

THIRD SEMESTER UG HONOURS EXAMINATION, NOVEMBER 2023**B.Com. HONOURS****GBCH3B13T: CORPORATE ACCOUNTING – 2****Time: 3 Hours****Maximum Marks: 80****PART A: Answer all the questions. Each carries *one* mark.****Choose the correct answer.**

1. In case the issue is oversubscribed, the liability of underwriter is.....
A) No liability B) as stated in the agreement C) either A or B D) Fixed Liability
2. When a running business is taken over from a date prior to its commencement, the profits earned up to the date of commencement is treated as.....
A) Revenue Profit B) Capital Profit C) Post Acquisition Profit D) None of these
3. Which among the following is not a method of internal reconstruction?
A) Issue of New shares B) Subdivision C) Consolidation of existing shares D) None of these
4. The main duty ofis to collect the assets of the company and realise them and distribute the amount among the claimants.
A) Arbitrator B) Liquidator C) Officer in Charge D) Director
5. Which of the following is true in case of a pure holding company?
A) A company which is formed for the purpose of uniting and controlling the subsidiaries.
B) A holding company which is not a subsidiary of any other company.
C) A holding company that runs its own business and also control the business of its subsidiaries.
D) A new company started by the existing companies with the objective of exercising control.

Fill in the Blanks.

6. If the liquidation expenses of the transferor company are borne by the transferee company, the same is to be debited to account
7.type of liquidation is initiated by the company creditors, when the company is unable to pay its debts.
8. Under reconstruction, a new company is formed to take over the assets and liabilities of the old company.
9. Profits prior to incorporation of a company is transferred to.....
10. Inunderwriting, the underwriters are liable to take up the agreed number of shares or debentures even if the issue is over subscribed.

(10 x 1 = 10 Marks)
(PTO)

PART B: Answer any eight questions. Each carries *two* marks.

11. What is meant by underwriting of shares and debentures?
12. Highlight the Net Payment method of calculating Purchase Consideration.
13. State four items which are allocated on the basis of sales turnover in order to calculate net profit before and after incorporation.
14. Distinguish between share and stock.
15. Write journal entry for the cancellation of unpaid amount of Rs.2,00,000 in respect of 1,00,000 equity shares of Rs.10 each, Rs. 8 called up.
16. State any four grounds for the compulsory winding up of companies.
17. Comment on Preferential creditors with suitable examples.
18. What is meant by purchase consideration?
19. Write the Journal entries for transferring all assets and liabilities taken over by the purchasing company?
20. What is the importance of underwriting of shares to the companies?

(8 x 2 = 16 Marks)

PART C: Answer any *six* questions. Each carries *four* marks.

21. A. Ltd. has an authorised capital of Rs. 50,00,000 divided into 5,00,000 shares of Rs. 10 each. The company issued 1,00,000 shares for subscription to the public at a premium of Rs.5 each. The entire issue was underwritten as:
 - A 60,000 shares (Firm underwriting 10,000 shares)
 - B 30,000 shares (Firm underwriting 4,000 shares)
 - C 10,000 shares (Firm underwriting 2,000 shares)Of the total issue, only 90,000 shares including firm underwriting were subscribed for. Marked application forms excluding firm underwriting were:
 - A 32,000 shares
 - B 20,000 shares
 - C 8,000 sharesCalculate the liability of each underwriter giving the benefit of firm underwriting to all underwriters.
22. A company issues 50,000 shares of Rs.10 each at par. The whole issue has been underwritten by Y Co. for an underwriting commission of 4%.The Company received applications only for 47000 shares. All the applications were accepted. Give the Journal entries to record the above transactions.
23. What are the different modes of reduction of Share Capital?

24. Morris Ltd. issues 10,000 equity shares of Rs. 100 each at par and 500 debentures of Rs. 1,000 each @ Rs. 950. The entire issue has been underwritten by Kapoor and Co., for a commission of 4 per cent on shares and 2 per cent on debentures (nominal value). The entire lot of shares was taken but only 400 debentures were applied for. All applications were accepted. Give journal entries assuming all amounts have been received.
25. Explain disclosure in financial statements.
26. Distinguish between internal and external reconstruction?
27. What are the functions of liquidators?
28. Explain the Journal entries in the case of amalgamation in the nature of purchase.

(6 x 4 = 24 Marks)

PART D: Answer any two questions. Each carries *fifteen* marks.

29. Following is the balance sheet of Downstar Ltd as on 31st March 2023

Down Star Ltd. Balance sheet as at 31st March 2023

Particulars	Note No.	Amount as on 31 st March 2023
I. Equity and Liabilities		
(1) Shareholders funds		
(a) Share Capital	1	20,00,000
(b) Reserves and Surplus	2	(19,75,000)
(2) Non Current Liabilities		
(a) Long term borrowings	3	5,55,000
(3) Current Liabilities		
(a) Trade Payables	4	4,20,000
Total		10,00,000
II Assets		
(1) Non Current Assets		
(a) Fixed Assets		
(i) Tangible Assets	5	5,30,000
(ii) Intangible Assets	6	50,000
(2) Current Assets		
Inventories		3,50,000
Trade Receivables		60,000
Cash and Cash Equivalents	7	10,000
		10,00,000

Notes

1. Share Capital

Authorised

Issued, Subscribed and Paid Up

2 Lakh Equity shares of Rs.10 each, fully paid up

20,00,000

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2. Reserves and Surplus

Capital Reserves:	5,000
Surplus	
Debit Balance in Statement of Profit and Loss	<u>(19,80,000)</u>
	<u>19,75,000</u>

3. Long term Borrowings

12% Debentures	5,00,000
Loan from Bank	55,000
	<u>5,55,000</u>

4. Trade Payables

Suppliers of Goods	3,00,000
Outstanding Debenture Interest	1,20,000
	<u>4,20,000</u>

5. Tangible Assets

Land and Buildings	1,50,000
Plant and Machinery	3,00,000
Furniture	80,000
	<u>5,30,000</u>

6. Intangible Assets

Goodwill	50,000
	<u>10,000</u>

7. Cash and Cash Equivalents

Balance with Bank	<u>10,000</u>
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The following scheme of reconstruction is executed.

- Equity shares are reduced to 50 paise per share. They are, then consolidated into 10,000 equity shares of Rs.10 each
- Debenture holders agree to forgo outstanding debenture interest. As a compensation 12% Debentures are converted into 14% Debentures, the amount remaining Rs.5,00,000
- Trade payables are given the option to either accept 50% of their claim in cash in full settlement or to convert their claims into equity shares of Rs.10 each. Trade payables for Rs. 2,00,000 opt for shares in satisfaction of their claims.
- To make payment to trade payables opting for cash payment, to repay bank loan and to augment working capital, the company issues 50,000 equity shares of Rs.10 each at par, the entire amount being payable along with application. The issue was fully subscribed.
- Land and Buildings are revalued at Rs.2,25,000 whereas Plant and Machinery is to be written down to Rs.1,85,000. A provision amounting to Rs.5,000 is to be made for doubtful debts.

Pass Journal entries, Prepare Reconstruction Account and redraft the company's Balance Sheet immediately after the reconstruction.

30. The following information was extracted from the books of a Limited Company as on 31st March 2021 on which date a winding up order was made:

Equity Share Capital – 20,000 shares of Rs.10 each	2,00,000
14% Preference Share Capital – 30,000 shares of Rs.10 each	3,00,000
Calls in Arrear on Equity Shares (estimated to realise Rs.2,000)	4,000
14% First Mortgage Debentures secured by a floating charge on the whole of the assets of the company (Interest paid to date)	2,00,000
Creditors having a mortgage on the Freehold land and buildings	85,000
Creditors having a second charge on the freehold land and buildings	90,000
Trade Creditors	2,70,000
Bills discounted (of these bills for Rs.15,000 are expected to be dishonoured)	40,000
Unclaimed dividends	6,000
Bills payable	10,000
Income tax due	25,000
Salaries and Wages (for five months)	40,000
Bank overdraft secured by a second charge on the whole of the assets of the company	20,000
Cash in hand	1,200
Debtors (of these Rs.60,000 are good; Rs.15,000 are doubtful, estimate to Realise Rs.5000 and the rest bad	90,000
Bills of Exchange (considered good)	35,000
Freehold Land and Buildings (estimated to realise Rs.1,65,000)	1,50,000
Plant and Machinery (estimated to produce Rs.90,000)	1,20,000
Fixtures and Fittings (estimated to Produce Rs.8,000)	12,000
Stock in Trade (estimated to produce 25% less)	80,000
Patents (estimated to produce Rs.45,000)	70,000

On 31st March 2015, the company's share capital stood at the share capital stood at the same figures as on 31st March 2021 but in addition, there was a General Reserve of Rs.65,000. In 2015-16 the Company earned a profit of Rs.1,43,000 but after that it suffered trading losses totalling in all Rs.4,67,000. In 2017-18 a speculation loss of Rs.91,000 was incurred. Preference dividend was paid for 2015-16 and 2016-17 and on equity shares a dividend of 15% was paid for 2015-16 only. Excise authorities imposed a penalty of Rs.1,60,000 for evasion of excise and income tax authorities imposed a penalty of Rs.60,400 for evasion of tax.

Prepare Statement of Affairs and the deficiency Account?

31. Pankajam Mills Ltd. was incorporated on 31st July 1977 to purchase the business of Hemalatha & Co., as on 1st April 1977. The books of accounts disclosed the following on 31st March 1978.

1. Sales for the year Rs. 32,10,400 (1st April to 31st July⁷⁷ Rs. 8,02,600; 1st July⁷⁷ to 31st March 1978 Rs. 24,07,800)
2. Gross Profit for the year Rs. 4,12,800; Managing Directors' Salary Rs. 12,000; Preliminary expenses written off Rs. 18,000. Company Secretary's salary Rs.58,000.
3. Bad Debts written off Rs. 14,890 (prior to 31st July Rs. 4,020, after 31st July Rs.10,870)
4. Depreciation on Machinery Rs.25,200; general expenses Rs.51,500; Advertising Rs. 7,400; Interest on debentures Rs.20,000.

You are required to prepare a statement apportioning properly the net profit of the company as between

- a) Profits available for distribution;
- b) Profits prior to incorporation

(2 x 15 = 30 Marks)

