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Fourth Semester B Com Degree Examination, July 2019

First Degree Programme **under CBCSS**

Core Course : CO 1443/CC 1444 : CORPORATE ACCOUNTING

(Common **for** Commerce/Commerce **with** Computer Application)

(2014 Admission onwards)

Time 3 Hours

Max. Marks 80

SECTION – A

Answer **all** questions

1. Define absorption.
2. What is Capital Reserve?
3. What is Interim dividend?
4. What is purchase consideration?
5. What is Reduction of capital?
6. What is conversion of shares?
7. Define contingent liability
8. What is Net Payment Method?
9. What is intrinsic value of shares?
10. What is IFRS?

(10 × 1 = 10 Marks)

P T O

SECTION – B

Answer any **eight** questions.

11. What are the classification of Reserves?

12. Explain the types of Amalgamation.

13. What are the steps involved in the ascertainment of profit or loss prior to incorporation?

14. What are the difference between Amalgamation and absorption?

15. When internal reconstruction is required?

16. What are the objectives of Accounting Standards?

17. Explain the treatment of provision for taxation.

18. What are the difference between Amalgamation in the nature of purchase and in the nature of merger?

19. What are the items come under Inventories?

20. What is deferred tax?

21. Define Depreciation.

22. What is AS 22?

(8 × 2 = 16 **Marks**)

SECTION – C

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

23. What are the accounting entries in the books of transferee company?

24. *X* Ltd. resolved to convert. Its 30,000 equity shares of ₹ 10% each fully called up, to same number of equity shares of ₹ 7 each and to utilize the amount to write off P & L a/c (Dr) ₹ 60,000 and goodwill ₹ 30,000. Give journal entries.

25. Following is the capital structure of A Ltd.

	₹
Equity share capital on 31.3.16 (7,00,000 shares of 10% each)	7,00,000
8% non-cumulative preference shares (1,00,000 shares of 10%)	10,00,000
10% cumulative preference shares 3,00,000 shares of 10%	30,00,000

The profits of the company for the year ended 31.3.16 before providing for preference dividend is ₹ 12,00,000. Calculate Basic EPS.

26. Following Balance Sheet of Trinity Ltd. as on 31.3.13.

	₹		₹
Equity capital	3,00,000	Land and Buildings	3,00,000
General Reserve	1,60,000	Plant and Machinery	1,60,000
P & L A/c	40,000	Stock	40,000
Investment allowance :		Debtors	1,30,000
Reserve	1,40,000	Bank	70,000
Creditors	60,000		
	7,00,000		7,00,000

Famous Ltd. requires the business for ₹ 7,20,000, ₹ 1,20,000 to be paid in cash and the balance in equity shares of 10% each at a premium of ₹ 5 per share. For the purpose, land and building revalued at ₹ 3,60,000 and stock at ₹ 30,000. It was decided that the investment allowance reserve is to continue in the books. Give journal entries in the books of famous Ltd.

27. The following is the Balance Sheet of B Ltd. as on 31st March 2015

Liabilities	₹	Assets	₹
Share capital		Fixed Assets	83,00,000
50,000 shares of 100% each	50,00,000	Current assets	69,00,000
Capital reserve	10,00,000	Investments	17,00,000
General reserve	36,00,000	Goodwill	2,00,000
Unsecured Loans	22,00,000		
Sundry creditors	42,00,000		
Provision for taxation	11,00,000		
	1,71,00,000		1,71,00,000

B. Co. Ltd is amalgamated with Beesons Ltd. as on 31.3.15 on which date the balance sheet on Beesons Ltd. as follows :

Beesons Ltd.

Liabilities	₹	Assets	₹
Share capital		Fixed assets	1,60,00,000
8,00,000 shares of 10	80,00,000	Current assets	1,68,00,000
General reserve	1,00,00,000		
Secured loans	40,00,000		
Sundry creditors	46,00,000		
Provision for tax	52,00,000		
Provision for dividend	10,00,000		
	3,28,00,000		3,28,00,000

For the purpose of the amalgamation the goodwill of B Ltd. is considered valueless. There are also arrears of depreciation in B Co. Ltd. amounting to 24,00,000. The shareholders in B Co. Ltd. are allotted, in full satisfaction of their claims. Shares in Beeson Ltd. in the same proportion as respective intrinsic value of shares of 2 companies bear to one another.

Pass journal entries in the books of Both companies.

28 From the following Trial Balance and adjustments show the treatment of income tax and provision accounts.

	Debit	Credit
Provision for taxation		40,000
Advance tax	25,000	
Tax deducted of source	3,000	

Adjustments :

Income tax of the previous year has been settled at ₹ 44,000 against which the advance tax and tax deducted at source are to be adjusted.

Make a provision of income ₹ 50,000.

29. Deepika Ltd. purchased a running business on 1st Jan. 2015 from Narayan. Deepika was incorporated on 1st May 2015. The combined P & L of the Co. prior and after incorporation is as under :

P & L A/c for the year ended 31.12.15

	₹		₹
To Rent, rates, salaries	12,000	By G/P	1,56,000
To Directors fee	3,600		
To Discount received	6,000		
To Preliminary exp.	4,900		
To Carriage outward and Selling exp.	5,500		
To Interest paid to vendors	10,000		
To N/P	1,14,000		
	1,56,000		1,56,000

Following further information :

(a) Sales upto 30.4.15 were 3,00,000 out of total sales ₹ 15,00,000 of the year

(b) Purchase upto 30.4.15 were ₹ 3,00,000 out of total purchase of ₹ 9,00,000 of the year

(c) Int. paid to vendors 1.11.05 @ 12% p.a. on ₹ 1,00,000 being purchase consideration

Ascertain profit prior incorporate.

30. From the following information prepare a profit and loss appropriation account of Jai Ltd. for the year ended 31st March 2015.

	₹
P & L a/c balance (Cr) as 1.4.2014	1,28,000
Net profit of the year ended on 31.3.2015	3,25,000
Transfer to General Reserve	30,000
Transfer to Dividend Equalisation reserve	1,00,000
Dividend proposal @ 10% on preference shares capital of	5,00,000
Dividend proposal @ 12% on equity share capital of	10,00,000

31. Write about External Reconstruction.

(6 × 4 = 24 Marks)

SECTION – D

Answer any **two** questions not exceeding **4** pages. Each question carries **15** marks.

32. Ajantha Ltd. has an authorised capital of ₹ 13,00,000 consisting of 1,30,000 equity shares of ₹ 10 each. Trial Balance of the company on 31st March 2015 was as follows :

Debit Balance	₹	Credit Balance	₹
Opening stock	16,000	Sales	3,60,000
Purchase	1,26,000	Commission	10,000
Calls in arrear	20,000	Creditors	1,76,000
Salary	63,000	Bank overdraft	10,000
Office expenses	12,000	P & L a/c	44,000
Selling expenses	56,000	Share capital	8,00,000
Cash	12,000		
Bank	86,700		
Sundry debtors	12,300		
Buildings	3,00,000		
Plant	2,00,000		
Goodwill	4,96,000		
	14,00,000		14,00,000

(a) Stock at the end ₹ 36,000

(b) Provide depreciation on plant @ 15%

(c) Provide for taxation ₹ 20,000

(d) Directors recommend a dividend @ 8% on paid up capital

(e) Transfer to General Reserve ₹ 26,000

(f) Assume a corporate dividend tax of 17%

Prepare final accounts of the company.

33 Following is the Balance Sheet of Unfortunate Ltd.

	₹		₹
Equity share capital (40,000 shares ₹ 10)	4,00,000	Goodwill	3,00,000
		Land and Building	1,00,000
Creditors	2,00,000	B/R	20,000
B/P	1,00,000	Bank	30,000
		P & L a/c	2,50,000
	7,00,000		7,00,000

Lucky Ltd is incorporated with a nominal capital of ₹ 8,00,000 to acquire unfortunate Ltd. for ₹ 2,00,000 to be satisfied by the issue of equity shares of ₹ 10 each. Lucky ltd. issued ₹ 3,00,000 12% debentures to raise the necessary funds for its working.

Prepare Balance Sheet.

34. The following scheme is prepared and sanctioned :

(a) Each share should be dividend into shares of ₹ 5 each

(b) After sub-division, each shareholder shall surrender 95% of their holding for the purpose of re-issue to debenture holders and creditors so far as required

(c) Of the surrendered shares of 46,000 shares of ₹ 5 each shall be converted into 14% redeemable of preference shares of ₹ 5 each fully paid

(d) The debenture holders total claims should be reduced to ₹ 2,30,000. This will be satisfied by the issue of 46,000 redeemable preference shares to them

(e) The liability to income tax should be paid in full

(f) The claims of trade payable should be reduced by 80% and the balance should be satisfied by allotting them equity shares of ₹ 5 each. Out of shares surrendered

(g) Shares surrendered and not re-issued shall be cancelled

(h) Land and buildings is heavily re-valued. Give journal entries and reconstructed balance sheet

35. What is Accounting Standard? Explain about Indian and International Accounting Standard.

(2 × 15 = 30 Marks)
