2017, the assessment was completed and tax liability was determined at ` 58,40,000. Advance payment of tax for the year ending 31-03-2018 was ` 62,00,000. Show the necessary accounts for the year ending 31-03-2018, assuming ` 70,00,000 provision for taxation for the year ending 31-03-2018.
19. Nupa Ltd. took over on behalf of the a running business with effect from 01.04.2017. The company got incorporated on 01.08.2017. The annual accounts were made upto 31.03.2018. It disclosed that
- a) Sales for the year – Rs 1,600 lakhs
 - b) Sales till 31.07.2017 – Rs 400 lakhs
 - c) Gross profit ratio – 25%

The expenses from 01.04.2017 to 31.03.2017 were as follows

| Particulars | Rs (lakhs) |
|---------------------------|------------|
| Salaries | 69 |
| Rent, rates and insurance | 24 |
| Sundry office expenses | 66 |
| Travellers commission | 16 |
| Discount allowed | 12 |
| Bad debt | 4 |





| | |
|--------------------|----|
| Directors fees | 25 |
| Tax audit fees | 9 |
| Depreciation | 12 |
| Debenture interest | 11 |

Prepare a statement showing the calculation of profits for the pre-incorporation and post-incorporation periods.

20. What is cum-interest ? How is it adjusted on sale and purchase of securities?
21. How is Memorandum Trading Account prepared for the calculation of value of stock on the date of fire?

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. Abhirami Ltd. has an authorised capital of 15,000 Equity shares of Rs 100 each and 5,000 preference shares of Rs 100 each. The following is the Balance Sheet as on 31-3-2018.

Balance Sheet

| Particulars | Rs |
|---|------------------|
| I. EQUITY AND LIABILITIES | |
| 1. Shareholders Fund | |
| i) Share Capital | |
| 5,000, 12% preference shares of Rs 100 each | 5,00,000 |
| 10,000 Equity shares of Rs 100 each | 10,00,000 |
| ii) Reserves and Surplus | |
| Capital Reserve | 50,000 |
| Securities Premium | 1,00,000 |
| General Reserve | 2,00,000 |
| Surplus in the statement of profit and Loss | 1,50,000 |
| 2. Non – Current Liabilities | — |
| 3. Current Liabilities | |
| Trade Payable | 10,00,000 |
| Total | 30,00,000 |
| II. ASSETS | |
| 1. Non – Current Assets | |
| Fixed Assets: Tangible | 24,00,000 |
| 2. Current Assets | |
| Inventories | 3,00,000 |





| | |
|-------------------|------------------|
| Trade Receivables | 2,00,000 |
| Cash at Bank | 1,00,000 |
| Total | 30,00,000 |

The preference shares are due for redemption on 1st April 2018 at a premium of 10%. On 1-4-2018, a fresh issue of Equity shares is made at par to the extent it is required under the Companies Act for the purpose of redemption of preference shares. The short fall in cash resources for the purpose of redemption, after utilising the proceeds of fresh issue, is met by raising a long term loan from bank, the cash balance of Rs 50,000 being the minimum amount the company required for its trading operations.

23. You are required to prepare statement of Profit and Loss of Laze Ltd. for the year ended 31st March 2018.

| | |
|------------------------|----------|
| Sales | 7,50,000 |
| Opening stock | 68,000 |
| Furniture & Fittings | 50,000 |
| Discount | 8,000 |
| Advertisement | 4,000 |
| Bad debt | 3,500 |
| Commission | 12,000 |
| Purchases less Returns | 2,50,000 |
| Rentals | 3,000 |
| Excise Duty | 800 |
| Interest Expense | 12,000 |
| Other borrowing cost | 4,000 |
| Salaries and Wages | 9,000 |
| Plant and Equipment | 1,00,000 |
| Debenture interest | 4,000 |
| Building | 2,00,000 |
| Dealer aids | 7,000 |
| Distribution freight | 4,000 |
| Trading commission | 8,000 |
| Power and Fuel | 1,000 |
| Transit insurance | 1,000 |
| Transfer fees received | 700 |
| Sundry Debtors | 40,000 |

Additional information:

- Closing stock is valued at Rs 40,000
- Make a provision for bad debt @10%
- Depreciate plant and equipments by 20%, buildings @5% and furniture and fittings @10%
- Income tax rate – 30%





24. Syam Ltd. had 4,000 equity shares of Archana Ltd, at a book value of Rs 15/share (Face value Rs 10 each) on 01.04.2017. On 01.09.2017, Syam Ltd acquired 1,000 equity shares of Archana Ltd at a premium of Rs 4/share.

Archana Ltd. announced a Bonus and Right issue for existing shareholders. The terms of bonus and right issue were –

- a) Bonus was declared, at the rate of two equity share for five equity shares held on 30.09.2017.
- b) Right shares are to be issued to the existing shareholders on 01.12.2017. The company issued two right shares for every seven shares held at 25% premium. No dividend was payable on these shares. The whole sum being payable by 31.12.2017.
- c) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.
- d) Syam Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs 8/share.
- e) Dividend for year ended 31.03.2017, at the rate of 20% was declared by the company and received by Syam Ltd. on 20.01.2018.
- f) On 01.02.2018, Syam Ltd. sold half of its shareholdings at a premium of Rs 4 per share.
- g) The market price of share on 31.03.2018 was Rs 13/share.

You are required to prepare Investment Account of Syam Ltd. for the year ended 31.03.2018. Also determine the value of shares held on that date assuming investment as current investment.

25. A fire occurred on 01.02.2018, in the premises of Perfect Ltd. a retail store, and business was partially disorganized upto 30.06.2018. The company was insured under a loss of profit policy for ` 1,25,000 with a six months indemnity period. Compute the amount of claim from the following information

| Particulars | |
|--|----------|
| Actual turnover (01.02.2018 to 30.06.2018) | 80,000 |
| Turnover (01.02.2017 to 30.06.2017) | 2,00,000 |
| Turnover (01.02.2017 to 31.01.2018) | 4,50,000 |
| Net profit for 2017-2018 | 70,000 |
| Insured standing charges for last financial year | 56,000 |
| Total standing charges for last financial year | 64,000 |
| Turnover for last financial year | 4,20,000 |

The company incurred additional expenses amounting to ` 6,700 which reduced the loss in turnover. There was also a saving during the indemnity period of ` 2,450 in the insured standing charges as a result of fire. There had been a considerable increase in trade since the date of annual accounts and it has been agreed that an adjustment of 15% be made in respect of the upward trend in turnover.

(2×15=30)



