

Reg. No. : .....

Name : .....

**Sixth Semester B.Com. LL.B. (Five Year Integrated) Degree Examination,  
November 2019**

**Paper I : CORPORATE ACCOUNTING**

Time : 3 Hours

Max. Marks : 80

**PART – A**

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

1. What is AS-9?
2. What is forfeiture of shares?
3. What do you mean by debenture redemption by conversion?
4. What is contingent liability?
5. What is firm underwriting?
6. What is Internal Reconstruction?
7. What is basic EPS?

**(5 × 2 = 10 Marks)**

**PART – B**

Answer **any four** of the following questions. **Each** question carries 4 marks.

1. Explain the issue of shares at discount and issue of shares at premium.
2. Distinguish between Capital Reserve and Reserve Capital.
3. Explain the various methods of effecting internal reconstruction process.



4. Briefly explain the benefits of amalgamation.
5. X Ltd. was incorporated on August 1, 2017. It had acquired a running business of Y Ltd. with effect from April 1, 2017. During the year 2017-18 the total sales were Rs.36,00,000. The sales per month in the first half year were half of what they were in the later half year. The net profit of the company, Rs.2,00,000 was worked out after charging the following expenses :
- (a) Depreciation Rs.1,08,000,
  - (b) Audit fees Rs.15,000,
  - (c) Directors' fees Rs.62,000,
  - (d) Office expenses Rs.78,000,
  - (e) Selling expenses Rs.72,000 and
  - (f) Interest to Vendors up to August 31,2017.

You are required to calculate pre-incorporation and post-incorporation profit for the year ended 31<sup>st</sup> March, 2018.

(4 × 4 = 16 Marks)

#### PART – C

Answer **any four** of the following questions. **Each** question carries **6** marks.

1. Explain the significance of IFRS.
2. Taurus Ltd. forfeited 30 shares of Rs.10 each fully called up, held by Usha for non-payment of allotment money of Rs.3 per share and first and final call of Rs.4 per share. She had paid application money of Rs.3 per share. These shares were reissued to Gowri for Rs.8 per share. Pass necessary journal entries for forfeiture and reissue of shares.
3. Pluto Ltd. had Rs. 21,00,000 profit on 31<sup>st</sup> March, 2018 after making provision for depreciation and taxation. Rs. 1,30,400, profit was brought forward from last year. Following recommendations were made by the directors of the company to appropriate the profits :



- a) To transfer Rs.6,30,000 to general reserve.
- b) To pay Rs. 85,000 ex-gratia bonus to employees of the company.
- c) To declare dividend at 5% on 1,00,000 equity shares of Rs. 10 each fully paid.
- d) To transfer Rs. 45,000 to staff gratuity reserve
- e) To transfer Rs. 50,000 to development rebate reserve
- f) To transfer Rs.90,000 to deferred taxation reserve Prepare Profit and Loss Appropriation account.

4. From the following information relating to Z Ltd. calculate Diluted Earnings Per Share as per AS 20 :

	Rs.
Net Profit for the current year	2,00,00,000
Number of equity shares outstanding	40,00,000
Basic earnings per share	5.00
Number of 11% convertible debentures of Rs. 100 each	50,000
Each debenture is convertible into 8 equity shares	
Interest expense for the current year	5,50,000
Tax saving relating to interest expense (30%)	1,65,000

5. The following is the Balance Sheet of Jupiter Ltd on the date of its acquisition by Venus Ltd.

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Share capital	8,00,000	Goodwill	3,00,000
Debentures	3,00,000	Land and Building	2,60,000
Sundry creditors	1,00,000	Plant and Machinery	1,75,000



Liabilities	Rs.	Assets	Rs.
General Reserve	1,60,000	Investments	1,00,000
Profit and Loss account	1,40,000	Stock	2,75,000
		Sundry debtors	90,000
		Bank	60,000
		Preliminary expenses	2,40,000
	<u>15,00,000</u>		<u>15,00,000</u>

On acquisition, good will is valued at Rs. 4,00,000, Land and Building at Rs. 3,00,000, Plant and Machinery at Rs. 1,57,500, and Investments at Rs. 1,35,000. Sundry creditors are taken over at Rs. 95,000. Calculate purchase consideration.

(4 × 6 = 24 Marks)

#### PART – D

Answer **any three** of the following questions. **Each** question carries **10** marks.

1. Distinguish between amalgamation and absorption. Also give journal entries in the books of Vendor Company.
2. The following is the Balance Sheet of Solar Ltd. as on 31<sup>st</sup> March 2018.

Liabilities	Rs.	Assets	Rs.
Share capital :		Land and Buildings	10,00,000
2,00,000 shares of Rs.10	20,00,000	Plant and Machinery	15,00,000
each		Furniture	25,000
General reserve	2,50,000	Stock	6,00,000
Dividend equalisation reserve	2,00,000	Work-in-progress	3,00,000
Profit and Loss account	51,000	Sundry debtors	2,50,000
12% Debentures	10,00,000	Cash at bank	1,26,000
Sundry creditors	3,00,000		
	<u>38,01,000</u>		<u>38,01,000</u>



The company was absorbed by Mercury Ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of sundry creditors and a payment of Rs.7 in cash and one share of Rs.5 in Mercury Ltd. at the market value of Rs.8 per share for every share in Solar Ltd. The cost of liquidation of RS.15,000 is to be met by the purchasing company.

Give journal entries and Ledger accounts in the books of Solar Ltd.

3. Following a series of losses AMK Ltd., resolved to reduce its capital to 50,000 fully paid Rs.5 and to eliminate securities premium account. The company's Balance Sheet prior to implementation of the scheme was :

Liabilities	Rs.	Assets	Rs.
50,000 shares of 10 each fully paid	5,00,000	Goodwill	1,00,000
Securities Premium A/c	50,000	Land and Buildings	1,62,000
Creditors	62,000	Plant and Machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit and Loss A/c	50,000
	<u>6,85,000</u>		<u>6,85,000</u>

It was resolved to apply the sum available under scheme :

- To write off goodwill
- To write off debit balance in Profit and Loss account
- To reduce the book values of assets by the following amounts :

Land & Buildings Rs. 42,000; Plant & Machinery Rs. 67,000; Stock Rs. 33,600

- To provide a bad debts reserve of 10% of the book value of debtors. Give Journal entries to give effect to the scheme and prepare the new balance sheet.



4. Prepare a Balance Sheet (Vertical form) of Sreelakshmi Ltd. as at 31<sup>st</sup> March, 2018 from the particulars given below :

Trial Balance as at 31<sup>st</sup> March, 2018

	Dr.	Cr.
	Rs.	Rs.
Furniture and Fittings	15,300	
Debtors and Creditors	37,500	17,500
Surplus		27,238
Share Capital (10,000 equity shares of Rs.10 each)		1,00,000
Plant and Machinery	26,100	
Patents	4,347	
Stock	82,000	
Cash in hand and at bank	16,200	
Provision for taxation		21,209
Reserve		15,500
Total	1,81,447	1,81,447

Additional Information :

- (a) The cost of assets on 1<sup>st</sup> April, 2017 :

	Rs.
Furniture and fittings	17,000
Plant and Machinery	29,000
Patents	4,830



- (b) Profit before tax on 31<sup>st</sup> March, 2018 was Rs. 42,417
- (c) Dividend paid Rs.9,000
- (d) Ignore corporate dividend tax
- (e) Provision for tax was created on PBT at 50%.

**(3 × 10 = 30 Marks)**