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Bachelor of Commerce 2nd Semester

1059

CORPORATE ACCOUNTING

Paper-BCM -205

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— (1) From Section A \Rightarrow Attempt any four out of six questions.
Each carries 5 marks.

(2) From Section B and Section C \Rightarrow Attempt any two out of four questions from each Section. Each carries 15 marks.

SECTION—A

1. What are Sweat Equity Shares ? Under which conditions these can be issued by a company ?
2. XYZ Ltd decides to buyback 25% of its Rs. 4 crores paid up equity capital. The face value per equity share is Rs. 10 whereas the market price is Rs. 25. XYZ Ltd. takes the following steps for buyback of its shares :—
 - (a) To issue 14% debentures of Rs. 100 each at par for face value of Rs. 1 crore at par.
 - (b) To utilise general reserve to the extent required.

(c) To sell investments of Rs. 50,00,000 for Rs. 52,00,000.

(d) To buy back the shares at the market price.

Journalise the above transactions.

3. Net profit calculated by Vaikarai Ltd. for the year ending 31-12-2018 is as follows :

To Salary	50,000	By Gross Profit	6,00,000
To Depreciation on Fixed Assets	70,000	By Profit on Investment	2,50,000
To Administrative Expenses	3,30,000		
To General Expenses	50,000		
To Voluntary Compensation	25,000		
To Net profit	3,25,000		
	8,50,000		8,50,000

Depreciation is allowed as per Income Tax Rs. 45,000. Calculate Managerial Remuneration at 11% on net profit after charging such commission.

4. What is underwriting ? What are the advantages of underwriting of shares ?

5. Journalise the following transactions at the time of issue and redemption of debentures :—

- (a) A debenture issued at Rs. 95, repayable at Rs. 100.
- (b) A debenture issued at Rs. 95, repayable at Rs. 105.
- (c) A debenture issued at Rs. 100, repayable at Rs. 105.
- (d) A debenture issued at Rs. 105, repayable at Rs. 100.
- (e) A debenture issued at Rs. 102, repayable at Rs. 105.

Note :— The face value of each debenture is Rs. 100.

6. The GL Assurance Co. Ltd. prepare its Revenue Account for the year ended 31st March, 2018 and ascertained its Life Fund to be Rs. 56,70,000. It was found later that the following had been omitted from the Accounts :—

- (a) Interest accrued on investments Rs. 78,000; income tax liable to be deducted estimated to be Rs. 21,000.
- (b) Outstanding premium Rs. 65,600.
- (c) Bonus utilised in reduction of Premium Rs. 13,500.
- (d) Claims intimated but not yet admitted Rs. 34,800.
- (e) Claims covered under reinsurance Rs. 13,000.

What is true Life Assurance Fund ?

4×5

SECTION—B

7. Explain the procedure for formation of a company and give the journal entries for issue of shares from application money to final call.

8. What are the legal requirements for buy back of shares ? Also give advantages and disadvantages of buy back of shares.
9. Punjab Computers Ltd. invited applications for 2,00,000 equity shares of Rs. 10 each on the following terms :—

Payable on application on Jan. 1, 2018 Rs. 5 per share

Payable on allotment on Feb. 28, 2018 Rs. 3 per share

Payable on first and final call on June 30, 2018 Rs. 2 per share.

Applications for 2,50,000 equity shares were received.

It was decided :—

- (1) to refuse allotment to applicants for 10,000 shares.
- (2) to allot in full to applicants for 40,000 shares.
- (3) to allot the balance available shares pro-rata among the other applications.
- (4) to utilise excess application money in part payment of allotment moneys.

Mohinder to whom shares had been allotted on pro-rata basis did not pay the amount due on allotment and on the call and his 200 shares were forfeited. These shares were reissued on October 31, 2018 at Rs. 9 fully paid. Show the Journal entries and necessary Ledger Accounts.

10. X Co. Ltd. was incorporated on 1-8-2017 to take over the business of M/s X and Y as a going concern as from 1-4-2017.

Figures of the company for the year ending 31-3-2018 were as follows :—

	Rs.		Rs.
To Salaries and Allowances	60,000	By Gross Profit	2,00,000
To Rent and Taxes	23,000		
To General Expenses	7,200		
To Director's Fees	3,000		
To Selling Expenses	4,000		
To Discount on Sales	1,000		
To Advertisement	3,000		
To Audit Fees	4,500		
To Formation Expenses	1,800		
To Miscellaneous Expenses	1,500		
To Interest on Debentures	1,400		
To Interest to Vendors			
(upto 30-9-2017)	6,000		
To Repair to Buildings	1,200		
To Depreciation	2,400		
To Net Profit	80,000		
	2,00,000		2,00,000

Following is the further information :—

- (a) Rent was paid at Rs. 1,000 per month upto 1-8-2017 and thereafter it was increased to Rs. 2,000 per month.

- (b) The average monthly Sales for the first 4 months during the year was Rs. 60,000 whereas the average monthly Sales for the subsequent period was Rs. 70,000.

Prepare Statement of Profit and Loss showing profit prior to incorporation and profit after incorporation of the company.

15×2

SECTION—C

11. What do you mean by redemption of debentures ? Explain the various methods of redemption of debentures.
12. Prepare (with imaginary figures) the Balance Sheet of an insurance company carrying on fire, marine and miscellaneous insurance business.
13. Sanjay Ltd. issued 4,00,000 equity shares which were underwritten by three underwriters as follows :

A : 2,40,000 shares; B : 1,00,000 shares; C : 60,000 shares.

There was firm underwriting also as under :—

A : 32,000; B : 12,000 shares; and C : 40,000 shares.

The total subscription excluding shares underwritten firm, but including marked applications were for 2,00,000 shares. The marked applications were as follows :—

A : 40,000 shares; B : 80,000 shares; C : 20,000 shares.

Ascertain the respective liabilities of underwriters :—

- (i) When firm underwriting shares were treated at par with marked applications.
- (ii) When firm underwriting shares were treated at par with unmarked applications.

14. The following balances appeared in the books of Paradise Ltd. on 1-4-2017 :—

- (i) 12% Debentures Rs. 7,50,000
- (ii) Balance of Sinking Fund Rs. 6,00,000
- (iii) Sinking Fund Investment Rs. 6,00,000 represented by 10% Rs. 6,50,000 secured bonds of Government of India. Annual Contribution to the Sinking Fund was Rs. 1,20,000 made on 31st March each year. On 31-3-2018 balance at bank was Rs. 3,00,000 before receipt of interest. The company sold the investment at 90% for redemption of debentures at a premium of 10% on the above date. You are required to prepare the following Accounts for the year ended 31st March, 2018 :—

- (1) Debenture Account;
- (2) Sinking Fund Account;
- (3) Sinking Fund Investment Account;
- (4) Bank Account
- (5) Debentureholders Account.

15×2