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B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2025.

Fifth Semester

Commerce/Honours – Core

CORPORATE ACCOUNTING

(For those who joined in July 2021 and 2022 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Shareholders are _____
 - (a) Customers of the Company
 - (b) Owners of the Company
 - (c) Creditors of the company
 - (d) None of these

2. Capital Redemption Reserve Account may be applied to issue _____.
(a) Right shares
(b) Bonus debentures
(c) Bonus to employees of the company
(d) Bonus shares
3. The debentures which can be converted into equity shares are called _____.
(a) Bearer debentures
(b) Convertible debentures
(c) Redeemable debentures
(d) Secured debentures
4. When debentures are redeemed at a premium, the premium is payable out of _____.
(a) Profit and Loss A/c
(b) General Reserve
(c) Securities Premium A/c
(d) Capital Redemption Reserve
5. For which purpose profits prior to incorporation may not be used?
(a) To write off capital loss
(b) To create capital reserve
(c) To write off goodwill
(d) To distribute dividend

6. Gain on sale of fixed assets is shown in the statement of profit and loss as _____.
(a) Other income
(b) Revenue from operation
(c) Any of these
(d) None of these
7. The weighted average method for calculating goodwill should be followed only when
(a) The profits have a decreasing trend
(b) The profits are uneven
(c) The profits have an increasing trend
(d) None of these
8. How is the liquidator's remuneration typically calculated?
(a) Fixed percentage of assets realized
(b) Hourly rate
(c) Lump sum payment
(d) All of these

9. The Amalgamation Adjustment Account appears in the books, it is shown under the heading of _____ in the balance sheet.

- (a) Reserve and Surplus
- (b) Fixed Assets
- (c) Investments
- (d) Miscellaneous Expenditure

10. Both of the old companies will not exist in _____.

- (a) Internal reconstruction.
- (b) Amalgamation
- (c) External reconstruction
- (d) Absorption

PART B — (5 × 5 = 25 marks)

Answer ALL questions (Either (a) or (b) Type)

11. (a) The directors of 'A' Co. Ltd. Forfeit 10 shares of Rs.50 each belonging to 'Kumar' who had paid Rs.5 per share on application, Rs.10 on allotment and Rs.15 on first call but failed to pay the final call of Rs.20. The same shares are then reissued to 'Arul' as fully paid on receipt of Rs.400. Pass journal entries with narration to record the forfeiture and the reissue of shares.

Or

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- (b) C Ltd. had 10,000, 10% Redeemable Preference Shares of Rs.100 each, fully paid up. The company decided to redeem these preference shares at par, by issue of sufficient number of equity shares of Rs.10 each at a premium of Rs.2 per share as fully paid up. You are required to pass necessary Journal Entries including cash transactions in the books of the company.

12. (a) Kumar Ltd. which had Rs.50,00,000, 10% debentures outstanding, made the following purchases in the open market for immediate cancellation:

1.4.2007, 1,000 debentures of Rs. 100 each at Rs. 99

1.9.2007, 2,000 debentures of Rs. 100 each at Rs.97

You are required to give the journal entries for purchase and cancellation of the debentures.

- (i) If the above purchase rates are Ex-Interest
- (ii) If the above purchase rate are Cum-Interest.

Assume that interest is payable every year on 30th June and 31st December.

Or

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- (b) A company issues 800 debentures of Rs.100 each at a premium of Rs.10 per debenture. Terms: Rs.30 on application, Rs.80 (including premium) on allotment. All are duly paid. Pass journal entries.
13. (a) A Company issues 10,000 equity shares of Rs.10 each at par. The issue was underwritten by K & Co. for maximum commission permitted by law. The public applied for and received 8,000 shares. Give journal entries in the company's books.

Or

- (b) Write a note on final accounts.
14. (a) Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:

Year	Rs.
I Year	4,800
II Year	7,200
III Year	10,000
IV Year	3,000
V Year	5,000

Or

- (b) What are the importance of liquidator final statement of account?
15. (a) Raman ltd., agrees to purchase the business of Krishnan ltd., on the following terms:
- (i) For each of the 10,000 shares of Rs. 10 each in Krishnan Ltd., 2 shares in Raman Ltd., of Rs. 10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs.4 per share cash also will be paid.
 - (ii) 8% Debentures worth Rs.80,000 will be issued to settle the Rs.60,000, 9% debentures in Krishnan ltd.
 - (iii) Rs. 10,000 will be paid towards expenses of winding up. Calculate the purchase consideration.

Or

- (b) P Ltd. has 50,000 equity shares of Rs. 100 each, Rs. 80 per share called up. The company decides to pay off Rs. 30 per share of the paid up capital and to reduce the Rs.100 shares to Rs. 50 shares fully paid by cancelling the unpaid amount. Show journal entries.

PART C — (5 × 8 = 40 marks)

Answer ALL questions (Either or Type)

16. (a) M Ltd., invited applications for 20,000 shares of Rs. 100 each payable:

Rs. 25 on application Rs. 35 on allotment
Rs.40 on Call 25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All money due were fully received. Give journal entries.

Or

- (b) On 30th June 2008, the balance sheet of S Ltd., stood as follows:

Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Sundry Assets	14,00,000
Redeemable preference share capital	4,00,000	Bank	5,00,000
P & L A/c	3,00,000		
Sundry creditors	2,00,000		
	<u>19,00,000</u>		<u>19,00,000</u>

On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs. 110. The Company also issued 8% debentures Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries.

17. (a) A Ltd. issued 1,000, 8% debentures of Rs.100 each. Give journal entries in the books of the company, if the debentures were issued as follows:

- Issued at par, redeemable at par
- Issued at a discount of 5%, repayable at par
- Issued at a premium of 10%, repayable at par
- Issued at par, redeemable at a premium of 10%
- Issued at a discount of 5%, repayable at a premium of 10%.

Or

- (b) Explain the various types of issue of debentures.

18. (a) G Ltd, was registered on 1.7.2017 to acquire the running business of S company with effect from 1.1.2017. The following was the profit and loss account of the company on 31.12.2017.

Particulars	Rs.	Particulars	Rs.
To office expenses	54,000	By Gross Profit b/d	2,25,000
To Formation expenses (Written off)	10,000		
To Stationery	5,000		
To Selling expenses	60,000		
To Director fees	20,000		
To Net Profit	76,000		
	<u>2,25,000</u>		<u>2,25,000</u>

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

Or

- (b) From the following balances, prepare the balance sheet of a company in the prescribed format. Goodwill Rs. 1,50,000, Investment Rs. 2,00,000, Share capital Rs.5,00,000, Reserve Rs. 1,10,000, Securities premium Rs. 15,000, Preliminary expenses Rs.10,000, Profit and loss a/c (cr) Rs. 25,000, Debentures Rs.2,50,000, other fixed assets Rs.4,70,000, Stock Rs. 80,000. Debtors Rs. 60,000, Bank Rs.30,000, Unsecured loan Rs. 65,000, Creditors Rs.35,000.

19. (a) The Balance Sheet of Saraswati Co. Ltd., disclosed the following position as on 31.12.2008.

Liabilities	Rs.	Assets	Rs.
Share capital :		Goodwill	1,65,000
6000 equity shares of		Investments	5,25,000
Rs.100 each	6,00,000	Stock	6,60,000
Profit and Loss A/C	75,000	Sundry debtors	3,90,000
General Reserve	2,25,000	Cash at Bank	60,000
6% Debentures	4,50,000		
Sundry Creditors	1,50,000		
Workmen's Saving Bank A/C	3,00,000		
	<u>18,00,000</u>		<u>18,00,000</u>

- (i) The profits for the past five years were :

Years	Rs.
2004	30,000
2005	70,000
2006	50,000
2007	55,000
2008	95,000

- (ii) The Market value of investment was Rs.3,30,000

- (iii) Goodwill is to be valued at three years purchase of the average annual profits for the last five years.

Find the intrinsic value of each share.

Or

- (b) The following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the liquidator's final account, allowing for his remuneration @ 2% on the amount realized and 2% on the amount distributed among unsecured creditors other than preferential creditors:

Preferential creditors Rs. 10,000 Unsecured creditors Rs. 32,000 Debenture Rs. 10,000
The assets realized the following sums:

Land and Building Rs.20,000

Plant and Machinery Rs. 18,650

Fixtures and Fittings Rs.1,000 The liquidation expenses amount to Rs.1,000

20. (a) Following is the balance sheet of K Ltd as on 31.12.2020

Liabilities	Rs.	Assets	Rs.
2,000 shares of Rs. 10 each		Goodwill	4,000
Fully paid	20,000	Fixed assets	16,500
Profit and Loss a/c	7,000	Current assets	19,500
Debentures	10,000		
Creditors	3,000		
	<u>40,000</u>		<u>40,000</u>

R Limited agreed to take over the assets of K Ltd (exclusive of one fixed asset of Rs.4,000 and cash Rs.1,000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2,000 shares of Rs. 10 each at the market value of Rs. 15 each and the balance in cash. Liquidation expenses came to Rs.400.

K ltd sold the fixed assets of Rs.4,000 and realized the book value. It paid off its debentures and liquidation expenses.

You are required to give journal entries in the books of K ltd and R ltd.

Or

- (b) Give the journal entries that are passed in the books of companies in the case of absorption.
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