CORPORATE ACCOUNTING -17UCO305

K1- LEVEL QUESTIONS

UNIT – I

1. Share allotment is a

   a)Person a/c **b)**Real a/c c)Impersonal a/c d)Nominal a/c

2. Share application a/c Is a

   a)Person a/c **b)**Real a/c c)Nominal a/c d)Impersonal a/c

3. The rate of discount on shares cannot exceed

   a)3% b)6% c)5% d)**10%**

4. Interest on calls paid in advance has to be paid@

   a)5% b)**6%** **c)**7% d)9%

5. Discount on issue of share is a

   a)Revenue loss b)**Capital loss**

   c) Deferred revenue expenditure d) Neither of the above

6. Discount on issue of share A/c is show on

   a)**Assets side of B/s** **b)**Liabilities side of B/s

   c) Debit side of P&L A/c d) Credit side of P&L

7. The difference between subscribe capital and called-up capital is called

   a)**Uncalled capital** **b)**Calls-in-arrear

   c) Paid-up capital d)Calls-in-advance

8. The profit on re-issue of forfeited shares is transferred to

   a)General reserve b)Capital redemption reserve

   c) **Capital reserve** d) Profit& loss a/c

9. Premium received on issue of shares A/c shown on

   a)Assets side of B/s b)**Liabilities side of B/s**

   c) Credit side of P&L d) Debit side of P&L A/c

10. If a share of RS. 10, on which RS. 8, has been called and Rs. 5 has been received is forfeited share capital a/c in this case will be debited with

    a)Rs. 2 b)Rs.5 c)**Rs. 8** **d)**Rs. 10

UNIT II

1. Capital redemption reserves is created ______

a) Out of share forfeiture a/c **b) to meet legal requirement**

c) Out of securities premium a/c d) voluntary

2. Capital redemption reserves a/c can be used for_____

a) Writing off past losses **b) issues fully paid bonus shares**

c) Declaring dividend d) declaring bonus to employees

3. The premium on redemption of preference shares can be provided out of___

a) Securities premium **b**) insurance fund

c) Forfeiture share a/c d) depreciation

4. Transfer to capital redemption reserves can be made from _____

a) Capital reserve b) forfeiture share a/c

c) General reserve c) securities premium a/c

5. Transfer to capital redemption reserves a/c is not allowed form_____

a) P&L A/c b) debenture redemption fund

c) Workmen accident funds **d) profit prior to incorporation**

6. Debenture holders are the:

a)customers of the company b) **creditors of the company**

c) Owners of the company d) none of the above

7. Interest on debentures is normally payable:

a) **Half yearly** b) quarterly c) Annually d) Monthly

8. Profit on cancellation of own debentures is transferred to :

b) Profit &loss a\c b) Dividend equalization a\c

C**) Capital reserves D**) None of the above

9. Debentures are shown under the following heading in the company's Balance sheet:

a**) Secured loan** b) Unsecured loan

C) Share capital. D) Current liabilities

10. Debentures represent the:

A) Managers' share in a business

B) Investment by shareholders in a business

C) **Long term borrowing of a business**

D) None of the above

UNIT III

1. Amount realized from sale of goods is shown in the statement of profit and loss as

a)Other income b**) Revenue from operations**

c) Any of the above d) None of the above

2. Gain on sale of fixed assets is shown in the statement of profit and loss as

a)Other income **b**) Revenue from operations

c) Any of the above d) None of the above

3. Raw materials purchased is shown in the statement of profit and loss as

a) **Cost of materials consumed** **b**) Purchase of stock in trade

c) Changes in inventories d) none of these.

4. Goods purchased for reselling is shown in the statement of profit and loss as

a) Cost of materials consumed b) **Purchase of stock in trade**

c) Changes in inventories d) none of these

5. Carriage outwards is shown in the statement of profit and loss under

a) Employees benefit expenses b) **Other expenses**

c) Finance costs d) Depreciation and amortization expenses

6. Debentures redeemable after 10 years of issue are shown as

a) **Long term borrowing** **b**) Short term borrowing

c) Other current liabilities d) None of these

7. Dividend received by financial company is shown in the statement of profit and loss as

a) Other income b) **Revenue from operations**

c) Any of the above d) None of these

8. Bank overdraft is shown in the balance sheet of a company

a) Long term borrowing b) **short term borrowing**

c) Other current liability d) none of these

9. Dividend is paid on

a) Authorized capital b) Issued capital

c) Called up capital d**) Paid up capital**

10. Securities premium is shown in the balance sheet of a company under

a) Share capital b) **Reserve and surplus**

c) Long term borrowing d) none of these

UNIT IV

1. Goodwill is

a) Tangible asset b**) intangible asset**

c) Fictitious asset d) none of the above

2. Goodwill is shown in company's balance sheet under the head:

a) **Fixed assets** b) Investments

c) Miscellaneous expenses d) Current assets

3. The average return of similar concerns should be considered as:

a) Average profit b) Expected rate of return

c) **Normal rate of return** d) None of the above

4. Super profit is the difference between:

a) Capital employed and average capital employed

b) **Average profit and normal profit**

c) Current year and last year profit

d) None of the above

5. A business had a capital of RS. 80,000 at the end. It had earned profit of rs.10,000 during the year. The average capital employed of the business will be:

a) 85,000 b) **75,000** **c**) 70,000 d) 90,000

6. For calculating the value the value of an equity share by intrinsic value method it is essential to know________

a) Normal rate of return b) expected rate of return

c**) Net assets** d) none of the above

7. For calculating the value of an equity share by yield method it is essential to know

a) Expected rate of return | b) Called up equity share capital
c) Capital employed | d) none of the above

8. For calculating price-earnings ratio, it is essential to know________

a) Market value per share | b) Nominal value per share
c) Paid-up value per share | d) None of the above

9. Under net assets method the valued of share depends on the amount that would be available to_____

a) Preference shareholder | **b) Equity shareholders**
c) creditors | d) debenture holders

10. The average return of similar concerns should be considered as____________

a) Average profit | b) Excepted rate of return
c**) Normal rate of return** | d) none of these

CORPORATE ACCOUNTING -17UCO305

K2- LEVEL QUESTIONS

UNIT – I

1. Define Share Capital.

Total capital of the company is divided into units of small denominations; each one is called a share. According to Sec 2(46) of the Companies Act 1956, share has been defined as a share in the share capital of the company; and includes stock except where a distinction between stock and share is expressed or implied.

2. Define Equity Shares.

Equity shares are those which are not preference shares. Equity shares do not carry any preferential gain in respect of dividend or repayment of capital. So these are known as ordinary shares. There will be no fixed rate of dividend to be paid to the equity shareholders and this rate may vary from year to year. In winding up, the equity capital is repaid last. However, equity shareholder gets full voting power.

3. What do you mean by Allotment of shares?

Allotment of shares means the acceptance of offer of the applicant for the purchase of shares. Directors have the discretionary power to reject or accept the applications. But the public company cannot allot its shares unless the minimum subscription has been subscribed by the public and the amount of application has been received. After the allotment of shares to the applicants who will become the shareholders of the company.

4. Write a short note on Issue of shares at premium.

Shares are said to be issued at premium when a shareholder is required to pay more than the face value to the company. The excess amount received over the face value is called share premium. It is a capital receipt. The share premium shall be transferred to "Securities Premium A/c". It should be shown on the liability side of balance sheet under the head "Reserves and Surplus".

5. What do you mean by Issue of shares at discount?

Shares are said to be issued at discount when the shareholder is required to pay less amount than the face value to the company. Discount on issue of shares is a capital loss and it should be debited to a separate account called "Discount on issue of shares A/c". It is shown on the assets side of balance sheet under "Miscellaneous Expenditure". The rate of

discount should not exceed 10% of nominal value of shares. Generally the discount on issue is recorded at the time of allotment. It is also noted that a newly registered company cannot issue shares at discount.

6. Define under subscription of shares.

Sometimes the applications for shares received will be less than the number of shares issued. This is called under subscription. In such a case, the allotment will be equal to the number of shares subscribed and not to the shares issued.

7. Define over subscription of shares.

Sometimes the applications for shares received will be more than the number of shares issued. This is called over subscription. When there is over subscription, it is not possible to issue shares to all applicants. In such a situation company shall reject some applications altogether, allot in full on some applications and make a pro-rata allotment on some applications. Pro-rata allotment means that allotment on every application is made in the ratio which the number of shares allotted bears to number of shares applied. In case of applications fully rejected will be returned to the applicants. In pro-rata allotment the excess application will be adjusted either on allotment and or on calls. Any surplus left even after the adjustment will be refunded to the applicants

8. Write a short note on Forfeited shares.

The cancellation of shares due to non-payment of allotment money or call money within a specified period is called forfeiture of shares. It is the compulsory termination of membership of the defaulting shareholders. He also losses whatever amount he has paid to the company so far. A company can forfeit the shares only if it is authorized by its Articles. The forfeiting is done only after giving 14 days notice to the defaulting shareholders. The balance of forfeited shares A/c should be shown by way of an addition to called up capital on the liability side of balance sheet till the shares are reissued.

9. Write a short note on Reissue of forfeited shares.

Forfeited shares may be reissued by the company either at pr, premium or Discount. But the discount on reissue should not exceed the amount forfeited.

10. Define Surrender of shares.

Sometimes a shareholder is not able to pay further calls and returns his shares to the company for cancellation. Such voluntary return of shares to the company by the

shareholder himself is called surrender of shares. The accounting treatment of surrender of shares is the same as that of forfeiture of shares.

UNIT –II

1. Define Redemption of Preference Shares.

When the preference shares are issued it is to be paid back by the company to such shareholders after the expiry of a stipulated period whether the company is to be wound up or not.

2. What do you mean by Preference Shares?

Shares which enjoy the preferential rights as to dividend and repayment of capital in the event of winding up of the company over the equity shares are called preference shares. The holder of preference shares will get a fixed rate of dividend.

3. Write the name of Methods of Redemption.

There are three methods for redemption of preference shares. They are:

(a) Redemption out of fresh issue of shares

(b) Redemption out of profits

(c) Redemption partly out of fresh issue and partly out of profit

4. Write the Use of equation for determining the face value of shares to be issued.

An equation can be applied when the given amount of premium in security premium A/c in the balance sheet plus amount of premium to be obtained from fresh issue of shares is not sufficient to pay premium on redemption of preference shares. It is due to security premium A/c given in balance sheet cannot be used for redeeming the face value of shares.

5. Define Buy Back Of Shares.

Buy back is a method of cancellation of share capital. It simply means buying of own shares. It leads to reduction in the share capital of a company.

6. Define Debentures.

The term 'debenture' has been derived from the Latin word 'debate', which means 'to borrow'. Debenture is an instrument in writing given by a company acknowledging debt received from the public. The Companies Act defines debenture as "debenture

includes debenture stock, bonds or any other securities of a company, whether constituting a charge on the assets of the company or not".

7. Write the basic terms of issue and condition of redemption of debenture.

There are six cases on the basis of terms of issue and conditions of redemption of Debentures. They are as follows:

a. Issued at par and redeemable at par.

b. Issued at premium and redeemable at par.

c. Issued at discount and redeemable at par.

d. Issued at par and redeemable at premium.

e. Issued at discount and redeemable at premium.

f. Issued at premium and redeemable at premium.

8. Define Discount or Loss on issue of debentures.

Discount or loss on issue of debentures and premium on redemption are capital losses. They are shown in the balance sheet under the head "Miscellaneous Expenditure". Being the losses, they are to be written off against capital reserve or security premium A/c. In its absence it is written off to P& L A/c during the life of debentures

9. Define Redemption Of Debentures.

Redemption of debentures refers to the discharge of liability on account of debentures. It simply means repayment of debentures. As per Companies Act, the debentures should be redeemed in accordance with the terms and conditions of issue.

10. Define Capital reserve.

It is that part of 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.

UNIT –III

1. Define Provision for Taxation.

Income tax is payable in the assessment year on the income earned during the previous year. A company will estimate the tax payable for the current accounting period and on this basis it will make provision for taxation. Provision for taxation is debited to Profit and loss Account and it will appear on the liability side of balance sheet under the head 'Provisions'. When assessment completed, the provision for tax will be adjusted. If the assessed tax is more than the provision made in the previous year, the excess has to be shown on the debit side of Profit and Loss Appropriation Account. If the assessed tax is less than the opening provision, such excess provision should be credited to the Profit and Loss Appropriation Account.

2. What do you mean by Dividend?

The divisible profit (profit available to shareholders) of a company is distributed among the shareholders of the company on the basis of number of shares held. This is called dividend. The Board of Directors recommends the amount of dividend and the shareholders in their annual general meeting declare the dividend recommended by the Board of Directors. Dividend is usually paid on paid up capital.

3. Write a short note on Proposed Dividend.

It is the dividend recommended by Board of Directors after the close of the books of Account. When it I approver by the shareholders in the annual general meeting, it becomes final dividend.

4. Define Interim dividend.

Interim dividend refers to the dividend paid by the company before the preparation of final accounts. It is declared between two annual general meetings.

5.Define Final dividend.

It is the dividend which is proposed and declared at the end of the accounting year after the close of the books of account.

6. What is meant by Divisible Profits?

Divisible profits are those profits of the company out of which the company has the legal right to distribute and pay the dividend.

7. What is mean by Bonus Shares?

If Company issues fresh shares without charging anything, these shares are called bonus shares.

8. Define the term Capitalization of Profits. Give four example of Capital Profit.

The process of increasing of the paid up share capital by reducing the balance of profit and reserves is called capitalization of profits.

Examples of Capital Profit:

(i) Profit Prior to Incorporation

(ii) Securities Premium

(iii) Profit on Reissue of Shares

(iv) Revaluation of Profits

(v) Capital Redemption Reserve

9. Define unclaimed dividend.

It refers to the dividend not yet claimed by the shareholders within 30 days of declaration of dividend. It is shown as a current liability in the balance sheet.

10. Define Corporate Dividend Tax (CDT).

The companies distributing dividend are required to pay tax on such dividends. It is called Corporate Dividend Tax (CDT). CDT is payable on any amount declared, distributed or paid by a company as dividend. At present, the rate of CDT is 16.995 %(17%). Corporate Dividend Tax is shown on the debit side of Profit and Loss Appropriation Account and on the liability side of Balance sheet under the head 'Current liabilities and Provisions'.

UNIT –IV

1. Describe the Concept of Goodwill.

Goodwill is the value of the reputation of the firm judged in respect of its capacity to bring in, unaided profits. Goodwill is an asset that cannot be seen but can be imagined. Hence it is known as an "intangible asset."

2. Define Super Profit.

Super profit is the excess of average **profits** over normal **profits**. Under this method, goodwill is calculated on the basis of **super profits**. Normal rate of return on the capital employed is compared with the actual average **profits** to find out the **super profits**. **Super Profit = Actual Average Profit – Normal Profit**

To calculate normal profit - (a) Average capital employed, and (b) Normal rate of return is computed.

3. Define Capital Employed.

Capital Employed is the total amount of investment made for running the business.

Total of Assets – Outside Liabilities

4. Define Normal Rate of Return.

The rate of earnings which normally applies in similar concerns or which is expected by the investor to apply in similar concern is known as normal rate of return.

5. Write short note on Year's Purchase Method.

This method is based on the assumption that the buyer of business will earn certain amount of profit or super profit during the life time of business. So he must pay some of the year's profits as goodwill to the seller.

Goodwill = Future Maintainable Profit or Actual Average Profit

X Number of years (2 or 3)

Or Goodwill = Super Profit X Number of year (4 to 5)

Goodwill = Normal Capital Employed – Actual Capital Employed

6. Define Capitalization Method.

(i) Capitalization of Super Profit Method : According to this method it is estimated that how much capital will be required to earn super profit at a normal rate of return or profit.

Value of Goodwill = Super Profit X 100

Normal rate of return

(ii) Capitalization of Average Profit : In this method first average profit is capitalized at normal rate of return. This is known as normal Capital Employed

Normal Capital Employed = Actual Average Profit X 100

Normal rate of return

7. Define Annuity Method.

According to this method the goodwill will be equal to the amount of present value of future super profits because one has to pay goodwill today but the amount of super profit will be earned in future. In this way loss of interest can be compensated.

Value of Goodwill = Super Profit X present value of Rs. 1

Present value of Rs. 1 received annually for „n" year = 1(1/1+r) n/r

Here r = rate of interest, n = number of years.

8. Net Assets Valuation Method.

Under this method of valuation, it is ascertained that what amount of assets is available with the company for every share, so this method is known as "Assets backing Method." Also known as "Net Assets Method" and "Balance sheet Method" and "intrinsic value method" or breakup value method."

Following procedure will be adopted to value the shares by this method :-

Calculation of Net Assets:

Net Assets = Total Realizable value of assets – total outside liabilities

Yield Valuation Method : In this method the value of share is based on income received (Dividend) or receivable.

9. Define Fair Value of Shares.

Fair value of share means the average of intrinsic value of share and yield value of share.

Formula:-

Fair value per Share = Intrinsic Value per Share + Yield Value per Share

(i) **Intrinsic Value per Share** is the value of share based on the Net Assets Method.

(ii) **Yield Value per Share** is the value of share based on dividend, expected rate of return and earning capacity of the concern.

10. Define Yield Value per Share.

The earnings **yield** refers to the earnings **per share** for the most recent 12-month period divided by the current market **price per share**

UNIT –V

1. What is winding up?

Liquidation or winding up is the process by which a company is dissolved. Liquidation means the assets realized are used to pay the debts and remaining in balance is to pay back members in proportion to the contribution made by them to the capital of the company.

2. What is the process of winding up ?

- **Selling off assets of the company**
- **Paying off liabilities**
- **If any deficiency to pay the creditors the shareholders are called upon to pay**
- **unpaid amount on the shares.**
- **If any surplus it is distributed to the contributories according to their rights.**
- **The name of the company will be removed from the register of the company.**

3. What is meant by Liquidation of Companies?

Liquidation is a process by which the business of a company is closed, assets are sold, the money realized from sale is used for payment to creditors and if any amount is left after payment to various creditors, it is divided between the shareholders as per the provisions given in the articles. Therefore liquidation is a process by which the life of a company comes to an end.

4. What are the various modes of Winding Up of a Company?

According to Section 425 (1), the winding up of a company may be by any of the following three methods:-

(1) Compulsory winding up or winding up by court

(2) Voluntary winding up

(a) Voluntary winding up by members and

(b) Voluntary winding up by creditors

(3) Winding up under supervision of court

5. Define Voluntary Winding Up.

A company may be wound up voluntarily by passing ordinarily resolution or special resolution. Voluntary winding up may be of two types.

6. Define Winding Up Under Supervision of Court.

At any time after the company has passed a resolution for voluntary winding up, the court may direct that the voluntary winding up shall continue subject to supervision of court

7. Who are preferential creditors?

A **preferential creditor (in some jurisdictions called a preferred creditor**) **is a creditor receiving a** p**referential right to payment upon the debtor's bankruptcy under applicable insolvency laws**.

8. What is meant by liquidator's final statement of account?

There will thus be two accounts: **(1) the Receiver's Statement of Account and (2) Liquidator's Final Statement of Account**. **The Receiver is entitled to recover his expenses and remuneration from sums collected by him. The is required to prepare an** account **of winding up known as Liquidator's Final Statement of Account after the affairs of the company are fully wound up. This account takes the form of Cash Account**. **The main job of the liquidator is to collect the assets of the company and realize them and distribute the money realized among right claimants**

9. Who is List A contributory?

The term '**contributory**' **includes members of both of these categories. List** of **contributories is divided into two part, A and B. List** A **contains the names of all those persons who are members of the company on the date of the winding up (present members), while** List **B shall contain the names of those persons who were members during the period of 12 months preceding the date of the winding up**

10. Who is List A contributory?

Contributories (List B**): Those persons who cease to be the members of the company within one year before the date of winding-up of a company are included in the** List B**.**

CORPORATE ACCOUNTING -17UCO305

K3- LEVEL QUESTIONS

UNIT – I

1. Explain forfeiture of shares? Explain the accounting treatment of forfeiture of shares and their reissue.
2. Enumerate the difference between equity shares and preference shares.
3. .Bharat Trading Co. Ltd. with a registered capital of Rs.100000 issued 5000 equity shares of Rs.10 each, payable Rs.2 on application, Rs.2 on allotment, Rs.3 on first call and Rs.3 on final call. Pass journal entries assuming the shares issued were fully subscribed and the money has been received.
4. A Ltd. Issued 5000 shares of Rs.10 each at a premium of Rs.5 per share. The amount was payable as Rs.3 on application, Rs.7 on allotment (incl. Premium) and the balance on first and final call. All shares were subscribed and money duly received. Show the journal entries. Balu Ltd. Issued 20000 shares of Rs.10 each at a discount of 10% payable as Rs.2 on application,

Rs.3 on allotment and Rs.4 on first and final call. 20000 applications were received and all wereAccepted. Pass journal entries.

5. Sun Ltd.makes an issue of 100000 equity shares of Rs.10 each payable Rs.3 on application, Rs.5 on allotment and Rs.2 on first and final call. Applications were received for 250000 shares. The company returned the applications on 24000 shares and excess application money from

Remaining applicants was carried forward in part satisfaction on amount due on allotment on the Shares allotted to them. The balance of allotment was received. The company did not make the First and final call. Journalize the transactions.

UNIT –II

1. Explain forfeiture of shares? Explain the accounting treatment of forfeiture of shares and their reissue.

2. Enumerate the difference between equity shares and preference shares.

3.Bharat Trading Co. Ltd. with a registered capital of Rs.100000 issued 5000 equity shares of Rs.10 each, payable Rs.2 on application, Rs.2 on allotment, Rs.3 on first call and Rs.3 on final call. Pass journal entries assuming the shares issued were fully subscribed and the money has been received.

4. A Ltd. Issued 5000 shares of Rs.10 each at a premium of Rs.5 per share. The amount was payable as Rs.3 on application, Rs.7 on allotment (incl. Premium) and the balance on first and final call. All shares were subscribed and money duly received. Show the journal entries. Balu Ltd. Issued 20000 shares of Rs.10 each at a discount of 10% payable as Rs.2 on application, Rs.3 on allotment and Rs.4 on first and final call. 20000 applications were received and all were accepted. Pass journal entries.

5.Sun Ltd.makes an issue of 100000 equity shares of Rs.10 each payable Rs.3 on application, Rs.5 on allotment and Rs.2 on first and final call. Applications were received for 250000 shares. The company returned the applications on 24000 shares and excess application money from remaining applicants was carried forward in part satisfaction on amount due on allotment on the shares allotted to them. The balance of allotment was received. The company did not make the first and final call. Journalize the transactions.

UNIT –III

1. How do you calculate of Sales Ratio ?and How do you Calculate of Weighted Ratio ?

2.For the year ended 31st December 2011, the profit of Sunder Ltd. before charging depreciation on fixed assets and managerial commission amounted to Rs.300000. De3preciatio for the year charged Rs.60000 and a commission of 10% of profit(before charging such commission) was payable to the manager.

The paid up capital of the company consisted Rs.1000000 divided into 5000, 6% preference shares of Rs.100 each and 50000 equity shares of Rs.10 each. Interim dividend atRe.0.5 per share was paid during the year. There was a credit balance of Rs. 35000 in the Profit and Loss Account brought from the previous year. Te following proposals was passed:

a. To pay the year’s dividend on the preference shares

b. To pay a final dividend on equity shares at Re.0.50 per share top
Make a total dividend of Re. 1 per share for that year.

c. To provide for taxation @50% on the net profit

d. To transfer Rs.25000 to General Reserve.

e. To carry forward the balance.

Show the Profit and Loss Appropriation

3. What are the steps of ascertaining “profit prior to Incorporation”?

4. Ganesh Ltd was incorporated on 1st May 1996 to purchase the running business of Vinayak and Co., with effect from 1st January 1996. The company obtained Certificate of commencement of business on 24th August 1996. Calculate the time Ratio, if the accounts were finalized on 31st December 1996. Computation of time Ratio:

5. The following are the balances extracted from the company records. Calculate the remuneration of the managing director at 5% of the net profit, after charging each commission.

Net profit is Rs.38, 786. Items considered for arriving at the above profit:

a) Provision for taxation Rs.39,000
b) Managing directors remuneration paid Rs.12,000
c) Formation expenses written off Rs.4,000
d) Directors fees Rs.2,500
e) Provision for doubtful debts Rs.1,200
f) Depreciation written off Rs.12,880
g) Depreciation allowable as per income tax rules Rs.12,000
h) Ex-gratia payment to employee (Without liability to the company) Rs.2,000

UNIT –IV

1. Explain under which circumstances valuation of Shares is needed?

2. Enumerate the by Valuation of Shares? Discuss the different methods of Valuation of Shares.

3.A firm earned net profits during the last three years as follows:

I Year Rs.36000 II year Rs.40000 and III Year Rs.44000

The capital investment of the firm is Rs.100000. A fair return on the capital, having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three years of purchase of super profit.

4. The following is the balance sheet of ABC Ltd as on 31st Dec 2011.

Liabilities	Rs.	Assets	Rs.
4000 10% pref.shares of Rs.100 each	400000	sundry assets at book value	1200000
60000 equity shares of Rs.10 each	600000		
Bills payable	50000		
Creditors	150000		
	------------		-----------

1200000	1200000

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs.10000. find out the value of each equity share.

5. The average net profit of a business as adjusted for valuation of goodwill amounted to RS.235450. The net tangible assets employed were of the value of Rs.1450000. but upon valuation, they amounted to Rs.15, 00,000. Assuming that 10% represented a fair commercial return, calculate the amount of goodwill by capitalizing super profit.

UNIT –V

1. Write short notes on the following:

   i. Deficiency account.

   ii. Receiver's statement of account

   iii. Payment of preference share dividend by the liquidator

2. Calculate liquidator's Remuneration from the following data

   Rs.

   a. Amount available for unsecured creditors 10000

   b. and liquidator's remuneration 50,000

   c. Unsecured creditors excluding preferential creditors 30,000

   d. Preferential creditors 10,000

   e. Liquidator's remuneration is 10% of payment of unsecured

   f. creditors 20000

3. Calculate of amount of remuneration to the liquidator from the following data:

   i. Amount available for unsecured creditors Rs. 50,000

   ii. Unsecured creditors Rs. 46,000

Liquidator's remuneration is 10% of payment of unsecured creditors.

What do you understand by "Liquidator's Statement of Account? When is it prepared and how?

4. A Liquidator is entitled to receive remuneration @ 2% of the assets realized and 3% on the amount distributed among the unsecured creditors.. the assets realized Rs.7000000 against which payment was made as follows.

Liquidation expenses Rs.50000

Preferential creditors Rs.150000 and secured creditors Rs.4000000 unsecured creditors Rs.3000000. calculate the total remuneration payable to the liquidator.

5. From the following details ascertain unsecured creditors to be show in statement of affairs:

Creditors for goods	Rs. 80000	Bills payable Rs.8000	
Loan from bank (unsecured)	Rs.20000	bank over draft	Rs.6000
Estimated realizable value of machinery		Rs.32000	
Bills discounted	Rs.31000 (20% expected to rank)		

CORPORATE ACCOUNTING -17UCO305

K4- LEVEL QUESTIONS

UNIT – I

1.a)Kerala Ltd issued 5000 shares of Rs.10 each at par payable as Rs.3 on application, Rs.2 on allotment, Rs.3 on first call and Rs.2 on final call. Mr. Ali was allotted 50 shares and who failed to pay allotment money and first call. Give journal entries if those shares were forfeited.

b).Malabar Ltd issued 5000 shares of Rs.10 each at a premium of Rs.2 payable as Rs.3 on application, Rs.4 on allotment (incl. premium), Rs.3 on first call and Rs.2 on final call. Mr. Ajay was allotted 50 shares and who failed to pay allotment money and first call. Give journal entries if those shares were forfeited.

2)The directors of A Ltd resolved that 2000 equity shares of Rs.10 each, Rs.7.50 paid, be forfeited for non-payment of final call of Rs.2.50. 1800 of the above shares were reissued for Rs.6 per share. Show the journal entries.

b).Arjun Ltd invited applications for 10000 shares of Rs.100 each at a premium of 5% payable as Rs.25 on application, Rs.45 on allotment (incl. premium) and Rs.35 on first and final call. The applications received for 9000 shares and all of these shares were accepted. All money dues were received except the call on 100 shares which were forfeited. Of these 50 shares were reissued @ Rs.90 as fully paid. Pass journal entries.

3. Explain the Types of share capital

4.Goyal Ltd. issued a prospectus with the object of inviting applications for 10,000 equity shares of Rs. 10 each at a premium of 10% payable, Rs. 3 applications, Rs. 5 (including premium) on allotment and the balance on call. The issue was subscribed to the extent of 2 1/2 times. Applications for shares below 20 (5,000 shares in total) were rejected. An applicant for 5,000 shares was given 1,000 shares. The remaining shares were allotted pro-rata. The excess amount to the extent of allotment dues was retained. Shareholders holding 300 shares failed to pay the allotment money. Shareholders holding 450 shares failed to pay the call money and their shares were forfeited. 150 equity shares out of the lot of 300 shares were reissued at a premium of 20% show the journal entries including cash entries.

5.Nalin Limited was registered with an authorized share capital of Rs. 60 lakhs divided into 30,000 equity shares of Rs. 100 each and 30,000 preference shares of Rs. 100 each of which 20,000 equity shares and 20,000 preference shares had already been issued in year of company's incorporation. After 3 years from the date of its incorporation, now company decided to increase its share capital by issuing the remaining equity and preference share at a premium of 5%. To satisfy the requirements of Section 81 of the Companies Act, 1956 the company first offered these shares to those shareholders who enjoy the preemption right to purchase these shares. Assuming all these shares are taken up by existing shareholders. The shares are payable as to Rs. 50 on application and Rs. 55 on allotment (including premium of Rs. 5) per share.

The company spent Rs. 2,000 in connection with these share issue and the directors decided to write off this expenditure against premium received on issue of shares.

(a) Pass the necessary journal entries relating to issue of these shares in the books of the company.

(b) Show the share capital and premium on issue of shares in the Balance Sheet of the company.

UNIT –II

1. Journalize the following transactions at the time of issue of debenture of Rs.100.

    a. A debenture issued at Rs.95, repayable at Rs.100.
    b. A debenture issued at Rs.95, repayable at Rs.105.
    c. A debenture issued at Rs.100, repayable at Rs.105.
    d. A debenture issued at Rs.105, repayable at Rs.100.
    e. A debenture issued at Rs.102, repayable at Rs.105.

2. Moon Ltd 10%, 5000 debentures of Rs.100 each, redeemable at 5% premium. The company issued 40000 equity shares of Rs.10 each at 10% premium and 1000, 9% debentures of Rs.100 each at par for the purpose of redemption. Pass journal entries.

3. Abin Ltd issued 12000 debentures of Rs.100 each on 1 October 2010 in the terms of redemption that 1/3 of debentures are redeemable every six months. Journalize the transaction

4.Goyal Limited had issued 5,000 redeemable preference shares of Rs. 100 each on which full amount was called, are due for redemption at a premium of 10% : The following balance are appearing in the books of the company :

	Rs.
Redeemable preference share capital	5, 00,000
Calls in arrear (on above redeemable preference shares)	10,000
General Reserve	3, 00,000
Securities Premium	40,000
Export subsidy reserve	2, 00,000

It is ascertained that calls-in-arrear are on account of final call on 500 shares held by four members whose whereabouts are not known. Rs. 50,000 of the export subsidy reserve is free for distribution as dividends. Balance of general reserve and securities premium are to be utilized for the purpose of redemption and the shortfall, if any, is to be made good by issue of equity shares of Rs.10 each at par. the redemption of preference share was duly carried out. You are required to give the journal entries and show how these items will appear in company's Balance Sheet after redemption.

5. On 1 January 2007, Balu Ltd issued 1000, 6% debentures of Rs.100 each repayable at the end of 4 year at a premium of 10%. It is decided to create a sinking fund for the purpose; the Investment is expected to yield 5% net. Sinking fund table shows that Re.0.232012 invested Annually amounts to Re.1 at 5% in 4 years. Investments were made in multiples of 100 only. On 31 December 2010, the balance at the bank was Rs.40000 and the investment realized Rs.82000. the debentures were paid off. Give journal entries and show ledger accounts except for debenture Interest.

UNIT –III

1. The following is the trial balance of the Good Hope Ltd. as on 31st December 2011.

Particulars	Debit (Rs.)	Credit (Rs.)
Debtors and Creditors	250000	200000
Purchases and Sales	647000	983500
Returns	4700	3500
Fixed Assets at cost	1597900	
Promotion expenses	13520	

Share capital (Rs.100 per share)		1250000
Sinking fund		250000
Reserve fund		47600
Bad debt Reserve		10000
Cash	17750	
Manufacturing expenses	21000	
Wages	75000	
Unclaimed dividends		1700
Interest on investments		11400
Depreciation	70000	
Administrative expenses	34680	
4% Debentures		300000
Interest on debentures	6000	
Sales expenses	8000	
Bad debts	3400	
Depreciation fund		202400
Bill s payable		9300
Profit and Loss Account		10600
Investments	350000	
Sundry expenses	1050	
Stock on 1st January 2011	130000	
Goodwill at cost	50000	
Total	3280000	3280000

Adjustments:

a. Closing stock amounted to Rs.137000

b. Maintain the reserve for debtors @ 5%

c. Write off preliminary expenses.

d. Add Rs.10000 to sinking fund

e. Provide for debenture interest.

2. You are given the following extracts of ledger balances taken from Vihar Co. Ltd., for the year ending 31st March 2017. Prepare a statement of P&L a/c as per revised Schedule VI.

Particulars	Rs.	Particulars	Rs.
Excise duty	8,000	Machinery	25,000
Provision for tax	10,000	Directors remuneration	20,000
Depreciation on Machinery	3,300	Factory expenses	2,500
Sundry expenses	7,000	Sales	4,55,000
Rent	4,000	Returns inward	5,000
Salary	7,500	Purchase	2,35,000
Material consumed	90,000	Closing stock	75,000
Interest on investment	5,000	Opening stock	82,000
Rent received	3,000	Wages	30,000
Motive power	12,000	Bank loan	40,000
Transport charges	1,000	Interest on bank loan	4,000

3. from the following is the trail balance of Vishal Lt., prepare the Balance Sheet of the company as on 31st March 2017 as per schedule VI of companies act.

Trial Balance as on 31st March 2017

Debit	Rs.	Credit	Rs.
Advance to employees	3,00,000	Equity share capital	52,00,000
Cash at bank	3,14,320	Capital reserve	60,000
Furniture & Fixtures	7,50,000	Loan from SBI	8,00,000
Discount on issue of share (Written off)	25,000	Provision for employee welfare fund	6,00,000
Patents	10,00,000	Proposed dividend	1,64,000
Premises	41,09,940	Short term loan from bank	4,90,200
Trade receivables	3,66,240	Unpaid dividend	64,800
Advance tax	50,000	Profit & loss a/c	42,980
8% Govt. Bonds	3,36,000	Bills payables	85,100

Stock in trade	3,55,600	Sundry creditors	1,00,020
	76,07,100		**76,07,100**

4. Give the "Horizontal form" of the company's Balance Sheet as per schedule VI of the Companies Act 2013.

5. Authorized capital of Z Ltd., is Rs.5,00,000 (Rs.10 each) on 21.12.2017. 25,000 shares were fully called up as on 31.12.2017, the following balances are extracted from the ledger of the company.

Particulars	**Rs.**	**Particulars**	**Rs.**
Opening stock	50,000	Sales	4,25,000
Purchases	3,00,000	Wages	70,000
Discount allowed	4,200	Discount received	3,150
Insurance paid (31.3.2018)	6,720	Salaries	18,500
Rent	6,000	General expenses	8,950
Printing and stationery	2,400	Advertising	3,800
Bonus	10,500	Sundry debtors	38,700
Sundry creditors	35,200	Plant	80,500
Furniture	17,100	Cash	1,34,700
Reserve	25,000	Loan From MD	15,700
Bad debt	3,200	Calls in arrears	5,000
P&L a/c	6,220		

Additional Information

a) Closing stock Rs.91,500
b) Depreciation on plant and furniture @ 15% and 10% respectively.
c) Wages, salaries and rent outstanding amounts to Rs.5,200 , Rs.1,200 and Rs.600 respectively.
d) Dividend @ 5% on paid up share capital is to be provided.

Prepare Final Accounts of a company.

UNIT –IV

1. Explain the various methods of Valuation of Goodwill.

2. The following information related to the business of sole traders:

(a) Net assets Rs. 18, 00,000

(b) 10% Govt. securities Rs. 2, 50,000

(c) Net Profit of past 3 years Rs. 2,80,000 for 2007, Rs. 2,50,000 for 2008, and Rs. 3,10,000 for 2009

(d) Reasonable expected return in same type of business is 10%

(e) Fair remuneration is Rs.30, 000 per annum. Calculate value of goodwill:

(i) On the basis of 3 years purchase of actual average profit.

(ii) On the basis of capitalizing the super profit.

(iii) On the basis of an annuity of super profit, taking the present value of one rupee for five years at 10 percent interest is 3.791.

3. From the following particulars, calculate the value of goodwill by the annuity methods based at three years purchase of super profits

(i) Net assets Rs. 15,00,000

(ii) 10% Govt. securities Rs. 2,00,000

(iii) Net profit of past three year Rs. 2,30,000 in 2003, Rs. 1,80,000 in 2004 and Rs. 2,80,000 in 2005.

(iv) Profit for 2004 arrived after debiting Rs. 30,000 as loss on sale of asset.

(vi) Normal rate of return is similar types of business 12 percent.

4. 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:

	Rs.
I year	4800
II year	7200
III year	10000
IV year	3000
V year	5000

b) From the following information calculate the value per equity share:

5000 8 % preference shares of Rs.100 each Rs.500000

75000 equity shares of Rs.10 each, Rs.8 per share paid up	Rs.600000
Expected profits per year before tax	Rs.280000
Rate of tax	50%
Transfer to general reserve every year	20% of the profit
Normal rate of earnings	10%

5. Amarnath runs a cosmetic store. His net assets on 31st December 2008 amounted to Rs.250000. after paying rent of Rs.2500 a year and a salary of Rs.12000 to his manager. He earns a profit of Rs.75000. 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 profit.

UNIT –V

1. List the order of payment at the time of liquidation of a company.

2. A liquidator is receiving remuneration @ 2% of the assets realized and 3% on the amount distributed among the unsecured creditors. The assets realized Rs.7000000 against which payment was made as follows:

Liquidation expenses	Rs.50000
Preferential creditors	Rs.150000
Secured creditors	Rs.4000000
Unsecured creditors	Rs.3000000

Calculate the total remuneration payable to the liquidator

3. The following particulars relate to an ltd company which went into voluntary liquidation:

Preferential creditors	Rs.25000.
Unsecured creditors	Rs.58000
6% debentures	Rs.30000

The assets realized Rs.80000. the expenses of liquidation amounted to Rs.1500 and the liquidators remuneration was agreed at 2.5 % on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors.

Show the liquidators final statement of account.

4. The following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the liquidators final account allowing for his remuneration @ 3 % on the amount realized and 2.5 % on the amount paid to the secured creditors.

Share capital issued:

5000 preference shares of Rs.100 each (fully paid)

30000 equity share of Rs.10 each fully paid

12000 equity shares of Rs.10 each, Rs.8 paid up

Assets realized Rs.924000 excluding amount realized by sale of securities held by the secured creditors.

Preferential creditors	Rs.24000
Unsecured creditors	Rs.851094
Secured creditors (security realized Rs.162000)	Rs.138000
Debentures having a floating charge on the assets	Rs.300000

Expenses of liquidation amounted to Rs.9000

A call of Rs.2 per share on the partly paid equity shares was duly paid except in case of one shareholder owning 1200 shares.

5. The following particulars relate to a limited company which went into voluntary liquidation.

Preferential creditors	Rs.25000
Unsecured creditors	Rs.58000
6% debentures	Rs.30000

The assets realized Rs.80000. the expenses of liquidation amounted to Rs.1500 and the liquidator's remuneration was agreed at 2.5% on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidators final statement of account.