

Reg. No. :

Name :

**Sixth Semester B.Com. LL.B (Five Year Integrated) Degree Examination,
February 2022**

Paper I – CORPORATE ACCOUNTING

Time : 3 Hours

Max. Marks : 80

PART – A

Answer any **five** of the following. Each question carries **2** marks.

1. What are "Sweat equity shares"?
2. What do you mean by stock option plan?
3. What is order writing?
4. State two sources of redemption of preference shares.
5. What is debenture stock?
6. What do you mean by divisible profits?
7. State any two features of amalgamation.

(5 × 2 = 10 Marks)

PART – B

Answer any **four** questions. Each question carries **4** marks.

1. What are the conditions under which a company can issue shares at a discount?
2. Give the journal entries that will be passed when partly paid up shares are made fully paid shares by bonus issue.

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3. Distinguish between internal reconstruction and external reconstruction.
4. A Ltd issued 4000 6% debentures of Rs. 100 each at Rs. 105. The debenture holders had the option of converting within one year, debentures into 8% participating preference shares of 100 each at Rs. 125. At the end of the first year the interest on debentures was outstanding. Holders of 200 debentures decided to take advantage of the option. Give journal entries in the books of the Company.
5. Following particulars are available from the books of Sun Ltd.:

Net before provision for income-tax and managerial remuneration, but after depreciation and provision for repairs Rs. 98,04,100; depreciation provided in the books Rs. 35,00,000 provision for repairs of machinery during the year Rs. 2,50,000; Depreciation allowable under schedule XIV of the companies Act, Rs. 28,00,000; Actual expenditure incurred on repairs during the year Rs. 1,50,000; You are required to calculate the managerial remuneration in the following cases :

- (a) If there is one whole-time director; and
- (b) If there are two whole-time directors, a part time director and a manager.

(4 × 4 = 16 Marks)

PART – C

Answer any **four** questions. **Each** question carries **6** marks.

1. A holds 100 shares of Rs. 10 each on which he has paid Re.1 per share as application money.

B holds 200 shares of Rs. 10 each on which he has paid Re.1 on application and Rs. 2 on allotment

C holds 300 shares of Rs. 10 each and paid Re.1 on application, Rs. 2 on allotment and Rs. 3 for the first call.

They all fail to pay their arrears and the second call of Rs. 2 per share and Directors, therefore, forfeited their shares. The shares of C were then reissued at Rs. 7 per share fully paid-up.

Give the necessary journal entries to record the above transactions.

2. The paid-up capital of Toy Ltd. amounted to Rs. 2,50,000 consisting of 25,000 equity shares of Rs. 10 each.

Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court.

The terms of reconstruction were as follows :

- (a) In lieu of their present holdings, the shareholders are to receive :
- (i) Fully paid equity shares equal to $\frac{2}{5}^{\text{th}}$ of their holding
 - (ii) 5% preference shares fully paid-up to the extent of 20% of the above new equity shares.
 - (iii) 3,000 6% second debentures of Rs. 10 each.
- (b) An issue of 2,500 5% first debentures of Rs. 10 was made and fully subscribed in cash.
- (c) The assets were reduced as follows :
- (i) Goodwill from Rs. 1,50,000 to Rs. 75,000
 - (ii) Machinery from Rs. 50,000 to Rs. 37,500
 - (iii) Leasehold premises from Rs. 75,000 to Rs. 62,500

Show the journal entries to give effect to the above scheme of reconstruction.

3. Prepare the balance sheet as at 31.3.2015 from the particulars furnished by M/s Pran Ltd. as per schedule III of the companies act.

Particulars	Amount Rs.	Particulars	Amount Rs.
Share capital	7,50,000	Capital redemption reserve	20,000
		Investment is 6%	
Calls in arrear	5,000	GP Notes (Tax Free)	3,00,000
Land	2,20,000	Surplus account	65,000
Building	2,00,000	Cash in hand	25,000
General Reserve	50,000	Debtors	10,000
Loan from IDBI	1,00,000	Stock	1,00,000
Sundry Creditors	1,50,000	Goodwill	25,000
Plant and machinery	2,50,000		

4. The X bank has on 30th September, 2014 issued capital of 50,000 shares of Rs. 100 each, Rs. 60 paid. Its reserves amount to Rs. 40,00,000. The X bank is amalgamated in the nature of purchase by the Z bank on 30th September, 2014 on the basis of allotment of one share in the Z bank for every three shares in the X bank. The share capital of the Z bank consists of 2,00,000 shares of Rs. 100 each, Rs. 70 paid up. The shares are quoted at Rs. 450 in the market but the issue is to be recorded at par. The reserves the Z bank were Rs. 1,00,00,000. On 31st March, 2015 the shareholders of the Z bank were paid dividend for the whole of the year 2014-15 at the rate of Rs. 40 per share. Journalise the entries in the books of Z bank Ltd.
5. Explain the various methods of computing Purchase consideration.

(4 × 6 = 24 Marks)

PART – D

Answer any **three** questions. **Each** question carries **10** marks.

1. The following was the balance sheet of Happy Homes Ltd as on 31 December 2015.

Liabilities	Rs.	Assets	Rs.
Authorised capital : 20,000 equity shares of Rs. 10 each	2,00,000	Goodwill	10,000
Issued, subscribed and paid up capital : 12,000 shares of Rs. 10 each	1,20,000	Machinery	50,850
Less : calls in arrear Rs 3 per share on 3000 shares	9,000	Preliminary expenses	1,500
Sundry creditors	15,425	Stock	10,275
Provision for taxes	4,000	Book-debts	15,000
	1,11,000	Cash at bank	1,500
		Profit and loss a/c as per last balance sheet	22,900
		Less : Profit for the year	2,100
		Land and building	20,500
	<u>1,30,425</u>		<u>1,30,425</u>

The directors have had a valuation made of the machinery and find it over-valued by Rs. 10,000. It is proposed to write down this asset to its true value and to extinguish the deficiency in the profit and loss account and to write off goodwill and preliminary expenses, by the adoption of the following course:

- (a) Forfeit the shares on which the call is outstanding
- (b) Reduce the paid up capital by Rs. 3 per share.
- (c) Re-issue the forfeited shares at Rs. 5 per share.
- (d) Utilise the provision for taxation, if necessary.

The shares on which the calls were in arrear were duly forfeited and re-issued on payment of Rs. 5 per share. You are required to draft the journal entries necessary and the balance sheet of the company after carrying out terms of the schemes as set above.

2. The assets of NASCO Ltd are purchased by the HISCO Ltd. The purchase consideration was as follows :

- (a) A payment in cash at Rs. 90 for every share in the NASCO Ltd.
- (b) A further payment in cash at Rs. 550 for every debenture in NASCO Ltd, which the debenture holders have agreed to accept in full discharge of their debentures.
- (c) An exchange of four shares of the HISCO Ltd of Rs. 75 each (quoted in the market at Rs. 140 each) for every share in NASCO Ltd.

The Balance sheet of NASCO Ltd. stood as follows when taken over

Liabilities	Rs.	Assets	Rs.
Capital :		Land and buildings	11,00,000
6,000 equity shares of Rs. 500 each	30,00,000	Plant and machinery	15,50,000
1,300 debentures of Rs. 500 each	6,50,000	Patents	2,40,000
Sundry creditors	2,50,000	Furniture and fittings	2,60,000
Workmen's savings bank	2,00,000	Work-in-progress	8,15,000

Liabilities	Rs.	Assets	Rs.
Insurance fund	65,000	Stock of goods	1,85,000
Reserve fund	2,75,000	Suundry debtors	2,65,000
Profit and loss a/c	60,000	Cash at bank	85,000
	<u>45,00,000</u>		<u>45,00,000</u>

Make the necessary closing entries in the journal of NASCO Ltd.

3. Following is the trial balance of Lakshmi Co. Ltd. as at 31st March 2015

	Rs.	Rs.
Stock, 31 st March, 2014	75,000	
Sales		3,50,000
Purchases	2,45,000	
Wages	50,000	
Discount		5,000
Furniture and fittings	17,000	
Salaries	7,500	
Rent	4,950	
Sundry expenses	7,050	
Surplus account 31 st March 2014		15,030
Dividends paid	9,000	
Share capital		1,00,000
Debtors and creditors	37,500	17,500
Plant and machinery	29,000	
Cash and bank	16,200	
Reserve		15,500
Patents and trade mark	4,830	
	<u>5,03,030</u>	<u>5,03,030</u>

Prepare statement of profit and loss for the year ended 31st March 2015 and balance sheet as at the date. Take into consideration the following adjustments:

- (a) Stock on 31st March, 2015 was valued at Rs. 82,000
 - (b) Depreciation on fixed assets @ 10%
 - (c) Make a provision for income tax @ 50%
 - (d) Ignore corporate dividend tax.
4. Explain the various provisions of capital reduction as given in the companies Act, 2013.

(3 × 10 = 30 Marks)