

PG DEPARTMENT OF COMMERCE (CA)

QUESTION BANK

COURSE: B.Com (CA)

SEMESTER:III

SUBJECT CODE: 18UCC305

SUBJECT:CORPORATE ACCOUNTING

K1 LEVEL

1. A company is a voluntary association of persons formed for some common purpose, with capital divisible into parts, known as _____.

- a) Stock **b) Shares** c) Partnership d) Sole proprietorship

2. A member can be _____

- a) Shareholder b) Creditor **c) Both** d) None

3. _____ of its member does not have any effect on the existence of the company.

- a) Death** b) shareholder c) Resignation d) Transfer

4. The persons who contributes the capital or to whom it belongs are its _____.

- a) Members** b) Shareholders c) Directors d) Public

5. A _____ is a legal person quite distinct from its members.

- a)Company** b) Shareholder c) Partner d) Sole proprietor

6. The capital of a company is divided into shares of a _____denomination.

- a)Fluctuating b) Equal **c) Fixed** d) None

7. The _____ is the symbol of incorporation of the company.

- a) Shareholder b) Director **c) Common Seal** d) Office.

8. Liability of the shareholders of a company is not_____.

- a) limited b) **unlimited** c) both d) none

9. _____ shares are also known as “Founder’s shares” or “Management shares”.

a) **Deferred** b) Equity c) Preference d) Differential shares.

10. _____ means the shares of a company in a different form.

a) **Stock** b) Rights c) both d) none

11. Profits transferable to capital redemption reserve is _____

a) Capital profits b) Capital reserve c) **Revenue profits** d) Revenue reserve

12. Profits not to be transferred to capital redemption reserve is _____

a) **Capital profits** b) Capital reserve c) Revenue profits d) Revenue reserve

13. The word _____ implies the amount received excluding the amount of share premium on the new issue of shares.

a) Share b) Profits c) **Proceeds** d) Capital

14. Debentures are _____ issued by a company, usually for a fixed period, at

a specified rate of interest payable periodically.

a) **Creditor ship securities** b) debtor c) stock d) share

15. _____ is a creditor of a company.

a) Shareholder b) **debenture holder** c) Directors d) None.

16. _____ paid debentures may be converted into debenture stock.

a) Half b) **Fully** c) Not paid d) none

17. Share holders _____ security.

a) have b) **don't have** c) limited d) unlimited

18. A sinking fund may be created for _____ of debentures.

- a) issue **b) redemption** c) both d) none
19. After redemption of debentures, the balance in the sinking fund a/c is transferred to:
a) secret reserve **b) general reserve** c) Capital reserve d) P &L a/c
20. Debentures are shown under the heading:
a) **Secured loan** b) Unsecured loan c) Share capital d) Current liabilities
21. Revenue from operations refers to _____ earned by the company from its operating activities.
a) expenses **b) revenue** c) losses d) profits
22. Stock in trade means goods purchased for _____.
a) sales **b) reselling** c) producing d) none
23. Wages and salaries come under _____
a) income b) expenses **c) employee benefit expenses** d) none
24. _____ is the cost incurred by the company on its borrowings.
a) Stock **b) finance cost** c) holding cost d) other expenses
25. TDS stands for _____
a) **Tax Deducted at Source** b) Tax Deductible Service c) Tax and Services d) none
26. Amount payable against purchase of goods or services taken in the normal course of business is called _____.
a) **Trade payable** b) short term borrowing c) long term borrowings d) none
27. Liabilities that are to be repaid within 12 months from the date of balance sheet are _____
a) short term provision b) long term provisions **c) current liabilities** d) other current liabilities.
28. The dividend declared by the Board of directors before the preparation of financial statements is known as _____.
a) **interim dividend** b) final dividend c) proposed dividend d) corporate dividend
29. Managing director is a director who has substantial powers of _____.
a) **management** b) company c) both d) none

30. Remuneration payable to manager is _____ of net profits
 a) **5%** b) 10% c) 15% d) 20%
31. _____ is the current value of expected future income in excess of a normal return on investment in net tangible assets.
 a) **Goodwill** b) Capital c) Share d) Earnings
32. _____ is always charged on fixed assets.
 a) Interest **b) Depreciation** c) Goodwill d) Shares
33. _____ may be secured or unsecured.
 a) **Debentures** b) Shares c) both d) none
34. _____ means amount set aside out of profits and other surpluses to meet future uncertainties.
 a) Cash b) Capital **c) Reserve** d) Share
35. Capital _____ means fixed tangible assets under construction.
 a) Raw materials **b) Work in progress** c) Reserve d) Investments
36. _____ is the present value of a firm's anticipated excess earnings
 a) Share b) investment **c) Goodwill** d) Raw materials
37. Goodwill is the value of the _____.
 a) trade name b) business **c) reputation** d) firms
38. Excess of average profit over _____ profit is known as super profits.
 a) **normal** b) abnormal c) capital d) revenue
39. Goodwill = Super profits X _____
 a) normal profit b) normal rate of return **c) No. of years of purchase** d) average profit
40. Net assets method is also called as _____ method
 a) Yield b) Market value **c) intrinsic value** d) fair value
41. Yield method is also called as _____ method.
 a) **market value** b) fair value c) real value d) net worth
42. _____ is a process by which a company is dissolved.
 a) **Liquidation** b) Registration c) amalgamation d) absorption.

43. The word _____ is used for winding up by many persons.
a) Amalgamation b) Absorption **c) Liquidation** d) Holding
44. Which is/are the kind/s of voluntary winding up _____
a) Members b) Creditors **c) both** d) none
45. A secured _____ is one who holds some security for a debt due to him from the company. Such as pledge, mortgage, etc.,
a) creditor b) debtor c) shareholder d) none
46. The amount recoverable on calls in arrears is shown in _____
a) List A b) List B c) List C d) List D
47. _____ is shown as a note at the end of the statement of affairs.
a) Called capital **b) Uncalled capital** c) both d) None
48. A company whose financial position is very sound, may also be _____
a) transferred b) dissolved c) liquidated d) none
49. _____ gives a complete list of assets.
a) List A b) List B c) List C d) List D
50. List _____ gives the names and holding of preference shareholders.
a) A **b) F** c) G d) H

K2 LEVEL

1. What is a company?

A company is a voluntary association of persons formed for some common purpose, with capital divisible into parts known as shares and with limited liability.

2. What is nominal capital?

It is the amount of capital specified in the capital clause of the memorandum. It is the maximum amount which the company can issue during its life and shown on the liabilities side of the balance sheet without adding its amount in the total of the balance sheet.

3. What is issued capital?

It is that part of authorized capital which is offered to the public allotted to directors as qualification shares and issued to vendors as purchase consideration.

4. What is subscribed capital?

It is that part of the issued capital which is subscribed by the public.

5. What is called up capital?

It is that part of the subscribed capital which the shareholders are called upon by the company to pay.

6. What is Paid – up capital?

It is that portion of the called up capital which the shareholders have actually paid. The difference between called up capital and paid up capital is known as calls in arrears.

7. What is reserve capital?

It is that part of the capital which is not issued and can be issued only at the time of liquidation of the company. i.e., a portion of the subscribed capital not already called up becomes the reserve capital.

8. Define shares.

Share capital constitutes the basis of the capital structure of a company. Ownership of a company is vested in its shareholders and a share represents the extent of ownership or interest in the assets and profits of the company.

9. What is a preference share?

A preference share is one which enjoys certain preferential rights. On preference shares a fixed dividend is guaranteed before any payment of dividend is made in respect of equity shares.

10. What is stock?

Stock means the shares of a company in a different form. In fact, stock is the aggregate of fully paid up shares consolidated and divided into different parts.

11. What is cumulative preference share?

The preference shareholders are paid dividend at a fixed rate, but when dividends go on accumulating in case the dividend is not paid, preference shares are said to be cumulative.

12. What is non-cumulative shares?

Shares in respect of which dividends do not accumulate, are called non-cumulative preference shares.

13. What is Participating shares?

The articles of association may contain a provision to the effect that after dividend has been paid on the equity shares at a specified rate, the holders of preference share will have a right to participate in the remaining profits in addition to the ordinary preference dividend.

14. What is redeemable shares?

Money on these shares can be refunded on the expiry of a specified period if the company does not require funds or at the option of the company. Often the commitment is made by the company at the time of issue of these shares.

15. What is guaranteed preference shares?

Dividend at fixed rates is guaranteed to such shareholders irrespectively of the fact whether the company has earned any profit or not. Such guarantee is not given by the company itself but by some third party like a bank, an individual or an institution.

16. What is redemption by conversion?

Redemption of debentures by conversion is possible when the debentures were originally issued as 'convertible debentures'.

17. What is sinking fund method?

A sinking fund may be created for redemption of debentures. This is different from sinking fund for replacement of assets. The former is created out of revenue profits by debiting the profit and loss appropriation account and is not a charge against profits.

18. What are mortgage debentures?

Debentures may be secured or unsecured. The secured debentures usually have assets mortgaged. So they are called mortgage debentures.

19. What is naked debenture?

The unsecured debentures are called naked or simple debentures.

20. What is registered debentures?

Debentures may be registered debentures or bearer debentures. Registered debentures are recorded in the company's register.

21. What is revenue from operations?

It refers to revenue earned by the company from its operating activities.

22. What is deferred tax?

Every year accounting income is compared with taxable income and if the difference between the two exists which is temporary in nature, income tax on the difference is termed as deferred tax.

23. What are trade payables?

Amount payable against purchase of goods or services taken in the normal course of business is called trade payable.

24. What are tangible assets?

The assets which have physical existence are known as tangible assets.

25. What is capital work in progress?

It means tangible assets under construction.

26. What are capital advances?

Capital advances are those advances which are advanced for acquiring fixed assets.

27. What is interim dividend?

The dividend declared by the Board of directors before the preparation of financial statements is known as interim dividend.

28. What is final dividend?

The board of directors may recommend another dividend when final figure of net profit for the year is available. This dividend is termed as final dividend.

29. State the headings that appear on the income side of the part II of the form of statement of profit and loss.

Revenue from operations and other income.

30. What is stock in trade?

Stock in trade means goods purchased for reselling.

31. Define goodwill.

Goodwill is the present value of a firm's anticipated excess earnings.

32. What is goodwill?

Goodwill in simple words, means the 'good name' or the 'reputation' of the business which attracts more customers and therefore, helps in earning more profits in future.

33. State any two sources of goodwill.

The location of the business premises e.g., a retail shop located in a busy market centre.

The reputation of the articles sold arising from the high standard or quality of the goods themselves.

34. State any two circumstances for valuing goodwill

When a new partner is admitted; when a partner retires or dies.

35. State the factors which affect the value of the goodwill of the firm.

Profitability, Normal rate of return, capital employed

36. State the items to be included while computing capital employed.

All current assets, trade investments, all fixed assets.

37. State the items to be excluded.

All current liabilities, intangible assets like patents, trade marks and copyrights.

38. What is super profit?

Average profit of the firm is compared with the normal profit on the invested capital in the firm. Excess of average profit over normal profit is known as super profits.

39. How is normal profit ascertained?

Normal profit = Average capital employed X Normal rate of return

40. What is profitability?

The term profitability refers to the profit which the firm is expected to earn in future.

41. What is normal rate of return?

It refers to the rate of earnings which investors in general expect on their investment in a particular type of industry.

42. What is liquidation?

Liquidation or winding up is a process by which a company is dissolved. The word liquidation is used for winding up by many persons. Liquidation is a means by which the dissolution of a company is brought about and its assets realized and applied in payment of debts.

43. State the modes of winding up of a company?

By the court, members' voluntary winding up, creditors' voluntary winding up and winding up subject to supervision of court.

44. What is members' voluntary winding up?

When the members of the company decide to wind it up even when its financial position is so sound that it can pay all its debts, this winding up is called members' voluntary winding up.

45. What is creditors winding up?

A voluntary winding up of a company in the case of which no declaration of solvency is required is called creditors winding up.

46. Who is a secured creditor?

A secured creditor is one who holds some security for a debt due to him from the company, such as a pledge, mortgage, charge or lien.

47. Who are preferential creditors?

Preferential creditors or payments are those creditors or payments who or which have to be paid or met before any payment is made to any creditors except the cost of liquidations and the remuneration payable to the liquidator.

48. What is deficiency or surplus account?

This account is prepared in the case of a company in liquidation to explain in a nutshell how the company lost money during its existence.

49. State any two duties of liquidator.

Selling of the assets of the company, paying off its liabilities

50. Define contributory.

Sec. 428 defines a contributory as "every person liable to contribute to the assets of a company in the event of its being wound up and includes any holder of shares which are fully paid up".

K3 LEVEL

1. Explain the salient features of the company.
2. Differentiate a private company and a public company.
3. Explain the contents of Memorandum Association.
4. Differentiate reserve capital and capital reserve.
5. Explain different types of preference shares.
6. Differentiate stock and shares.
7. Batliboi company Ltd., issued 50,000 equity shares of Rs.10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of company when , shares are issued at par; at a premium of 10% and at a discount of 10%
8. Ram Ltd., purchased assets of Rs.8,00,000 from Anil Bros. It issued equity shares of Rs.100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.
9. Kailash Ltd., purchased the business of Mani Bros. for Rs.54,00,000 payable in fully paid shares of Rs.100 each. What entries will be made in the books of Kailash Ltd., if such issue is at par; at a premium of 20% and at a discount of 10%.
10. Mr. Senthil is a shareholder in Kiran Ltd., holding 2,000 shares of Rs.10 each. He has paid Rs.2 and Rs.3 per share on application and allotment respectively. But failed to pay Rs.3 and Rs.2 per share for first and second calls respectively. Directors forfeit his shares. Give journal entry.
11. Differentiate debenture and share.
12. Explain the provision relating to issue and redemption of preference shares.
13. How will you treat different items relating to debentures in final accounts.
14. Explain sinking fund method.
15. Symcox Ltd., issued 75,000 equity shares of Rs.10 each and 5,000 redeemable preference shares of Rs.100 each all shares being fully called and paid up on 31.3.92. P&L account showed undistributed profits of Rs.3,00,000 and general reserve stood at Rs.2,50,000. On 1.4.92, the directors decided to redeem the existing preference shares at Rs.105 utilising as

much profits as would be required for the purpose. You are required to pass journal entries in the books of the company.

16. Modern Fibres Ltd., has part of its share capital as 5,000 redeemable preference shares of Rs.100 each. When the shares became due for redemption, the company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of Rs.10 each. Show the journal entries in the books of the company.
17. Sterling Lt., have part of their share capital in 2,500 6% redeemable preference shares of Rs.100 each. The company decided to redeem the preference shares at a premium of 10%. The general reserve of the company shows a credit balance of Rs.3,00,000. The directors decide to utilize 60% of the reserve in redeeming the preference shares and the balance is to be met from the proceeds of fresh issue of sufficient number of shares of Rs.10 each. The premium is to be met from the year's P & L appropriation account. Give journal entries to record the above transactions.
18. Explain the classification of debentures.
19. Journalise the issue of debentures.
20. Rashid Ltd., has Rs.10,00,000 8% debentures outstanding on 1.1.96. The company has been redeeming every year on January 1st Rs.1,00,000 debentures by drawings by lot, at par. Give necessary journal entries – if the redemption is out of profits and if the redemption is out of capital.
21. Earth movers Ltd., issued 15,000 14% debentures of Rs.100 each for public subscription, at a premium of 10% payable as to Rs.30 on application, Rs.50 on allotment and the balance in once call. 25,000 applications were received. 4,000 applications were rejected and debentures were allotted to the remaining applicants pro-rata. Allotment amount was received from all the allottees one of whom paid the call amount due on his 1,000 debentures along with allotment money. The call amount was also collected on the due date. You are required to pass necessary journal entries in the company's books.
22. Give journal entries in the books of 'A' Co., Ltd., if
 - a) it purchased assets of Rs.5,00,000 and agreed to pay the price by issuing 9% debentures of Rs.100 each at a premium of 25%
 - b) It purchased assets of Rs.3,00,000 and acquired liabilities of Rs.30,000. It issued 8% debentures of Rs.100 each at a discount of 10% to satisfy the net purchase price.
 - c) It purchased assets and liabilities of a firm for Rs.4,00,000. The assets acquired were valued at Rs.6,00,000 and the liabilities taken over were Rs.2,40,000. The purchased price is to be satisfied by issue of 10% debentures of Rs.100 each at par.
23. 'A' Co., Ltd., had Rs.4,00,000 5% debentures outstanding on 1.1.86. on that date the sinking fund stood at Rs.3,74,500, represented by Rs.50,000 own debentures purchased at an average price of Rs.99 and Rs.3,30,000 3% stock. The annual instalment was Rs.14,200. On

31st December 1986 the investments were realized at Rs.98 and the debentures were redeemed. Write up the accounts for 1986.

24. 'A' Ltd., had issued 2,000 6% debentures of Rs.100 each on 1st January 1981. Interest was payable half yearly on 30th June and 31st December each year. They were repayable at par on 31st December, 1990 with the option to redeem them at any time after 31st December 1985 at Rs.103. On January 1, 1986, the balance in the debenture redemption fund account stood at Rs.1,07,000 which was invested outside. On 30th June 1986 a notice was given for redemption of the above debentures with the option to receive one new 9% debenture of Rs.100 each at Rs.98 and Rs.5 in cash for each 6% debentures in place of Rs.103 in cash. The holders of 1800 debentures exercised this option and the remaining were paid cash. The company sold the investments costing Rs.72,000 for Rs.87,400. The company completed the redemption. Give necessary ledger accounts affected by the above transactions ignoring interest payments.
25. H Ltd., was incorporated with a share capital of Rs.12,00,000 in Rs.10 shares. The company purchased machinery from X & Co., for 6,00,000 payable in fully paid shares of the company. The directors also decided to allot 2,000 shares credited as fully paid to the promoters for their services. The rest of the shares were issued for cash and were taken up by the public and fully paid for. Give journal entries and show the balance sheet.
26. Explain the sources of goodwill.
27. Explain the needs for valuing goodwill.
28. Explain normal rate of return.
29. Tunex Ltd., issued 1,000 8% debentures of Rs.100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows:
- i) issued at par, redeemable at par
 - ii) issued at a discount of 5 %, repayable at par.
 - iii) issued at a premium of 10%, repayable at par
 - iv) issued at par, redeemable at a premium of 10%
 - v) issued at a discount of 5%, repayable at a premium of 10%
30. Excel Ltd., made the following issues of debentures on 1.4.97
- i) 200 10% debentures of Rs.100 each to settle a creditor who supplied a machine on credit some time ago at a price of Rs.18,000
 - ii) 300 10% debentures of Rs.100 each for cash at a discount of 5%

iii) 1,000 10% debentures of Rs.100 each to the bankers as collateral security for a loan of Rs.80,000

All the above issues are redeemable at par.

Pass journal entries to record the above in the books of the company.

31. Prepare the format of balance sheet (Part I)

32. Calculate the managerial remuneration from the following particulars of Ankit and Company Ltd., due to managing director of the company at the rate of 5% of the profits. Also determine the excess remuneration paid if any.

	Rs.
Net profit	2,00,000
Depreciation	40,000
Preliminary expenses	10,000
Tax provision	3,10,000
Directors' fees	8,000
Bonus	15,000
Profit on sale of fixed assets	15,500
Provision for doubtful debts	9,000
Scientific research expenditure	20,000
Managing director's remuneration paid	30,000
Depreciation allowable under schedule XIV of the companies Act	35,000
Bonus liability as per payment of bonus act 1965	18,000

33. Determine the maximum remuneration available to the directors and manager of blue print co., Ltd., under sections 309 and 387 of the companies act 1956 from the following particulars:

Before charging any such remuneration the profit and loss a/c showed a credit balance of Rs.6,60,000 for the year ended 31.3.2004 after taking into account the following matters.

	Rs.
Capital expenditure	1,50,000
Subsidy received from Govt.,	1,20,000
Special depreciation	20,000
Multiple shift allowance	30,000
Bonus to foreign technicians	90,000
Provision for taxation	8,00,000
Compensation paid to injured work man	20,000
Ex-gratia to an employee	10,000
Loss on sale of fixed	20,000
Profit on sale of investment	60,000
Provision for doubtful debts	25,000
Preliminary expenses written off	10,000
Director's fees	15,000

34. Calculate maximum remuneration payable to the managing director for the year from the information given below:

	Rs.
Profit for the year	50,00,000
Paid up capital	3,00,00,000
Reserves and surplus	1,20,00,000
Securities premium	20,00,000
Long term loans	1,00,00,000
Investments	60,00,000
Preliminary expenses not written off	5,00,000
Remuneration paid to the managing director during the year	10,00,000

Share suspense account representing application money received on shares the allotment of which is not yet due	15,00,000
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35. Explain average capital employed.
36. Enumerate the methods of valuing goodwill.
37. Explain average profit method.
38. Explain the need for valuing shares.
39. Explain the methods of valuation of shares
40. Calculate the amount of goodwill on the basis of three years purchase of last five years' average profits. The profits for the last five years are:
 I Year – Rs.4800; II Year – Rs.7200; III Year – Rs. 10,000; IV Year – Rs.3,000 ; V Year – Rs. 5,000;
41. Following details are available about the business of Sagar Ltd.,
- Profits: 1994 – Rs.80,000; 1995 – Rs.100,000; 1996 – Rs.120,000;
 - Non recurring income of Rs.8,000 is included in the profit of 1995
 - Profits of 1994 have been reduced by Rs.12,000 because goods were destroyed by fire
 - Goods have not been insured but it is thought prudent to insure them in future. The insurance premium is estimated at Rs.800 per year.
 - Reasonable remuneration of the proprietor of the business is Rs.12,000 per year but it has not been taken into account for calculation of above mentioned profits.
 - Profits of 1996 include Rs.10,000 income on investment. Calculate goodwill on the basis of three years purchase of the average profit of last three years.
42. The profits of Thilalga Ltd., for the last 5 years were as follows:
 1994 – Rs.15,000; 1995 – 18,000; 1996 – 22,000; 1997 – 25,000; 1998 – 27,000
 Compute the value of goodwill of Thilalga Ltd., on the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits.
43. A firm earned net profits during the last three years as follows:
 I year - Rs.36,000; II Year – Rs.40,000; III Year – Rs.44,000

The capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved, is 10%. Calculate the value of goodwill on the basis of 3 years' purchase of super profits.

44. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.
- i) Average capital employed in the business is Rs.20,00,000
 - ii) Rate of interest expected from capital having regard to the risk involved in 10%.
 - iii) Net trading profits of the firm for the past three years were Rs.3,50,400; Rs.2,80,300 and Rs.3,10,100.
 - iv) Fair remuneration to the partners for their services is Rs.48,000 per annum
 - v) Sundry assets of the firm are Rs.23,50,400 and current liabilities are Rs.95,110.
45. Average capital employed in Kausik Ltd., is Rs.35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,00 p.m. but now he would be paid a salary of Rs.12,00 p.m. Normal rate of return expected in the industry in which Kausik Ltd., is engaged is 18%. Rate of tax is 50%. Calculate the goodwill on the basis of three years' purchase of the super profits.
46. Explain about compulsory winding up of a company.
47. Explain about voluntary winding up of a company.
48. Explain the points to be remembered while preparing the statement of affairs.
49. Explain about payment of various liabilities.
50. Explain the points to be remembered while preparing liquidator's statement of accounts.

K4/K5 LEVEL

1. Discuss the salient features of a company.
2. Differentiate partnership and a company.
3. Enumerate different types of companies.
4. Enumerate the types of shares.
5. 6. X Co., Ltd., issued 4,000 shares of Rs.10 each at a premium of Rs.2 per share. The amount was payable as under:

On application: Rs. 3 per share; On allotment – Rs.4 per share (including premium);

On first call: Rs. 3 per share; On second call – Rs.2 per share;

The company received applications for 5,000 shares and the allotment was made as under:

(i) Applicants for 200 shares – Nil

(ii) Applicants for 800 shares – Full

(iii) Applicants for 4,000 shares – 3,200 shares. All moneys were duly received except the first call on 200 shares and final call on 300 shares.

7. Ambassadors Ltd., issued 2,000 shares of Rs.100 each at a premium of 10% payable as follows:
Rs. 25 on application, Rs.35 on allotment, Rs.20 on first call, Rs.30 on final call. 1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited. Give journal entries and prepare balance sheet.
8. Good prospects Ltd., issued 40,000 shares of Rs.10 each at a premium of Rs.2 per share. The shares were payable as follows: Rs.2 on application; Rs.5 on allotment (including premium); Rs.5 on first and final call. All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs.8 per share. Give the necessary journal entries, prepare the bank A/C and the balance sheet of the company.
9. On 1st April 1989, ABC Ltd., issued 1,00,000 equity shares of Rs.10 each at Rs. 12 per share payable as to Rs. 5 on application; Rs.4 on allotment and the balance on 1st July 1989. The lists closed on 12th April 1989 by which date applications for 1,40,000 shares had been

received. Of the cash received, Rs. 80,000 was returned and Rs.1,20,000 was applied to the amount due on allotment, the balance of which was paid on 19th April 1989. All shareholders paid the call due on 1st July 1989 with the exception of one allottee for 1,000 shares. These shares were forfeited on 30th Nov 1989 and reissued as fully paid at Rs. 8 per share on 2nd Jan 1990. Pass journal entries in the books of ABC Ltd.,

10. Ambitions Ltd., issued a prospectus, inviting applications for 2,00,000 shares of Rs.10 each at a premium of Rs.5 per share, payable as follows:

On application - 2.50 per share; On allotment – Rs.7.50 per share (including premium);

On first call – Rs.4 per share; On final call – Rs.1 per share.

Applications were received for 3,00,000 shares and allotment was made pro-rata to the applicants of 2,40,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted towards the amount due on allotment. David, to whom 4,000 shares were allotted, failed to pay allotment money and on his failure to pay the first call, his shares were forfeited. Madan, the holder of 6,000 shares failed to pay the two calls and so his shares were also forfeited. All these shares were sold to Robert, credited as fully paid for Rs.8 per share. Pass journal entries to record the above issue of shares by the company.

11. Timex Ltd., issued 1,000 8% debentures of Rs.100 each. Give appropriate 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%. You are also required to show how the items concerned appear in the balance sheet in each of the above cases.

12. Excel Ltd., made the following issues of debentures on 1.4.97. – 200 10% debentures of Rs.100 each to settle a creditor who supplied a machine on credit some time ago at a price of Rs.18,000; 300 10% debentures of Rs.100 each for cash at a discount of 5%; 1000 10% debentures of Rs.100 each to the bankers as collateral security for a loan of Rs.80,000. All the above issues are redeemable at par. Pass journal entries to record the above in the books of the company and show how these items are to be shown when the company's Balance Sheet is prepared.

13. Hamid Pasha Ltd., obtained an overdraft of Rs.5,00,000 from bank for which the company issued 7,000 12% debentures of Rs. 100 each as collateral security. Show how the items appear in Balance sheet, if (a) the issue of debentures need not to be recorded in the books (b) the issue of debentures must be recorded in the books.

14. Moon rays Ltd., issued 50,000 8% debentures of Rs.10 each to the public at par, to be paid Rs.4 on application and the balance on allotment. Applications were received for 48,000 debentures. Allotment was made to all the applicants and the amount due was received promptly. Give journal entries to record the transactions and show how they appear in the balance sheet of the company.

15. On 1.1.98, Y Ltd., issues 4,000 12% debentures of Rs.100 each repayable at the end of four years at a premium of 5%. It has been decided to institute a Sinking Fund for the purpose, the investments being expected to realize 4% net. Sinking fund tables show that 0.235490 amounts to Rs.1 @ 4% in four years. Investments were made in multiples of hundred only. On 31.12.2001, the balance at bank was Rs.1,18,000 and the investments realized Rs.3,13,600. The debentures were paid off. Give journal entries and show ledger accounts.
16. Samy Ltd., issued 6 % debentures for Rs.12,00,000 on 1.1.94. it was provided in the debenture trust deed that the debentures are repayable at the end of 2996 with a premium of 20%. A sinking fund was set up to provide cash for the redemption on the due date. The amounts set aside annually are to be invested in 5% government bonds. Sinking fund tables show that 0.31720856 at 5% compound interest in 3 years will become Re.1. You are required to write the ledger accounts for all the 3 years in the company's books. Calculations may be made to the nearest rupee.
17. Explain the factors affecting value of good will.
18. Tunex Ltd., issued 1,000 8% debentures of Rs.100 each. Give appropriate journal entries in the books of the company, if the debenture were issued as follows:
- i) issued at par, redeemable at par
 - ii) issued at a discount of 5 %, repayable at par.
 - iii) issued at a premium of 10%, repayable at par
 - iv) issued at par, redeemable at a premium of 10%
 - v) issued at a discount of 5%, repayable at a premium of 10%
- You are also required to show how the items concerned appear in the balance sheet in each of the above cases.
19. Explain the contents of balance sheet of a company.
20. Explain the main factors which will affect the value of the goodwill of the firm.
21. Average capital employed in Kausik Ltd., is Rs.35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,00 p.m. but now he would be paid a salary of Rs.12,00 p.m. Normal rate of return expected in the industry in which Kausik Ltd., is engaged is 18%. Rate of tax is 50%. Calculate the goodwill on the basis of three years' purchase of the super profits.
22. Amarnath runs a cosmetic store. His net assets on 31st December 1998 amounted to Rs.2,50,000. After paying rent of Rs.2,500 a year and a salary of Rs.12,000 to his manager, he earns a profit of Rs.75,000. His landlord is interested in acquiring the business. 15% is considered to be reasonable return on capital employed. Calculate the value of goodwill by capitalizing super profits.

23. Moon and Star Co., Ltd., is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985.

Trial balance of Moon & Star Co., Ltd.,

Debit	Rs.	Credit	Rs.
Opening Stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance(upto 31.3.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls in arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Statement of Profit and loss for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

- closing stock was valued at Rs.1,91,500
- Depreciation on plant at 15% and on furniture at 10% should be provided

- c) A tax provision of Rs.8,000 is considered necessary.
- d) The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%
- e) Provide for corporate dividend tax @ 17%

24. The Auto parts manufacturing Co., Ltd., was registered with an authorized capital of Rs.7,50,000 divided into 3,000 5% cumulative preference shares of Rs.100 each and 4,500 equity shares of Rs.100 each. The following are the balances taken as on 31.12.98.

Debit	Rs.	Credit	Rs.
Stock on 1.1.98	2,41,500	Share capital 3,000 6% cumulative preference shares of Rs.100 each	3,00,000
Delivery expenses	1,02,000	3,000 equity shares (Rs.75 called up)	2,25,000
General expenses	21,000	General reserve	82,725
Bills receivable	6,000	P & L a/c (cr)	58,500
Investments: 6,000 shares of Rs.10 each in Sunrise Co. Ltd	60,000	Sales	9,18,600
Preference dividend half year 30.6.1998	9,000	5% debentures	2,10,000
Bank balance	97,500	Trade creditors	1,25,520
Goodwill	1,00,000	Provision for Taxation	8,800
Trade debtors	1,67,500		
Freehold properties at cost	3,90,000		
Salaries	1,03,500		
Rent & Rates	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		

Freight & Carriage inwards	3,750		
Debenture interest(half year)	5,250		
Final dividend for 1997	20,250		
Cash in hand	12,145		
Total	19,29,145	Total	19,29,145

Prepare Statement of Profit and Loss for the year ended 31.12.98 and the Balance Sheet at that date after taking the following into account.

- a) Closing stock Rs.2,15,000
- b) Depreciation 2 ½ on free hold property and 6% furniture
- c) Bills receivable for Rs.2500 maturing after 31.12.1998 has been discounted with bank.
- d) Directors proposed to pay second half year's dividend on pref. shares
- e) 10% dividend on equity shares is proposed.
- f) Provide 5% towards reserve for doubtful debts on trade debtors
- g) Provide for corporate dividend tax.

25.. The following information is extracted from the books of Drum company on June 30, 2006 on which date a winding up order was made.

Equity share capital, 80,000 shares of Rs.10 each	8,00,000
10% preference share capital 12,000 shares of Rs.100 each	12,00,000
Calls in arrears on equity shares	16,000
9% first mortgage debentures, secured by a floating charge on the whole of the assets of the company	8,00,000
Creditors fully secured	1,40,000
Preferential creditors	30,000
Bank overdraft, secured by a second charge on the whole of the assets of the company	80,000
Unsecured creditors	10,40,000

Estimated liability on bill discounted	40,000
Cash in hand	8,100
Book debts – Good	1,50,000
- Doubtful (estimated to produce 40%)	30,000
- Bad debts	18,000
Stock in trade(estimated to produce Rs.2,38,700)	2,88,000
Freehold Land & Buildings(estimated to produce Rs.7,82,000)	6,60,000
Plant & Machinery(estimated to produce Rs.2,12,000)	3,00,000
Fixture & fittings (estimated to produce Rs.30,000)	50,000

Prepare a statement of affairs (a) as regards creditors b) as regards contributories