

COURSE: B.COM (H)
SEMESTER: II
PAPER: CORPORATE ACCOUNTING

ASSISGNMENT QUESTIONS

1. (a) Differentiate between Capital Redemption Reserve and Debenture Redemption Reserve.

(b) The following balances appeared in the books of Sapna Ltd. as on April 1, 2015.

12% Debentures (Face Value ₹100 each) ₹4,00,000

Debenture Redemption Fund ₹2,50,000

Debenture Redemption Fund Investment (In 8% Govt. bonds of Face Value of ₹3,00,000) ₹2,50,000

Interest on debentures was payable on 31st March and interest on Govt. Bonds was receivable on the same date. On 1st April, 2015 the company purchased for immediate cancellation 500 debentures in the market at ₹96 each. The amount required for this was raised by selling 8% Govt. Bonds of the face value of 60,000. On March 31st, 2016, 41,600 was appropriated for Debentures Redemption Fund and on the same date 8% Govt. Bonds were acquired for the amount plus interest for the year on Debenture Redemption Fund investment. The face value of the Bonds acquired was ₹76,000. You are required to prepare 12% Debentures Account, Debenture Redemption Fund Account and Debenture Redemption Fund Investment Account.

2. (a) When is the Securities Premium Account created? State the purposes for which the securities premium can be utilized. [5]

(b) Following is the Balance Sheet of Pankaj Cements Ltd as at 31-3-16: [10]

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.

3. (a) What are circumstances in which there may be a need for valuation of shares of Joint Stock Company?

(b) The paid-up capital of Nagarjun Ltd. consisted of 1,00,000 equity shares of ₹10 each and 10,000, 8% preference shares of ₹100 each. The profit and loss account of the company for the year ended 31st March, 2016 showed net profit before tax of ₹4,00,000. The net profit brought forward from previous year's balance sheet amounted to ₹1,20,000. The company makes a provision of 30% for income tax. Following appropriations were proposed by the company:

(i) To pay dividend on preference shares.

(ii) To pay final dividend @ ₹1 per share to equity shareholders.

(iii) To transfer 10% of the current year profit to general reserve.

(iv) Provide Corporate Dividend Tax @ 20% (including surcharge and cess) of dividend. Prepare Notes to Accounts in respect of Reserves & Surplus as per Schedule III of the Companies Act, 2013.

(c) 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 capitalized 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.

4. The position of Damoder Ltd, as on 31st March, 2016, stood as under:

| Credit balances (`) | Debit Balances (`) |
|-------------------------------------|----------------------------|
| Equity Share Capital 20,00,000 | Goodwill |
| 2,50,000 | |
| [20,000 Equity shares of `100 each] | Plant & Machinery 3,80,000 |
| 12% Debentures 500,000 | Land & Building 1,50,000 |
| Debenture interest 1,20,000 | Stock 2,70,000 |
| Creditors 3,00,000 | Debtors 60,000 |
| Cash & Bank 35,000 | |
| Profit & Loss Account 17,55,000 | |
| Preliminary Expenses 20,000 | |

The following scheme of reconstruction is executed:

(i) Equity shares are reduced by `95 per share and are then consolidated into 10,000 equity shares of no each.

(ii) Debenture holders agree to forgo outstanding debenture interest. As compensation, 12% debentures are converted into 14% Debentures.

(iii) Creditors are given the option to either accept 50% of their claims in cash in full settlement or to convert their claims into equity shares of `10 each. Creditors for `2,00,000 opt for shares and the remaining for cash.

(iv) To make payment to creditors opting for cash payment and to augment working capital, the company issues 50,000 equity shares of ₹10 each at par. The issue was fully subscribed and paid for in full on application.

(v) Goodwill and losses to be written off completely.

(vi) Following revaluations were made:

Land and Building ₹2,00,000

Plant and Machinery ₹2,29,000

Debtors subject to provision of ₹5,000

Pass Journal Entries and prepare Balance Sheet as at 31st March, 2016 after reconstruction as per Schedule III of Companies Act, 2013.

5. (a) From the following information of a commercial Bank on 31st March, 2016, calculate the amount of provision to be made for non-performing assets.

1. Standard Assets 20,60,500

2. Sub-Standard Assets (Secured) 1,10,000

3. Doubtful Assets (Secured)

Upto 1 year 40,00

1-3 years 25,000

More than 3 years 10,500

4. Doubtful assets (unsecured) 22,500

5. Loss assets 15,500

(a) Explain the meaning of 'Cash and Cash equivalents' as per AS-3(Revised).

(b) The following balances were extracted from the balance sheet of Vivekanand Ltd. as on 1st April, 2015.

Fixed Assets (at cost) 40,00,000

Less: Accumulated Depreciation 5,00,000

Net Assets 35,00,000

Bank Balance 1,30,000

Other current assets 8,00,000

Current liabilities 5,50,000

The net profit after depreciation amounted to ₹3,00,000. The company provided for depreciation ₹1,60,000 for the year 2015-16. During the year 2015-16, the company purchased machinery for ₹3,00,000. It sold a machine costing ₹1,00,000 (accumulated depreciation ₹20,000) for ₹75,000. The current assets and current liabilities (excluding bank balance) on 31st March, 2016 were ₹11,30,000 and ₹8,00,000 respectively. Interest received on investments amounted to ₹10,000. Calculate Cash Flow from Operating Activities and Investment Activities for the year 2015-16 as per AS-3 (Revised).

TEST QUESTIONS

Duration – 1 hr

Max. Marks- 25

Question 1) Sakshi Ltd has Authorised Share Capital of ₹20,00,000 consisting of 2,00,000 equity shares of ₹10 each. The following is the Trial Balance of the company as at 31st March, 2016.

| Debit Amt. (₹) | Credit Amt. (₹) |
|---------------------------------------------------------------|-----------------------------------------------------------------------|
| Calls in arrear 1,00,000 (on 20,000 Shares @ ₹5 per share) | Sales 78,10,000 |
| Purchases 43,85,000 | Creditors 2,50,000 |
| Advance Tax Paid 12,25,000 | 12% Debentures 5,00,000 |
| Salaries 10,00,000 | General Reserve 2,90,000 |
| Selling Expenses 11,00,000 150000 | Provision for Depreciation on Plant 2,50,000 |
| Rent 60,000 | Provision for Depreciation on Furniture |
| Plant 12,50,000 2015) 60,000 | Interest on Debentures 50,000 |
| Furniture 6,50,000 15,000 | Securities Premium 2,25,000 |
| Debtors 4,00,000 | Surplus (P & L A/c) (1-4- |
| Discount on issue of Debentures 5,000 | Provision for Bad Debts |
| | Commission 50,000 |
| | Equity Share Capital(1,00,000 equity shares of ₹10 each) 10,00,000 |

Stock (1-4-2015) 2,25,000
2015) 6,25,000

Bad Debts 25,000 Provision for Tax (1-4-

Bank 2,25,000

Land & Building 5,25,000

Additional Information:

(i) Rent `10,000 is outstanding.

(ii) Provide depreciation on plant at 20% per annum and on furniture at 10% per annum on written down value basis.

(iii) Maintain a provision of doubtful debts at 5% on debtors.

(iv) Make a provision of 30% for income tax.

(v) The company proposed a dividend at 10% on paid up share capital. Corporate dividend tax is 20% (including surcharge and cess) of dividend.

(vi) Closing stock is `10,00,000.

(vii) Transfer `1,00,000 to the General Reserve.

(viii) Debentures were issued on 1-4-2015.

You are required to prepare:

(i) Statement of Profit and Loss for the year ended 31st March, 2016.

(ii) Balance Sheet in the prescribed form as at 31st March, 2016 as per Schedule III of Companies Act, 2013.

Question 2) Write short note on the following

a. Explain legal provisions relating to dividends as per the companies Act, 2013?

b. Explain the issue of sweat equity shares and its accounting treatment.

c. Explain Internal Reconstruction through surrender of Shares.

MULTIPLE CHOICE QUESTION

Tick the correct option in the following questions:

Q.1 Reserves and Surplus does include-

- a) capital reserve
- b) capital redemption reserve
- c) debenture redemption reserve
- d) **all of the above**

Q.2 The other name of nominal capital is-

- a) Subscribed capital
- b) Issued Capital
- c) **Authorised Capital**
- d) Paid-up Capital

Q.3 Name an essential process used by companies raising capital through public offerings-either IPO or FPO to aid price and demand discovery.

- a) **Book Building**
- b) Public Building
- c) Green Shoes Planning
- d) None of the Above

Q.4. FPO stands for-

- a) First Public Offers
- b) **Follow-on Public Offers**
- c) Financial Public Offers
- d) Feed-on Public Offers

Q.5. Shares can be bought back out of-

- a) Capital Redemption Reserve Account

- b) Free Reserves
- c) Proceeds from same kind of shares
- d) None of these

Q.6. Cash Flow Statements of an entity provides information about-

- a) net profit during the period
- b) net cash inflows during the period
- c) cash inflows and outflows during the period
- d) financial stability

Q.7 At the time of amalgamation dissenting shareholders are paid-

- a) by the transferor
- b) by the transferee
- c) by (a) or (b)
- d) none of the above

Q.8 Reconstruction account for reconstruction expenses is-

- a) credited
- b) debited
- c) credited with 2 times the amount
- d) debited with 2 times the amount

Q.9. The banks that are formed to enhance co-operation among specific group of persons are known as-

- a) Domestic Banks
- b) Commercial Banks
- c) Rural Banks
- d) Co-operative Banks

Q.10 The Banks that are incorporated outside India and operate in India are known as-

- a) **Foreign Banks**
- b) International Banks
- c) National Banks
- d) Commercial Banks