



THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)
Re-accredited (2nd Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

Backlog Arrear Examination, March 2021

COM/CME 2532/2422/CIT 2421/2504 CORPORATE ACCOUNTING

Time: 3Hrs.

Marks: 75.

Part - A

Answer any FIVE of the following Questions:

(5x 15 = 75)

1. Define 'Company' and Explain its Types.
2. Abinya Ltd invited applications 10,000 equity shares of Rs. 100 each at a premium of Rs. 10 per share payable as under:

Rs. 20 per share on application

Rs. 40 per share on allotment (including premium)

Rs. 30 per share on first Call

Rs. 20 per share on final call

Applications totalled for 13,000 shares. Applications for 2,000 shares were rejected. And allotment of shares was made proportionately to the remaining applicants. The directors made both the calls and the moneys received except the final call on 300 shares which were forfeited after the required notices were served. Later 200 of the forfeited shares were reissued as fully paid @ Rs.85 per share.

Journalise the transaction and prepare the balance sheet.

3. A company was incorporated on 1st May 2019 to take over a business as a going concern from 1st January of the same year. The turnover for the year ended 31st December was Rs. 2,00,000, namely Rs. 60,000 for the first period upto 1st May and Rs. 1,40,000 for the following period. From the profit and loss account given below for the year ended 31st December 2019, you are required to ascertain profits prior to incorporation

Profit and Loss A/c for the year ended 31-12-2019

Particulars	Amount	Particulars	Amount
To Rent and Rates	3,240	By Gross profit	70,000
To Insurance	720		
To Lighting	2,040		
To Salaries	7,800		
To Director's fees	2,000		
To Sale discount	5,000		
To Sales commission	10,000		
To General expenses	2,400		
To Carriage outwards	3,000		
To Bank charges	420		
To Repairs	1,380		
To Bad debts	600		
To Loan Interest	1,200		
To Net profit	30,200		
	70,000		70,000

4. The following underwriting takes place:

A – 6,000 Shares; B- 2,500 Shares; C – 1,500 Shares

In addition, there is firm underwriting:

A – 800 Shares; B- 300 Shares; C – 1,000 Shares

The issue is for 10,000 shares. Total subscription including firm underwriting is for 7,100 shares and the application include the following marked forms:

A – 1,000 Shares; B- 2,000 Shares; C –500 Shares.

Show the allocation of liability of the underwriters if the firm underwritten shares are treated as unmarked applications.

5. Following is the Trial balance extracted from the books of Foster Company Ltd.

Particulars	Debit Rs	Credit Rs
Stock on 1.1. 16	7,000	
Issued share Capital		1,00,000
Purchase	30,000	
Sales		1,05,000
Wages	8,000	
Carriage	2,000	
Rent received		3,500
Building	50,000	
Motor vehicle	37,000	
Sundry Debtors	9,600	
Sundry Creditors		16,800
Bank over draft		12,200
Salaries	15,000	
Bank interest & charges	400	
Travelling Exp.	4,000	
Machinery	80,000	
Discount allowed	1,500	
Cash in hand	1,000	
Printing & stationary	2,000	
Repairs	1,500	
Directors Remuneration	2,500	
Audit fees	500	
Calls-in-arrears	3,000	
Interim dividend	5,000	
Profit & Loss A/c		22,500
	2,60,000	2,60,000

Adjustments:

- (i) Closing stock on 31.12.16. Rs. 6,000
- (ii) Outstanding wages were Rs. 1,000
- (iii) Depreciate machinery by Rs. 2,000, Building by Rs. 7,000 and motor Vehicle by Rs. 620
- (iv) Directors declared a final Dividend at 20% on paid up capital

- (v) Create a provision for bad debts at 5% on Debtors
 (vi) There is a contingent Liability of Rs. 2,000 for the compensation of claim against the company pending in the court.
 (vii) Provide for corporate Dividend tax @ 17 % on interim dividend and proposed dividend.

You are required to prepare profit & Loss account for the year ended 31.12.16 and balance sheet as on that date.

6. The balance sheet of Vishnu Ltd. was as follows on 30th June 2018

Liabilities	Rs.	Assets	Rs.
4000 shares of Rs. 100 each fully paid	4,00,000	Goodwill	60,000
6% debentures	2,00,000	Land & Building	1,00,000
Sundry Creditors	2,50,000	Plant & machinery	4,00,000
		Stock	90,000
		Sundry Debtors	60,000
		Preliminary Expenses	10,000
		Profit & Loss	1,30,000
	8,50,000		8,50,000

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down plant & Machinery to its proper figure of Rs. 3,00,000, the shares were reduced to Rs. 20 each. Court's approval was obtained. Draft the necessary journal entries and show the balance sheet after the scheme is put through.

7. A Ltd. went into liquidation on 31.3.2019. when the following Balance Sheet was prepared

Liabilities	Rs.	Assets	Rs.
19,500 equity shares of Rs. 10 each	1,95,000	Goodwill	50,000
Sundry Creditors:		Buildings	48,000
Partly secured creditors (secure on building)	55,310	Machinery	65,500
Unsecured creditors	99,790	Stock	56,800
Preferential Creditors	24,200	Sundry debtors	64,820
Bank overdraft (unsecured)	12,000	Cash	2,500
		Profit & Loss A/c	98,680
	3,86,300		3,86,300

Assets realised as follows:

Building – Rs. 35,000; Machinery – Rs. 51,000; Stock – Rs. 39,000; Sundry Debtors – Rs. 58,500; Cash- Rs. 2,500

The expenses of liquidation amounted to Rs. 1,000

The liquidator's remuneration was agreed at 2.5% on the amount realised (including Cash) and 2% on the amount paid to unsecured creditors.

You are required to prepare the liquidators final statement of account.