

Reg. No. : .....

Name : .....

**Fourth Semester B.Com. Degree Examination, March 2020**

**First Degree Programme under CBCSS**

**Core Course: CO 1443/CC 1444**

**CORPORATE ACCOUNTING**

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

**(2014 Admn to 2017 Admn)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

Answer **all** questions in one word to maximum two sentences each. Each questions carries 1 mark.

1. What is EPS?
2. Define Capital Reserve?
3. Define amalgamation?
4. What is IFRS?
5. What is purchase consideration?
6. What is internal reconstruction?
7. What is bad debt?
8. Define provision?

9. What is IAS?
10. What is authorized capital?

(10 × 1 = 10 Marks)

### SECTION – B.

Answer **any eight** questions. Each question carries **2** marks.

11. What do you mean by intrinsic value?
12. What is alteration of capital.
13. What is interim dividend?
14. Define EBIT.
15. What is net payment method?
16. Explain AS20.
17. What do you mean by dissenting shareholders?
18. Explain corporate dividend tax?
19. Define intangible assets?
20. What is preliminary expenses?
21. What is horizontal analysis?
22. Define overvaluation of assets.

(8 × 2 = 16 Marks)

## SECTION – C

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

23. What are the objectives of internal reconstruction?
24. Explain pooling interest method.
25. Write about managerial remuneration.
26. What are the objectives of Accounting Standards?
27. A and B are working in partnership registered a joint stock company under the name AB Ltd on 1<sup>st</sup> September 2018 to take over their existing business with effect from 1<sup>st</sup> April 2018.

### Profit and Loss Account of AB Ltd

To Salaries and wages	10,000	By	84000
To Debenture Interest	5,000		
To Depreciation	2,000		
To Interest on purchase consideration (upto 30/09/18)	10,800		
To Selling commission	12,000		
To Directors Fees	800		
To Preliminary Expenses	1,000		
To Provision for Tax	5,000		
To Dividend Equity Share @ 5%	6,000		
To Balance c/d	31,400		
	<u>84,000</u>		<u>84,000</u>

Sales for the year totaled Rs.2,25,000 out of which Rs.1,50,000 relate to the period 1<sup>st</sup> September 2018 to 31<sup>st</sup> March 2019.

Prepare a statement apportioning the profit between post and pre incorporation period indicating your basis of allocation.

28. Following Balance sheet of D Ltd as on 31/03/16

Share capital (Equity shares of 10 each	4,25,000	Land & building	2,50,000
8% Debentures	2,00,000	Furniture	35,000
Bills payable	67,000	Plant and machinery	1,28,000
Bank overdraft	1,08,000	Stock	1,32,000
		Cash	2,55,000
	<u>8,00,000</u>		<u>8,00,000</u>

The Business D Ltd is taken over by K Ltd the consideration being.

- (a) 30,000 equity shares of Rs.10/- each and balance in cash.
- (b) For this purpose the land and buildings were valued at 10% above the book value and stock at 20% above book value. Show journal entries in the books of both companies.
29. Ram Ltd decided to reduce equity shares as well as preference shares which was subscribed by the public. Hence the company resolved to reduce 20,000 equity shares of 10 each fully paid to an equal number of shares as Rs.6 per share paid up.
- Further the amount available is to be utilized for wiping out the accumulate losses of Rs.82000, to written off goodwill to the extent of Rs.28,000, patents Rs.20,000 and preliminary expenses Rs.10,000. Pass journal entries.
30. What are the difference between P&L account and P&L appropriation account?
31. Write a note about asset-liability management.

(6× 4= 24 marks)

## SECTION – D

Answer any **two** questions. Each question carries **15** marks.

32. Explain the advantages and disadvantages of amalgamation.
33. Explain briefly about Indian and International accounting standards.
34. Following are the ledger account balance of Black and White L SECTION Cd as on 31/12/2016.

Land and Building	7,00,000
Sales	7,00,000
Plant and machinery	2,00,000
Equity Capital	5,00,000
10% Debentures	3,00,000
Furniture	1,00,000
Opening stock	60,000
Sundry Creditors	50,000
Purchases	34,500
Debenture Interest	30,000
Salary	70,000
General expenses	35,000
Sundry Debtors	1,00,000
Interest on Bank loan	10,000
Cash	6,200
Bank	38,000
Bank Loan	1,00,000
General reserve	1,00,000

Adjustments:

- (a) Closing stock Rs.58,000
- (b) Provision for doubtful debts @10%
- (c) Depreciate Plant and Machinery by 10%

Prepare statement of Profit and Loss account and Balance sheet.

35. B.Co. Ltd had the following balance sheet on 31/03/18

B.Co. Ltd			
Liabilities	Amount	Assets	Amount
Share Capital (50,000 shares of Rs.100 each)	50,00,000	Fixed assets	83,00,000
Capital Reserve	10,00,000	Current Assets	69,00,000
General Reserve	36,00,000	Investments	17,00,000
Unsecured Loans	22,00,000	Goodwill	2,00,000
Sundry Creditors	42,00,000		
Provision for taxation	11,00,000		
	<u>1,71,00,000</u>		<u>1,71,00,000</u>

B.Co. Ltd is amalgamated with X Ltd on 31/03/18. Prepare necessary accounts.

(2× 15= 30 marks)

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**(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-20?

**(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 31<sup>st</sup> 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		
	<u>1,71,00,000</u>		<u>1,71,00,000</u>

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		
	<u>3,28,00,000</u>		<u>3,28,00,000</u>

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 1<sup>st</sup> Jan. 2015 from Narayan. Deepika was incorporated on 1<sup>st</sup> 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	
	<u>1,56,000</u>	<u>1,56,000</u>

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 31<sup>st</sup> 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 31<sup>st</sup> 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		
	<u>14,00,000</u>		<u>14,00,000</u>

- (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
Creditors	2,00,000	Land and Building	1,00,000
B/P	1,00,000	B/R	20,000
		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 divided 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)



(Pages : 7)

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**(2014 Admn. Onwards)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

Answer **all** questions in **one** or **two** sentences **each**. Each question carries **one** mark.

1. What is Corporate Dividend Tax ?
2. What is EPS ?
3. Define Amalgamation.
4. What is Final Dividend ?
5. What is provision ?
6. What is Lumpsum method ?
7. What is internal reconstruction ?
8. What is sub-division of shares ?
9. What is Accounting Standard ?
10. Define preliminary expenses.

(10×1=10 Marks)

P.T.O.

## SECTION – B

Answer **any eight** questions. **Each** question carries **2** marks.

11. Explain the features of a company's Balance Sheet.
12. What are the objectives of amalgamation ?
13. What is profit prior to incorporation ?
14. Differentiate between Absorption and External Reconstruction.
15. Write about international reconstruction .
16. What are the main objectives of AS ?
17. What are the difference between Reserve and Provision ?
18. What do you mean by Intrinsic value method ?
19. What are the items come under long term loans and advances ?
20. What is Basic EPS ?
21. What is calls in advance ?
22. What is AS-10 ?

(8×2=16 Mar)

## SECTION – C

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

23. List the accounting entries in the books of Vendor Company. (Pooling interest method).
24. Following is the Balance Sheet of D Ltd., as on 31-3-2012 :

	₹		₹
Share capital (Equity shares of ₹ 10/- each)	4,25,000	Land and Buildings	2,50,000
8% Debentures	2,00,000	Furniture	35,000
Bills payable	67,000	Plant and Machinery	1,28,000
Bank overdraft	1,08,000	Stock	1,32,000
	<b>8,00,000</b>	Cash	2,55,000
			<b>8,00,000</b>



The business of D Ltd., taken over by K Ltd., the consideration being :

- 1) 30,000 Equity shares of ₹ 10 each and
- 2) Balance in cash.

For this purpose, the land and buildings were valued at 10% above value and stock at 20% above book value. Calculate purchase consideration.

25. Naveen Ltd., resolved to reduce its 50,000 equity shares of ₹ 10/- to equal number of shares of ₹ 7 each and to utilise the amount to write off goodwill ₹ 80,000, preliminary exp. ₹ 20,000, P & L A/c (Dr.) Balance ₹ 30,000 and to write down plant and machinery by ₹ 20,000. Give Journal entries.
26. The original cost of plant and machinery acquired by a company on 1<sup>st</sup> April 2015 is ₹ 3,00,000. It has an estimated useful life of 15 years. The expected residual value is ₹ 1,50,000. What is the amount of depreciation chargeable for the year 2015-16 ?
27. Ram Bros. Ltd., was incorporated on June 30, 2015 to acquire the business of Shekhar as from 1<sup>st</sup> Jan. 2015 on the basis of the B/S dated 31<sup>st</sup> Dec. 2014. The accounts for the year ended on 31-12-2015 disclosed the following :
  - a) There was a gross profit ₹ 2,40,000.
  - b) Sales for the year amounted to ₹ 1,20,000 of which ₹ 5,40,000 was for the first six months.
  - c) The expenses debited to P & L A/c include director's fees ₹ 15,000, bad debt ₹ 3,600, advertising ₹ 12,000 (Under a contract amounting to ₹ 1,000 p.m.) Salaries and general expenses ₹ 4,000; Preliminary expenses written off ₹ 5,000, donation to the political party given by the company ₹ 5,000. Ascertain profit prior to incorporation.
28. Horizon Ltd. had to the credit of its P & L A/c ₹ 1,04,500 on 1-1-2008. During the year 2008, it earned a profit of ₹ 2,60,000 before charging depreciation and manager's commission which amounted to ₹ 40,000 and ₹ 10,000 respectively. It was decided to :
  - 1) Transfer ₹ 50,000 to the General Reserve.
  - 2) Transfer ₹ 32,500 to the Dividend Equalisation Fund.
  - 3) To pay the years dividend on ₹ 3,00,000, 10% Preference shares.
  - 4) To pay 20% dividend on ₹ 4,00,000 Equity Share capital.
  - 5) To transfer ₹ 40,000 to Debenture Redemption Fund.

Prepare Profit and Loss A/c and P & L Appropriation Account.



29. Differentiate between P & L A/c and P & L Appropriation A/c.
30. What are the methods of Internal Reconstruction ?
31. From the following Trial Balance and adjustment, show the treatment of provision for Income tax :

**Trial Balance**

	Debit	Credit
Provision for Income tax		60,000
Income tax	54,000	

**Adjustment :** Provide ₹ 66,000 for taxation.

**(6×4=24 Marks)**

**SECTION – D**

Answer **any two** questions. **Each** question carries **15** marks.

32. Following Balance Sheets of Major Ltd. and Minor Ltd. are given :

	Major Ltd.	Minor Ltd.
<b>Equity and capital :</b>		
Shareholders funds :		
Share capital		
Equity shares of ₹ 10/-	8,00,000	2,00,000
Reserves and Surplus	1,90,000	55,000
Current liabilities :		
Trade payable	60,000	30,000
	<b>10,50,000</b>	<b>2,85,000</b>
<b>Assets :</b>		
<b>Non-current Assets :</b>		
1. Fixed Assets :		
Tangible Assets :		
Land and buildings	8,00,000	2,00,000
Intangible Assets :		
Goodwill	1,00,000	—
2. Current Assets :		
Inventory	1,00,000	60,000
Trade receivables	20,000	15,000
Cash	30,000	10,000
	<b>10,50,000</b>	<b>2,85,000</b>

**Notes :****Reserves and Surplus :**

General Reserve	2,00,000	—
Surplus	10,000	60,000
Less : Expenses on issue of shares	20,000	—
Less : Preliminary expenses	—	5,000
	<b>1,90,000</b>	<b>55,000</b>

Major Ltd. acquired the assets of Minor Ltd. except cash balance for a purchase consideration to be discharged in cash ₹ 15,000 and balance in equity shares of ₹ 10 each at a premium of 10% for the purpose of acquisition land and buildings of Minor Ltd., was valued at ₹ 2,70,000. Trade Payable of Minor Ltd., were discharged by the liquidator at ₹ 25,000. Show Balance Sheet after amalgamation.

33. From the following Trial Balance of Madhuri Ltd., prepare Final Accounts for the year ending 31-12-2008 :

	Dr.	Cr.
Land and Building	1,00,000	—
Paid up capital (Shares of 10/-)	—	1,20,000
Reserve fund	—	32,000
Purchase and sales	1,92,000	3,56,000
Salaries	24,800	—
Wages	18,400	—
Preliminary exp.	16,000	—
Interest	—	4,800
P & L Appropriation A/c	—	64,500
Carriage	8,400	—
Stock (1-1-2008)	60,000	—
Returns	12,800	16,400
Audit fees	8,400	—
Freight	8,200	—



Inter dividend	7,200	-
Bills receivable and B/P	25,400	20,800
Calls in arrear	8,000	-
Cash in hand and at bank	10,400	-
Goodwill	24,800	-
Debtors and Creditors	28,200	35,600
Investment	34,000	-
Furniture	28,000	-
6% Debentures	-	80,000
Bank overdraft	-	10,400
Plant and machinery	1,20,000	-
Bad debts	5,500	-
	<b>7,40,500</b>	<b>7,40,500</b>

### Adjustments :

- 1) Closing stock ₹ 43,200.
- 2) Depreciate furniture by 5% and machinery by 10%.
- 3) Provide reserve for doubtful debts @ 5%.
- 4) Written off preliminary expenses by 20%.
- 5) Transfer ₹ 24,000 to Reserve Fund.
- 6) Provide for debenture interest for one year.

34. The B/S of X Ltd. as 31-3-2015 as given below :

### Share capital

15000 Equity shares of ₹ 10/- each	1,50,000	Land and buildings	1,45,000
1500, 12% Preference Shares of 100/- each	1,50,000	Machinery	35,000
Sundry creditors	1,00,000	Stock	25,000
		Debtors	40,000
		Cash at bank	5,000
		P & L A/c	1,50,000
	<b>4,00,000</b>		<b>4,00,000</b>



It was resolved :

- I) That the equity shares of ₹ 10/- each and preference shares of ₹ 100/- each be reduced to the same number of shares each of ₹ 4 and ₹ 40 respectively.
- II) The amount thus realised be utilised in
  - a) Writing down stock by ₹ 10,000, writing off the adverse balance of the P & L A/c and
  - b) in reducing the machinery by ₹ 10,000.

The balance left was to be used in raising a provision for bad debt against sundry debtors.

Give Journal Entries and prepare Balance Sheet after reduction of capital.

35. Explain the merits and demerits of Amalgamation.

(2×15=30 Mark)

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