

CREDIT BASED FIFTH SEMESTER B.Com.DEGREE EXAMINATION
OCTOBER 2012
FINANCIAL ACCOUNTING - V

Time: 3 Hrs

Max. Marks: 120

SECTION - A**Answer any THREE questions:****3X20=60**

1. The following is the Trial Balance of Roshan Ltd., as on 31-3-2011.

	Debit `	Credit `
Share Capital	----	30,000
Calls in arrears	500	----
Stock on 1-4-10	2,720	----
Purchases & Sales	29,120	36,310
Salaries	4,100	----
Investment	9,000	----
Reserve	----	10,000
Plant	8,000	----
Debtors & Creditors	14,200	7,020
Goods sent on consignment	1,720	----
Cash	26,720	----
Provision for taxation	----	10,000
Dividend on investments	----	620
Income Tax paid	2,100	----
Profit and Loss A/c on 1-4-2010	----	6,050
Other expenses	1,820	----
	1,00,000	1,00,000

Adjustments:

- Stock on 31-3-2011 is `10,000
- R.B.D. is to be credited at 10%
- Proposed dividend will be at 10%
- Depreciate plant at 10%p.a.
- Transfer `5,000 to reserve
- All the goods sent on consignment have been sold for `2,000. Consigners expenses are `115 and his commission `35.
- Provision for taxation required for 2011-12 is `7,000. The tax liability of the previous year is estimated to be `8,000.

Prepare the Final Accounts of Roshan Ltd., in the vertical form.

2. On 1st January, 2005 A Ltd., issued `2,000, 6% debentures of `100 each repayable at the end of four years at a premium of 5%. It was decided to institute a sinking fund for the purpose, the investments being expected to realize 4% net. Sinking Fund tables show that 0.235490 annually amounts to `1 at 4% in four years. Investments were made in multiples of `10 only. On 31st December, 2008 the balance at bank was `59,000 (before receiving interest on investment) and the investments realized `1,56,800. The debentures were paid off.

Prepare necessary ledger accounts.

3. The assets and liabilities of Bright Ltd., as on 1st 2010 was as follows:

Liabilities	`	Assets	`
Authorised capital		Goodwill	20,000
80,000 equity shares of `10 each	8,00,000	Land and Building	1,60,000
2,000 9% preference shares of		Plant and Machinery	1,20,000

Issued and paid up capital 40,000 equity shares of `10 each	2,00,000	Investments	24,000
`750p.a. shares paid up 2,000 9% preference shares of `100 each fully paid up	3,00,000	Stock	54,000
Unsecured loan	2,00,000	Debtors	1,18,000
Trade creditors	80,000	Cash in hand	6,000
Bank overdraft	48,000	Profit and Loss A/c	1,42,800
	16,800		
	6,44,800		6,44,800

Note:

- Dividends on preference shares are in arrears for 2 years.
- No provision has been made for sales tax liability of `9,600

Following scheme of reconstruction has been prepared and sanctioned.

- Uncalled Capital is to be called up in full and equity shares are to be reduced to `5 per share.
- Shares tax liability of `9,000 is to be paid immediately.
- Land and Buildings are to be shown in the balance sheet at full market value of `2,20,000 and goodwill is to be written off.
- Trade creditors have consented to forego 25% of their liability on a condition that 25% of the net liability is to be paid immediately and the balance is to be paid within one year.
- Investments are to be taken over by bank is full settlement of the overdraft balance.
- Preference shareholders have agreed to given up their right for the two year's dividend and accept twelve fully paid equity shares of `5 each for each fully paid preference share.

You are required to a) pass journal entries to record the above transactions and b) draw up a fresh balance sheet after giving effect to the scheme of reconstruction.

4. The following are the Balance Sheet as on 31-12-2010 of x Ltd and Y Ltd.

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Equity share capital (`100 per share)	1,00,000	60,000	Land and Building	30,000	-----
6% debentures of `10 each	20,000	-----	Plant and Machinery	1,10,000	50,000
Reserve Fund	34,000	-----	Stock	16,000	8,000
Dividend Equalisation Fund	4,000	-----	Cash	3,00	1,000
Employees provident Fund	3,000	-----	Debtors	14,000	9,000
Trade creditors	10,000	8,000			
Profit and Loss A/c	2,000	-----			
	1,73,000	68,000		1,73,000	68,000

The two companies agree to amalgamate and form a new company called 'Z' Ltd. which takes over the assets & liabilities of both the companies. The authorized share capital of 'Z' Ltd is `10,00,000 consisting of `1,00,000 equity shares of `10 each.

The assets of X Ltd., are taken over at a reduced valuation of 10% with the exception of land and building which are accepted at book value.

Both the companies are to receive 5% of the net valuation of their respective business as goodwill. The entire purchase price is to be paid by Z Ltd., is full paid shares. On return for debentures is X Ltd, debentures of the same amount and denomination are to be issued by Z Ltd.

Prepare the realization A/c and shareholders A/c in the books of X Ltd. Write journal entries in the

books of Z Ltd and also prepare the opening balance sheet of Z Ltd assuming that amalgamation is in the nature of purchase.

SECTION – B

Answer any FOUR questions:

4X10=40

5. What is internal reconstruction and explain the different forms of internal reconstruction in brief.
6. Narmada Company Ltd. invited applications for 10,000 shares of `100 each at a discount of 10% payable `20 on application, `25 on allotment, `30 on first call and the balance on final call. Applications were received for 15,000 shares and applicants for 12,000 shares were allotted 10,000 shares on pro-rata basis. All the sums due were received in full.

Show journal entries in the books of the company.

7. A Ltd. Co. has 60,000 5% debentures outstanding on 1st January 2011. On that date, the Debenture Redemption Fund stood at `50,000 represented by `59,000 3% government securities. The annual instalment added to Debenture Redemption Fund is `8,230.

On 31st December 2011, the balance at bank (after entered on investment has been received) was `15,640. On that date investments realized at 83% net and the debentures were paid off.

Prepare Debentures Redemption A/c, Debenture Redemption Fund Investments A/c and Bank A/c for the year 2011.

8. Amar Ltd and Bharath Ltd., were amalgamated on 1st April 2010. A new Company Chirag Ltd., was formal to take over business of existing companies. The Balance Sheet of Amar Ltd. and Bharath Ltd., as on 31st March 2010 were as follows:

	Amar Ltd.	Bharath Ltd.
<u>Share Capital</u>		
Equity shares of 10 each	6,00,00	4,00,000
12% pref. shares of 100 each	3,00,000	2,00,000
<u>Reserves & Surplus</u>		
Capital reserve	2,00,000	1,50,000
General Reserve	3,00,000	1,50,000
Profit & Loss A/c	1,00,000	50,000
Secured loans	4,00,000	2,00,000
Trade creditors	3,00,000	1,00,000
Tax provision	2,00,000	50,000
	24,00,000	12,30,000
Fixed assets	12,00,000	8,00,000
Depreciation	2,00,000	1,50,000
	10,00,000	6,50,000
Investments	4,00,000	1,50,000
<u>Current assets</u>		
Stock	3,00,000	1,50,000
Debtors	4,00,000	2,00,000
Cash and bank balance	3,00,000	1,50,000
	3,00,000	1,50,000

24,00,000	13,00,000
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Other information:

- 1) Preference shareholders of the two companies are issued equivalent number of 15% preference shares of Chirag Ltd.
- 2) Chirag Ltd. will issue one equity share of `10 each for every share of Amar Ltd. and Bharath Ltd.

Prepare the Balance Sheet of Chirag Ltd., on the assumption that the amalgamation is in the nature of merger.

9. The Balance Sheet of Chaitra Ltd., as on 31-12-2011 was as follows.

Liabilities	`	Assets	`
Share Capital		Goodwill	2,00,000
30,000 8% preference shares of `10 each	3,00,000	Land	4,00,000
1,00,000 equity shares of `5 each	5,00,000	Machinery	2,50,000
14% debentures	2,00,000	Tools	1,00,000
Creditors	3,00,000	Stock	1,00,000
		Debtors	65,000
		Cash	10,000
		Profit and Loss A/c	1,75,000
	1,30,000		1,30,000

On this date, it was decided to reconstruct the company and the following scheme of reconstruction was agree on

- 1) The creditors to accept 14% debentures to the extent of half of their due and the salaries to be paid after six months
- 2) The preference shares to be reduced to shares of `5 each
- 3) Equity shares to be reduced to shares of `1 each.
- 4) The debit balance of Profit & Loss A/c and goodwill to be written off.
- 5) Land to be reduced by `79000, Machinery by `40,000 and tools by `48,000.
- 6) RBD to the extent of `8,000 is to be created.

Give journal entries and reconstructed Balance Sheet.

SECTION - C

Answer all the questions:

4X5=20

10. What do you mean by issue of shares at a premium? State the legal provisions as to the utilization of share premium by a company.
11. Pass the necessary journal entries for the following issue.
 - 1) 7 ½ debentures issued at par redeemable at 5% premium amount `1,00,000.
 - 2) 7 ½ debentures issued at 10% discount redeemable at 5% premium amount `1,00,000.
12. The Trial Balance of C Ltd., as at 31st March 2010 shows the following:-

Item	Dr.	Cr.
Income tax paid	2,20,000	-----
Provision for taxation for the year ended 31-3-2009	-----	1,80,000

The following further information is given:

- i) Actual tax liability for 2008 – 09 amounts to Rs.1,52,000. No effect for the same has so far been given in the accounts.
- ii) Provision for income tax has to be made for 2009-10 for `1,60,000.

Show how these items will appear in the Profit and Loss Account and Balance Sheet of the Co.

13. On 1st January 2008, Raja Ltd issued 2000 5% debentures of `100 each repayable at the end of 4 years at a premium of 5%. It has been decided to set by a sinking fund for the purpose. The annual instalment set aside is `49,453. Show the Sinking Fund A/c for the years assuming the rate of interest on investments to be 4%p.a.

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CORPORATE ACCOUNTING – I

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Provide working notes wherever necessary.

SECTION – A

Answer any Three questions:

3x25=75

1. On 1st January 2008 Sangam Ltd, issued 1,000, 9% debentures of `100 each at par repayable at a premium of 5%. It was decided to institute a Debenture Redemption Fund for the purpose of redemption, the investments being expected to earn 4% net. The Sinking Fund table shows that Re 0.235490 annually amounts to rupee one at 4% in four years. Investments were made in multiples of `100 only.

On 31-12-2011 the balance at bank was `37,000 (after interest on investment has been received) and the investments realized `78,400. The debentures were paid off. Show Debenture Redemption Fund A/c, Sinking Fund Investment A/c, Debentures A/c, Bank A/c, Debenture holders A/c in the books of the company.

2. The following is the Balance Sheet of Rangoon Ltd., as on 31-3-2013.

Liabilities	Amount	Assets	Amount
50,000 Equity shares of `10 each, `7.50 per share paid up	3,75,000	Goodwill	1,20,000
9% 20,000 Cumulative Preference shares of `10 each fully paid up	2,00,000	Plant & Machinery	2,80,000
11% Debentures	2,00,000	Land & Buildings	2,00,000
Bank overdraft	50,000	Stock in trade	95,000
Sundry Creditors:		Sundry debtors	65,000
For trade	72,000	Cash at Bank	50,000
For debentures interest due	44,000	Profit and Loss account	1,50,000
For expenses	17,000		
For bank interest	<u>2,000</u>		
	1,35,000		
	9,60,000		9,60,000

The preference dividend was in arrears for three years. Finding itself in a difficult situation, the company formulated a scheme of reconstruction and obtained the approval of the authorities and parties concerned.

The scheme in its essentials consisted of the following:

- a) Cumulative Preference shareholders would give up their rights to dividends in arrears.
- b) Interest due on debentures would be waived to the extent of 50% and for the balance, equivalent value in debentures would be issued at a discount of 12%.
- c) Bank would scale down its interest calculation from 16% to 10%.
- d) Sundry creditors (for trade) agreed to bring down their claims to 90%.
- e) Goodwill to be written off fully, plant and machinery to be depreciated by 20%, stock in trade by 10% and doubtful debts to the extent of 40% of the total outstanding to be written off.
- f) Land and buildings to reflect their market value of `3 Lakhs.
- g) Cost of reconstruction amounting to `15,450 to be written off.
- h) The equity shareholders agree to suffer such reduction in their claims as is necessary to put the scheme into operation.

Pass the journal entries and draw up the Balance Sheet of the company after reconstruction.

3. The following trial balance was extracted from the books of Narmada Industries Ltd., as on 31st March 2013.

	Dr. (₹)	Cr. (₹)
Cash in hand	250	
Unpaid calls	600	
Professional charges	2,570	
Income tax paid	10,000	
Sundry debtors	1,27,000	
Bank charges	1,430	
Advertising	3,000	
Office equipments	10,600	
Motor vehicles at cost	49,900	
Purchases	8,72,400	
Stock on 31-3-2012	69,000	
Motor car expenses	5,000	
Travelling and conveyance	14,900	
Rent, rates etc.,	12,000	
Repairs and maintenance	3,200	
Salaries	54,500	
Director's remuneration	15,000	

Printing and stationery	4,900	
Office expenses	8,850	
Share capital (8000 shares of `10 each)		80,000
Provision for taxation (31-3-2012)		16,900
Profit & Loss A/c		44,000
Bank overdraft		16,000
Sales		10,42,000
Provision for doubtful Debts at 31-3-2012		4,200
Sundry creditors		62,000
	12,65,100	12,65,100

You are required to prepare Profit and Loss Account and Balance Sheet for the year ended 31-3-2013 after taking into the following further information, in the vertical form with relevant schedules.

- Debts amounting to `3,600 are to be written off as bad and the provision for bad and doubtful debts is to be increased to `6,150.
- Sundry debtors include goods supplied on 'Sale as Return' basis amounting to `4,800. These goods cost `4,000 and on March 31,2013 one half had been retained by the customers.
- The stock in godown at 31-3-2013 is valued at `81,000.
- The motor vehicle expenses include licenses for the year ended December 31 2013 which cost `1 200 and

insurance for the year to September 30, 2013 which cost `2,000.

- e) Expenditure on repairs outstanding amounting to `800.
- f) Depreciate motor vehicles at 20% and office equipment at 10%.
- g) Provide for audit fee `5,000.
- h) Income tax liability for the accounting year ended 31-3-2012 has been determined at `15,050. For the accounting year ended on 31-3-2013 the provision for taxation is to be `23,500.

4. A Ltd., and B Ltd, agree to amalgamate and form a New Company C Ltd., which will take over all the assets and liabilities of the two existing companies. The assets and liabilities of A Ltd., are to be taken over at book value. C Ltd., issues 5 shares at a premium of 10 percent for every 4 shares in A Ltd., towards purchase consideration.

In the case of B Ltd:

- i) The Debentures of B Ltd. would be paid off by the issue of an equal number of debentures in C Ltd., at a discount of 10 percent.
- ii) The holders of 6% preference shares of B Ltd., would be allotted 4 (four) 7% preference shares in C Ltd., for every 5 (five) preference shares held in B Ltd.
- iii) The equity shareholders would be allotted sufficient shares to cover the balance on their accounts after adjusting asset value by reducing plant and machinery by 10 percent and providing 5 percent on Sundry Debtors. Equity Shares to B Ltd. were also issued at 10% premium.

The summarised Balance Sheets of A Ltd. and B Ltd on the date of merger were as follows:

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Equity shares of `10 each	4,00,000	5,00,000	Plant & Machinery	8,00,000	8,00,000
6% Preference shares of `100 each	---	3,00,000	Stock	65,000	60,000
4% Debentures	---	2,00,000	Sundry debtors	95,000	50,000
Profit & Loss A/c	5,00,000	---	Cash & Bank balance	65,000	40,000
Contingency Reserve	50,000	---	Profit & Loss A/c	---	1,40,000
Sundry Creditors	75,000	90,000			
	10,25,000	10,90,000		10,25,000	10,90,000

Show the ledger accounts in the books of A Ltd., and B Ltd., pass journal entries draw up the opening balance sheet of C Ltd.

SECTION – B

Answer any Three questions:

3x10=30

5. On 1st January 2010 the following balances appeared in the books of Chandrika Ltd:

16% Debentures `1,00,000

Debenture Redemption Reserve Fund `80,000

Debenture Redemption Reserve Fund Investments `80,000

The investments consisted of 14%, Mangalore City Corporation Bonds of the face value of `90,000

The Annual Instalment was `16,400

On 31st December 2010 the balance at bank was `22,600 (before receiving interest on investment). The investment realized at 92% net & the debentures were redeemed.

Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, Debenture A/c, Debenture Holders A/c and Bank A/c.

6. The following is the Balance Sheet of Week Ltd., as on 31-3-2013.

Liabilities	Amount	Assets	Amount `
			2,00,000
20,000 Equity Shares of `10 each	2,00,000	Buildings	1,30,000
10% Non Cumulative Preference shares of `100 each	50,000	Machinery	40,000
8% Debentures	1,00,000	Patents	80,000
Trade creditors	3,30,000	Inventories	55,000
Creditors for expenses	20,000	Debtors	10,000
		Preliminary expenses	1,85,000
		Profit and Loss A/c	
	7,00,000		7,00,000

With a view to reconstruct the company, it is proposed to:

- a) Reduce
 - i. Equity shares by `9 each
 - ii. 10% Preference shares by `40 each
 - iii. 8% debentures by ten percent
 - iv. Trade creditors claim by one third
 - v. Machinery to `70,000
 - vi. Inventories by `10,000
- b) Provide `15,000 for doubtful debts
- c) Write off all the factitious assets
- d) Reconstruction expenses amounted to `2,000.

Assuming that the aforesaid proposals are duly approved and sanctioned, pass the journal entries to give effect to the above, and show the company's post construction Balance Sheet.

7. X. Ltd., issued 10,000 Equity shares of `100 each at a premium of `10 per share payable `20 on application; `40 on allotment (including premium); `30 on share first call; and the balance on share final call. Company received 25,000 applications and the allotment were made as follows;
 - i) 5000 shares to those who have applied for 5000 shares;
 - ii) 3000 shares to those who have applied for 10,000 shares;
 - iii) 2000 shares to those who have applied for 10000 shares.

Money over paid were adjusted towards allotment and calls. All the money due were received. Pass journal

entries and prepare Balance Sheet of the company.

8. Write the meaning of the terms Amalgamation, Absorption and External Reconstruction. Explain the differences between Amalgamation in the Nature of Merger and Amalgamation in the Nature Purchase.

SECTION – C

Answer all questions:

3x5=15

9. Write any five differences between internal reconstruction and external reconstruction of companies.
10. How the following adjustments are treated in the final accounts of a company?
- a) Free samples distributed among customers included in purchases `2,700.
 - b) Wages paid to the workers for the construction of office premises, included in wages `4,600.
 - c) Sundry debtors include `1,000 advance paid for expenses.
 - d) Equity dividend at 8% on paid up capital of `2,00,000.
 - e) Discount on issue of debentures `1,200.
11. On 1.1.2009, Amar Ltd., issued 5000, 10% debentures of `100 each, redeemable at the end of 3 years at a premium of 10%. It has been decided to institute a Debenture Redemption Fund for the purpose, the investment being expected to earn 5% net. The Sinking Fund table shows that Re 0.31720856 at 5% compound interest in 3 years will be Re 1. At the end of 3 years the investments are sold at book value. Show the Debenture Redemption Fund A/c for 3 years.

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Provide working notes wherever necessary.

SECTION – A

Answer any Three questions:

3×25=75

1. On 1st January 2008 Amar Deep Ltd, issued 1,000, 9% debentures of `100 each at par repayable at a premium of 5%. It was decided to institute a Debenture Redemption Fund for the purpose of redemption, the investments being expected to earn 4% net. The Sinking Fund table shows that Re 0.235490 annually amounts to rupee one at 4% in four years. Investments were made in multiples of `100 only.

On 31-12-2011 the balance at bank was `37,000 (before interest on investment has been received) and the investments realized `78,400. The debentures were paid off. Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, Debentures A/c, Bank A/c, Debenture holders A/c in the books of the company.

2. The Evershine Ltd., was registered with an authorized capital of `10,00,000 divided into 10,000 equity shares of `50 each and 5000, 9% preference shares of `100 each.

The following Trial Balance was extracted from the books of the company as on 31-03-2013.

	Dr. (₹)	Cr. (₹)
Plant and machinery	2,85,000	
Leasehold premises	7,00,000	
Purchases	3,80,000	
Carriage inward	5,000	
Returns inward	10,000	
General charges	35,000	
Bad debts	7,500	
Stock (1-4-2012)	1,80,000	
Calls in arrears on equity shares	5,000	
Salaries	1,20,000	
Carriage outward	15,000	
Advertising expenses	1,75,000	
Sundry debtors	3,00,000	
Income tax paid	50,000	
Wages	45,000	
Rent	24,000	
Preference dividend	50,000	
Furniture and fixture	29,000	
Cash in hand	1,000	
Equity share capital (8000 shares fully paid up)		4,00,000
Preference shares		5,00,000
Sales		11,60,000
Returns outward		5,000
Discount		6,500
Sundry creditors		60,000
Income tax reserve		60,000
Profit and loss account (31-03-2012)		2,00,000
Bank over draft		25,000
Total	24,16,500	24,16,500

Prepare Final Accounts of Evershine Ltd., as on 31-03-2013 in the vertical form taking into consideration the following adjustments:

- b) Depreciate plant and machinery at 10%.
- b) Provide Bad Debts Reserve at 2 ½ percent of the sundry debtors.
- c) Advertising expenses are to be spread over 5 years.
- d) Closing stock amounts to `2,50,000.
- e) Provide for income tax of the accounting year ended 31st March 2013 `35,000

3. A Ltd and B Ltd carrying on similar business, decided to amalgamate, and for this purpose, a new company AB Co., Ltd being formed to take over assets and liabilities of both companies and it is agreed that fully paid shares of `100 each shall be issued by the company for the value of net assets of each of the old companies.

Balance Sheet of A Ltd as on 31-03-2013

Liabilities	Amount	Assets	Amount
Share capital of `50 each	50,000	Goodwill	5,000
General reserve	20,000	Land and building	17,000
Profit and loss account	3,000	Plant and machinery	24,000
Sundry creditors	4,000	Stock	10,000
Bills payable	4,000	Debtors	12,000
		Furniture and fittings	5,000
		Cash at bank	8,000
	81,000		81,000

Balance Sheet of B Ltd as on 31-03-2013

Liabilities	Amount	Assets	Amount
Share capital of `50 each	40,000	Goodwill	2,000
Bank overdraft	8,000	Land and buildings	10,000
Sundry creditors	8,000	Plant and machinery	16,000
		Debtors	7,000
		Stock	7,500
		Furniture and fittings	7,500
		Cash	300
		Profit and loss account	5,700
	56,000		56,000

The following is the accepted scheme of valuation of the business of the two companies.

A Ltd.

- a) To provide for reserve for bad debts at the rate of 5% on debtors.
- b) To write off `500 from stock and
- c) To write off $33\frac{1}{3}\%$ from plant and machinery

B Ltd.

- a) To eliminate its goodwill.
- b) To write off bad debts to the extent of `1,000 and to provide reserve of 5% on the balance of debtors.
- c) To write off `1,300 from the value of stock.
- d) To write down plant and machinery at the rate of 10%.

You are required to (a) compute the Purchase Consideration, (b) show the ledger accounts in the books of A Ltd and B Ltd and (c) pass journal entries and prepare the balance sheet of AB Company Ltd assuming that the amalgamation is in the nature of merger.

4. The following is the balance sheet of Downhill Ltd as on 31-3-2012.

Liabilities		Assets	
20,000 equity shares of 100 each	20,00,000	Goodwill	25,000
12% Debentures	5,00,000	Land and buildings	1,50,000
Outstanding debenture interest	1,20,000	Plant and machinery	3,00,000
Creditors	3,00,000	Furniture	80,000
Share Premium	80,000	Stock	2,70,000
		Debtors	1,40,000
		Cash at bank	35,000
		Preliminary expenses	20,000
		Profit and loss A/c	19,80,000
	30,00,000		30,00,000

The following scheme of reconstruction is executed.

- Equity shares are reduced to `95 per share.
 - Debenture holders agree to forego outstanding debenture interest. As a compensation, the debenture holders takeover stock and debtors in full satisfaction of their claims.
 - All the fictitious assets to be eliminated.
 - Land and buildings are revalued at `2,00,000, whereas plant and machinery is to be written down to `2,10,000.
 - The expenses of reconstruction amounted to `3,000.
- Pass the journal entries and draft the company's balance sheet immediately after the reconstruction.

SECTION – B

Answer any three questions:

3×10=30

- What are the five conditions to be fulfilled in order to satisfy an Amalgamation which is in the nature of merger?
- Y Ltd issued 25,000 equity shares of `10 each at par payable `2 on application, `3 on allotment, `3 on first call and the balance on final call. Applications were received for 50,000 shares and directors allotted the shares as follows:
15,000 shares to those who have applied for 15,000 shares;
5,000 shares to those who have applied for 10,000 shares;
5,000 shares to those who have applied for 25,000 shares.
The money overpaid along with application were adjusted towards allotment and calls. All the money due were received. Write journal entries and prepare balance sheet of the company.

7. The following is the Balance Sheet of Upset Co. Ltd as on 31.12.2013.

Liabilities		Assets	
Share Capital 2,000, 5% Preference shares of `100 each	2,00,000	Goodwill	15,000
4,000, Equity shares of `100 each	4,00,000	Patents	2,00,000
6% Debentures	1,00,000	Machinery	3,00,000
Bank overdraft	50,000	Stock	50,000
Sundry creditors	1,00,000	Debtors	40,000
		Cash	5,000
		Profit & loss A/c	2,40,000

	8,50,000		8,50,000
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The company adopted the following scheme of reconstruction:

- 1) The preference shares are to be reduced to fully paid up shares of `75 each and equity shares are also to be reduced to shares of `40 each fully paid up.
- 2) The debentures are to be reduced by 20%.
- 3) Patents to be appreciated by 30% and machinery to be depreciated by 33 $\frac{1}{3}$ %.

Give journal entries for the above and prepare the revised balance sheet.

8. A Limited company has `60,000, 5%, Debentures outstanding on 1st January 2014. On that date, the Debenture Redemption Fund stood at `50,000 represented by `59,000, 3% government securities. The annual instalment added to the debenture Redemption Fund is `8,230. On 31st December 2014 the balance at bank (after interest on investment has been received) was `15,640. On that date, the investments were sold at 83% net and the debentures were paid off. Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, Debentures A/c and Bank A/c.

SECTION – C

Answer all questions:

3×5=15

9. Write any five differences between internal reconstruction and external reconstruction of a company.
10. B Ltd issued 50,000 equity shares of `100 each, payable `30 on application; `30 on allotment; `40 on final call.
Mr. Sharavan applied for 5000 shares of B Ltd and paid `30 per share along with application. Directors allotted him 800 shares. Money overpaid on application was adjusted towards allotment and calls to the extent necessary. All the money due were received. Pass journal entries in the books of B Ltd.
11. A company issued 6% debentures of `6,00,000 on 1-1-2010, with a condition that they should be redeemed after 5 years at 10% premium. The amount set aside for the redemption of debentures is invested in 5% government securities. The sinking fund table shows that 0.31720856 at 5% compound interest in 3 years will be Re 1. At the end of 3 years, the investments are sold at book value. Show debenture redemption fund account for 3 years.

COM 501.1

Reg. No.

**CREDIT BASED FIFTH SEMESTER B.Com. DEGREE EXAMINATION
OCTOBER 2015
COMMERCE
CORPORATE ACCOUNTING – I**

Time: 3 Hrs

Max. Marks: 120

Provide working notes wherever necessary.

SECTION – A

Answer any THREE questions:

3×25=75

1. 'A' company issued `2,00,000 in 5% debentures of `100 each at par repayable at the end of 4 years at a premium of 6%. A sinking fund was established at 4% compound interest for the redemption of debentures. The investments were made in multiples of 100 in outside securities. The investments realized at 10% below book value and the debentures were redeemed at the end of 4th year. The table shows that Re 0.235490 invested annually amounts to Re 1 at 4% on 4 years. Show Debenture redemption fund a/c, Debenture redemption fund investment account, Debenture holders account and Debentures Account.
2. The Balance Sheet of Goodluck Ltd as on 31st March 2014 was given below.

Liabilities		Assets	
1,00,000 Equity shares of `10 each	10,00,000	Fixed Assets	11,00,000
6,000, 8% Preference shares of `100 each	6,00,000	Patents and copy rights	80,000
9% Debentures	6,00,000	Investments at cost (Market value `55,000)	65,000
Interest accrued on debentures	1,08,000	Stock	4,00,000
Bank overdraft	1,50,000	Debtors	4,39,000
Interest accrued on bank overdraft	15,000	Bank	10,000
Creditors	59,000	Profit & loss account	4,08,000
Share premium	20,000	Goodwill	25,000
		Preliminary expenses	15,000
	25,52,000		25,52,000

The following scheme of reconstruction was agreed upon and duly approved by the court.

- a. Equity shares were reduced by `3 per share.
 - b. Preference shareholders to give up their claims to the extent of 30%.
 - c. Debenture holders agree to give up their claims of interest in consideration of their interest being enhanced to 12%.
 - d. Bank agrees to give up 50% of its interest on overdraft.
 - e. Creditors grant a discount of 5%.
 - f. Patents and copyrights in full and debtors of `30,000 to be written off.
 - g. Fixed assets to be written down by `34,000.
 - h. Investments are to reflect their market value.
 - i. Cost of reconstruction paid `3,350.
- Draft journal entries in the books of the company and prepare the revised balance sheet.
3. The authorized capital of Monsoon Co. Ltd is `3,00,000, consisting of 1,500, 6% preference shares of `100 each and 15,000 equity shares of `10 each.

Following is the Trial Balance as on 31-12-2014

Investments in shares	25,000	
Purchases	2,65,545	
Packing charges	9,000	
Delivery charges	17,700	
Stock on 1-1-2014	72,600	
Wages	15,000	
Salaries	9,000	
Directors' Fees	2,000	
Rent and taxes	7,750	
Carriage	4,100	
Dividend for 2013	6,000	
Preference Dividend up to 30/6/2014	3,000	
Machinery	12,500	
Discount on issue of debentures	1,000	
Preliminary expenses	500	
Bills receivable	20,750	

Interest on Bank Loans	2,900	
Debenture interest half year till 30/6/2014	1,875	
Debtors	25,050	
Buildings	1,75,000	
Furniture (cost `25,000)	17,500	
Creditors		43,925
Preference share capital		1,00,000
Equity share capital		1,00,000
5% Mortgage Debentures		75,000
Dividend and Interest		22,420
Profit & Loss Account		14,250
Sales		3,40,250
Bank loan by Hypothecation of stock and B/R		75,000
Technical knowhow at cost	75,000	
Cash	2,075	
	7,70,845	7,70,845

Prepare profit and Loss A/c for the year ended 31-12-2014 and the Balance Sheet as on that date in vertical form with the necessary schedules after taking into account the following.

- Closing stock `71,250
 - Wages include `1,000 incurred for installation of machinery
 - Purchases include goods worth `2,500 distributed freely among customers
 - Depreciate furniture at 10% on original cost
 - Write off half of the discount on issue of debentures
 - Provide for the remaining half year's preference dividend
 - Technical know-how is to be written down over 15 years
 - Provide for Taxation `5,000
4. Harsha Ltd., agreed to absorb the business of Varsha Ltd., on 1/4/2014. The balance sheet of latter co. on that date is given below.

Liabilities		Assets	
Fully paid equity shares of `10 each	12,00,000	Goodwill	1,50,000
General Reserve	3,20,000	Land & Buildings	12,80,000
Profit & Loss account	2,00,000	Stock	3,36,000
6% Debentures	2,00,000	Debtors	80,000
Creditors	40,000	Bank	1,14,000
	19,60,000		19,60,000

The purchase consideration was agreed as follows:

- Cash payment of `2.50 for every share in Varsha Ltd.
- An issue of 1,80,000 fully paid shares of `10 each of a market value of `15 per share.
- An issue of such an amount of fully paid 5% Debentures of Harsha Ltd., at 96% as is sufficient to discharge the 6% Debentures of Varsha Ltd., at a premium of 20%.
While acquiring the business, the Harsha Ltd valued land and buildings at `24,00,000, stock at `2,84,000 and debtors at a face value subject to 5% RBD.
- Absorption expenses `10,000 was met by Varsha Ltd.

You are asked to provide the Ledger Accounts in the books of Vendor Company and give the Journal Entries and the opening balance sheet of Harsha Ltd.

SECTION – B

Answer any THREE questions:

3×10=30

- Goodluck Ltd., had 3,00,000 in 8% Debentures outstanding on 01-4-2013. On that date the Debenture Redemption Fund had `2,50,000 invested in `2,65,000 6% MRPL Bonds. The annual appropriation from

profits to the fund was ₹41,150. On 31-03-2014 the balance at the bank was ₹78,200 (after receiving interest on investment). The Debentures were redeemed realizing the bonds at 87%.

Show the following accounts in the books of the Co.

- a) Debenture Redemption Fund A/c b) Debenture Redemption Fund Investment A/c
c) Bank A/c

6. The following was the Balance Sheet of Fortune Ltd before reconstruction.

Liabilities		Assets	
Issued & paid up		Building	4,00,000
Capital:		Plant & Machinery	2,68,000
12,000, 7% preference shares of ₹50 each	6,00,000	Goodwill	3,18,000
15,000 equity shares of ₹50 each	7,50,000	Stock	4,00,000
Debenture	5,73,000	Debtors	3,28,000
Trade Creditors	2,07,000	Preliminary Expenses	11,000
Other Liabilities	35,000	Profit & Loss Account	4,40,000
	21,65,000		21,65,000

The company is now earning profits but it is short of working capital and a scheme of reconstruction has been approved by both classes of shareholders and sanctioned by the court. The scheme is;

- Equity shares are to be reduced to ₹2.50 per share.
- The preference shareholders have agreed to cancel the arrears of dividend and to accept four new 5% preference shares of ₹10 each for every preference share.
- Trade creditors agree to reduce their claim by one-fifth.
- The directors have agreed to subscribe in cash for additional 40,000 new equity shares of ₹2.50 fully paid.
- Buildings are to be appreciated by 10% and plant & machinery to be depreciated by ₹35,000

Pass the journal entries to put through the scheme and prepare the Balance Sheet of the company after reconstruction.

7. Rachana Ltd. offered for public subscription 1,00,000 equity shares of ₹10 each at a premium of ₹2.50 per share payable as follows.

On application ₹2 per share

On allotment ₹4.50 per share with premium

On first call ₹4 per share

On second and final call 2 per share

Applications were received for 1,50,000 shares and allotment was made pro-rata. Money over paid on application by the allottees was adjusted towards sum due on allotment. All the moneys were duly received. Pass the journal entries and prepare the Balance Sheet of the company.

8. Give the meaning of Amalgamation. Bring out the differences between the Method and Purchase Method of Amalgamation.

SECTION – C

Answer all the questions:

3×5=15

- Write any three differences between internal re-construction and external reconstruction.
- Write the schedules under which the following items of the trial balance of final account of companies should be shown.
 - Technical know-how at cost ₹20,000
 - Unexpired Insurance ₹100
 - Unclaimed dividend ₹5,000
 - Discount on issue of debentures ₹2,000
 - Securities Premium ₹10,000

Pass the journal entries for the following:

1. 7% debentures issued at par redeemable at 5% premium `1,00,000.
2. 12% debentures issued at a discount of 10% redeemed at a premium of 15%, `2,00,000

CREDIT BASED FIFTH SEMESTER B.Com. DEGREE EXAMINATION APRIL 2016
COMMERCE
CORPORATE ACCOUNTING – I

Time: 3 Hrs.

Max. Marks: 120

SECTION – A

Answer any THREE questions:

3×25=75

1. On 1-4-2009 ABC Ltd., issued 12% debentures of ₹5,00,000 at par, redeemed at a premium of 2% after 4 years i.e.31.3.13. To collect the funds for redemption, the company decided to establish a Sinking Fund and to invest it with nearest ₹10 to earn an interest of 10%. The Sinking Fund table shows that Re.0.2155 invested every year for 4 years at 10%p.a. will accumulate Rupee 1.

On 31.03.13, investment sold at a loss of 1% and the debentures were paid off. Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, 12% Debentures A/c, Interest on Debenture Redemption Fund Investment A/c, Premium on redemption of Debentures A/c, loss on issue of Debentures A/c. All calculations were made to the nearest rupee.

2. The following is the balance sheet of Upset Co. Ltd., as on 31.03.2015.

Liabilities	₹	Assets	₹
Share Capital:		Goodwill	15,000
2,000 5% preference shares of ₹100 each	2,00,000	Land & Buildings	2,00,000
4,000 equity shares of ₹100 each	4,00,000	Machinery	3,00,000
6% debentures	1,00,000	Stock	50,000
Bank overdrafts	50,000	Debtors	40,000
Sundry creditors	1,00,000	Cash	5,000
		Profit & Loss A/c	2,40,000
	8,50,000		8,50,000

The company adopted the following scheme of Reconstruction.

- 1) The preference shares are to be reduced to fully paid up shares of ₹75 each and equity shares are also to be reduced to shares of ₹40 each fully paid up.
- 2) The debenture holders took over stock and debtors in full satisfaction of their claims.
- 3) The fictitious assets to be eliminated
- 4) Land and Building to be appreciated by 30% and machinery to be depreciated by 33¹/₃%.
- 5) The expenses of reconstruction amounted to ₹3,000.

Give journal entries for the above and prepare the revised Balance Sheet after reconstruction.

3. Nirlon Ltd decided to sell its business to Reliance Corporation Ltd., as on 31.3.2015. On that date its Balance Sheet was as follows.

Liabilities	₹	Assets	₹
Paid up capital:		Freehold property	33,000
4,000 shares of ₹10 each	40,000	Stock	7,000
5% debentures	20,000	Debtors	8,000
Creditors	6,000	BR	4,000
Reserve Fund	10,000	Goodwill	8,000
Profit & Loss A/c	4,000	Cash at bank	20,000
	80,000		80,000

The Reliance Corporation Ltd., agreed to take over the Assets (excluding cash) at the amount stated in the balance sheet except goodwill for which the company agreed to pay ₹20,000 and discharged the liabilities to sundry creditors.

The purchase price was to be discharged by the allotment of 2,400 shares of ₹10 each at ₹12.50 per share and the balance in cash. The expenses of liquidation amounted to ₹600.

Write up the necessary ledger accounts in the books of Nirlon Ltd. and show the Journal Entries in the books of Reliance Corporation Ltd.

4. The following is the trial balance of Wonderful Company Ltd., as at 31.3.2015. Prepare Profit & Loss A/c and the Balance Sheet In vertical form.

	(Dr.)₹	(Cr.)₹
Authorized capital (50,000 shares of ₹10 each)		5,00,000
Subscribed capital (10,000 shares of ₹10 each)		1,00,000
Calls in arrears	6,400	
Land	10,000	
Buildings	25,000	
Machinery	15,000	
Furniture	3,200	
Carriage	2,300	
Wages	21,400	
Salaries	4,600	
Bad debt reserve		1,400
Sales		80,000
Sales return	1,700	
Bank charges	100	
Coal, gas and water	700	
Rent and rates	800	
Purchases	50,000	
Purchase returns		3,400
Bills receivables	1,200	
General expenses	1,900	
Debtors	42,800	
Creditors		13,200
Stock	25,000	
Insurance	400	
Cash at bank	13,000	
Cash in hand	2,500	
Securities premium		6,000
General reserve		24,000
	2,28,000	2,28,000

Adjustments:

- Charge depreciation on buildings at 2%, on machinery at 10% and on furniture at 10% and make a reserve of 5% on debtors for bad debts.
 - Prepaid Insurance ₹120
 - Outstanding wages ₹32,000, outstanding salary ₹500, outstanding rent and rates ₹200.
- The value of stock as on 31st March 2015 is ₹30,000.

SECTION – B

Answer any THREE questions:

3×10=30

- The Mangaluru Manufacturing Co., Ltd., issued 10,000 equity shares of ₹100 each payable ₹10 on application ₹20 on allotment, ₹30 on first call and ₹40 on final call. All the shares were taken up and the money duly received except the first call on 1000 shares and the final call on 2,000 shares.
Give the journal and cash book entries and prepare the balance sheet.
- B Ltd., having ₹3,00,000 8% debentures as on 1.1.2014. On that date debenture redemption fund showed a balance of ₹2,50,000 invested in ₹2,65,000 6% Govt. bonds. The annual appropriation of profit is ₹41,150.
On 31.12.2014 interest on investment has been collected and the bank balance was ₹78,200 (excluding interest on investment). Debentures were redeemed on 31.12.2014 by realizing the bonds at 87% net.
Show necessary ledger accounts.
- Following is a balance sheet of A Co. Ltd. as 31.3.2015.

Liabilities	₹	Assets	₹
Share capital		Fixed assets	2,02,800
5000 equity shares of ₹100 each	5,00,000	Current assets	1,50,000
General reserve	1,00,000	Profit & Loss A/c	2,87,200
Creditors	50,000	Preliminary expenses	10,000
	6,50,000		6,50,000

The company adopted a scheme of reconstruction reducing all equity shares into equity shares of ₹40 each fully paid.

Pass the journal entry; prepare reconstruction a/c and Balance Sheet after reconstruction.

- Define the term Amalgamation, Absorption and External Reconstruction.

SECTION – C

Answer all the questions:

3×5=15

- Explain the two forms of internal reconstruction.
- The National Trading Company Ltd., with a registered capital of ₹1,00,000, issued 5000 equity shares of ₹10 each, payable ₹2 on application, ₹2 on allotment, ₹3 on first call and ₹3 on final call. All the shares were subscribed and the money duly received.
Pass the journal entries.
- Where do you show the following items in the final accounts of a company?
 - Sundry creditors
 - Cash at bank
 - General Reserve
 - 6% debentures
 - Depreciation on plant and machinery
