COURSE: B.COM (PROG.)

SEMESTER: IV

PAPER- CORPORATE ACCOUNTING

QUESTION BANK

Q1. Write Short Note on

a. Book Building

b. Employee Stock Option Plan

c. Conditions for Buy-Back Shares

Q2. Difference between amalgamation in the nature of merger and amalgamation in the nature of purchase.

Q3. Explain Calculation of Consideration For amalgamation based on intrinsic value of shares.

Q4. What are the Objectives of preparing Cash Flows Statements? Explain the meaning and classification of Cash Flows as per AS-3.

Q5. Explain the Treatment of Contingent Liability for Bills Discounted while preparing the consolidated Balance sheet.

Q6. Discuss the provisions regarding the Buy-back of shares as enumerated under the companies Act, 2013.

Q7. Explain the terms: Ex-Interest and Cum-Interest in connection with purchase and sale of debentures.

Q8. What are the statutory provisions regarding transfer of profits to reserves?

Q9. Explain the meaning of 'cash' and 'cash equivalents' as per AS-3. Also Explain the advantage of cash flow statement.

Q10. Explain the conditions that have to be satisfied for amalgamation in the nature of merger as per AS-14.

Q11. Explain Cost of Control and Minority interest.

Q12. EF ltd invited applications for 2,00,000 equity shares of Rs. 10 each at a premium of 10% payable as follows:

On Application on 1 June, 2011- Rs 5 per share

On Allotment on 1 August, 2011- Rs. 3 per share (including premium) On Call 28 Sept, 2011- Rs. 3 per share
Applications for 2,50,000 shares were received. It was decided:

(a) to refuse allotment for 10,000;

(b) to allot in full to applicants for 40,000 shares;

(c) to allot the balance of the available shares pro rata among the other applicants

(d) to utilise access application money in part payment of allotment money.

One applicant to whom shares had been allotted on pro rata basis failed to pay the amount due on allotment and on the call and his 200 shares were forfeited. The shares were reissued on Nov 30, 2011 at the rate Rs. 9 per share as fully paid-up.

Show the journal entries in the books of EF Ltd and Prepare the Balance Sheet.

Q13. (a) State the Legal Provisions for utilisation of Securities Premium
(b) AB Ltd forfeited 500 equity shares of Rs. 10 each issued at a discount of Rupee 1 per share for non-payment of the 1st call of Rs. 2 and final call of Rs. 2. Out of these 200 shares were reissued as fully paid-up on the receipt of Rs. 7 per share. Pass journal entries for forfeiture and reissue of shares.

(c) MN ltd invited applications for 1,00,000 equity shares of Rs. 10 each issued at premium of 20% payable as follow

On applications: Rs. 2

On allotment: Rs. 4 (including premium)

On 1st call: Rs. 3

On final call: Rs. 3

400 shares allotted to Mr. X were forfeited for non-payment of 1st and final call. Out of these 300 shares were reissued at Rs. 8 per share as fully paid up. Pass journal entries for forfeiture and reissue of shares.

Q14. A company offers new shares of Rs. 100 each at 60% premium (i.e., at Rs. 160 per share) to the existing shareholders on the basis of 1 for 5 shares. The cum-right market price of a share is Rs. 400. You are required to calculate:

A) Ex-right value of a share;

B) Value of a right share.

Q15. On 1st April 2016, XL Ltd issued 5000 12% Debentures of Rs. 100 each repayable at the end of 3 years at a premium of 10%. It was decided to create a debenture redemption fund for the redemption. The investments earned interest at the rate 10% p.a.

The Debenture redemption fund table shows that Rs. 0.302115 amount to Rupee 1 at the end of 3 years at 10% rate of interest. At the end of 3 years, the investments were sold for Rs. 3,85,000 and the debentures were redeemed.

Prepare debentures account, debenture redemption fund account and debenture redemption fund investment account for all the 3 years.

Q16. The following balances appeared in the books of TM ltd on 1st April 2017.

- the debenture redemption fund Rs. 60,000 represented by investments of an equal amount (Nominal value Rs. 75,000)

- 12% debentures stood at Rs. 90,000
-the company sold required amount of investments at 90% for redemption of Rs. 30,000 debentures at a premium of 20% on the above date.

- Prepare 12% debentures account, debenture redemption fund account, debenture redemption fund investment account and debenture holder account.

Q17) XYZ Ltd. is a company with an authorized capital of Rs 5,00,000 divided into 5,000 shares of Rs 100 each. On 31 December 20…, 2,500 shares were fully called up. The following are the balances extracted from the ledger of the company on 31 December 20…. ` `

Stock 50,000 Advertising 14,300 Sales 4,25,000 Printing and Stationery 2,400 Purchase 3,00,000 Debtors 38,700 Wages 70,000 Creditors 35,200
Discount allowed 4,200 Plant and Machinery 80,500 Discount received 3,150 Furniture 17,100 Insurance paid upto 6,720 Cash at Bank 1,34,700 31 March next year General Reserve 25,000 Salaries 18,500 Loan from Managing Director 15,700 Rent 6,000
General Expenses 8,950 Bad Debts 3,200 Surplus Account Calls in arrear 5,000 (Credit) 6,220
You are required to prepare Statement of profit and loss for the year ended 31 December 20… and the Balance Sheet (in proper form) as on that date. The following further information is supplied to you:

(i) Closing stock is Rs 91,500

(ii) Depreciation to be charged on plant and furniture at 15% and 10% respectively. (iii) Outstanding Liabilities: Wages Rs 5,200, Salaries Rs 1,200, Rent Rs 600 (iv) Tax rate is 50%

Q18) Following is the Balance Sheet of Pankaj Cements Ltd as at 31-3-16:

I. **Equity and Liabilities (`)**
Preference Share Capital: 8%, 5,000 shares of `100 each `80 paid up 4,00,000
Equity Share Capital: 50,000 Shares of `10 each fully paid 5,00,000
Profit and Loss Account 3,00,000 Securities Premium 30,000 Current Liabilities 50,000 TOTAL 12,80,000
II. **Assets (`)**
Non-Current Assets 11,00,000 Investments 1,00,000 Current Assets: Bank 80,000 TOTAL 12,80,000

Preference Shares are to be redeemed at Premium of 10%. A final call of `20 per share was made. 50 Shareholders holding 200 shares failed to pay the call money. Directors decided to redeem the fully paid preference shares utilizing the un-distributed profits after leaving `1,00,000 in profit and loss account. Investments were sold for `1,10,000. New equity shares of `10 each at a premium of `1 per share were issued to the public to the extent necessary to comply with the requirements of law. Repayments on redemption were made in full except to one shareholder holding 100 shares who was not traceable. You are required to show the Journal Entries in the Books of Pankaj Cements Ltd.

Q19) XYZ Ltd proposed to purchase the business carried on by M/s A & Co. Goodwill for this purpose is agreed to be valued at two years purchase of the weighted average profits of the past three years. The appropriate weights to be used and profits are:

Year Weights Amount (`)

2012-2013 1 12,40,000

2013-2014 2 10,00,000

2014-2015 3 14,00,000

On scrutiny of accounts, the following matters are revealed

(i) On 31st December, 2013 a major repair was made in respect of the plant incurring `50,000 which was charged to revenue. The said sum is agreed to be capitalised for goodwill calculations subject to adjustment of depreciation of 10% on reducing balance method.

(ii) The closing stock for the year 2012-13 was overvalued by `15,000.
(iii) To cover management cost, an annual charge of `25,000 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the firm.