

3/COM-201 Syllabus-2023

2024

(December)

FYUP : 3rd Semester Examination

MAJOR

COMMERCE

(Corporate Accounting)

COM-201

Marks : 75

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) Following is the Balance Sheet of
X Ltd. :

Particulars	Amount ₹
I. <i>Equity and Liabilities :</i>	
1. Shareholders' Funds :	
(a) Paid-up Share Capital :	
10%, 1000 Redeemable Preference Shares	1,00,000
Less : Calls-in-Arrears on 50 shares @ ₹ 20 each	<u>1,000</u> 99,000
50000 Equity Shares of ₹ 10 each	5,00,000

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Particulars	Amount ₹
(b) Reserve and Surplus :	
Development Rebate	
Reserve	50,000
General Reserve	<u>1,00,000</u>
	1,50,000
2. Other Liabilities	<u>1,51,000</u>
	<u>9,00,000</u>
II. Assets :	
1. Non-current Assets :	
Other Assets	8,10,000
2. Current Assets :	
Cash and Cash Equivalent :	
Bank	<u>90,000</u>
	<u>9,00,000</u>

The redeemable preference shares were redeemed on the following bases :

- (i) Further 4500 equity shares were issued at a premium of 10%
- (ii) Of the 50 preference shares, holders for 40 shares paid the call before the date of redemption. The balance 10 shares were forfeited for non-payment of calls before redemption. The forfeited shares were reissued as fully paid on receipt of ₹ 500 before redemption

- (iii) Preference shares were redeemed at a premium of 10% and securities premium amount was utilized in full for the purpose

Show Journal Entries in the books of the company to record the above redemption. What will be the bank balance after redemption? $10+2=12$

- (b) Explain in brief how debenture redemption fund is created. 3

Or

- (a) The following is the extract of the Balance Sheet of Pink Ltd. as on 31st March, 2024 :

Particulars	Amount ₹
500000 Equity Shares of ₹ 10 each fully paid	50,00,000
General Reserve	15,00,000
Profit & Loss A/c	1,00,000
Securities Premium	1,00,000
Non-Current Investments	5,00,000

The company decided to buyback 100000 Equity Shares of ₹ 10 each at 25% premium. For this purpose, the company (i) sold the entire investments

at ₹ 6,00,000; (ii) made a fresh issue of 10% preference shares of ₹ 100 each after utilizing Securities Premium Account and half of General Reserve

You are required to pass Journal Entries. Workings should form part of your answer.

6+3=9

- (b) What is a bonus share? What are the advantages of issuing a bonus share?

2+4=6

2. (a) Blue Company Ltd. was formed to take over a running business with effect from 1st April, 2023. The company was incorporated on 1st August, 2023 and the certificate of commencement of business was received on 1st October, 2023. It gives the following result for the year ended 31st March, 2024 :

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	26,400	By Gross	
» Travelling Expenses	16,400	Profit b/d	1,60,000
» Trade Expenses	18,900		
» Rent (Office Building)	13,200		
» Electricity Charges	2,100		
» Directors' Fees	5,600		

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Particulars	Amount	Particulars	Amount
	₹		₹
To Bad Debts	1,600		
» Commission to Selling Agents	8,000		
» Audit Fees	3,000		
» Debenture Interest	3,600		
» Selling Expenses	12,600		
» Depreciation	4,800		
» Net Profit	43,800		
	<u>1,60,000</u>		<u>1,60,000</u>

Following additional information is provided to you :

- (1) Total sales for the year, which amounted to ₹9,60,000 arose evenly up to the date of the certificate of commencement, where-after they spurted to record an increase of two-third during the rest of the year
- (2) Rent of office building was paid @ ₹1,000 per month up to September 2023 and thereafter it was increased by ₹200 per month
- (3) Travelling expenses include ₹2,400 towards sales promotion

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- (4) Depreciation includes ₹300 for assets acquired in the post-incorporation period
- (5) Purchased consideration was discharged by the company on 30th September, 2023 by issuing equity shares of ₹10 each

You are required to—

- (i) calculate sales ratio and time ratio;
- (ii) prepare statement of profit and loss as per Schedule III of the Companies Act, 2013 showing distinctly the allocation of profit between pre- and post-incorporation periods.

$$2+1+9=12$$

- (b) Explain the term 'profits prior to incorporation'.

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Or

The following balances appeared in the books of Bright Ltd. as on 31st March, 2024 :

Particulars	Dr.	Cr.
	Amount	Amount
	₹	₹
Equity Shares of ₹10 each	—	6,00,000
General Reserve	—	2,30,000
Unclaimed Dividend	—	526

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(Continued)

(7)

Particulars	Dr. Amount ₹	Cr. Amount ₹
Trade Creditors	—	42,858
Buildings (at cost)	2,50,000	—
Purchases	5,00,903	—
Sales	—	10,83,947
Manufacturing Expenses	3,50,000	—
Establishment Charges	26,814	—
General Charges	31,078	—
Machinery (at cost)	2,30,000	—
Furniture (at cost)	35,000	—
Opening Stock	1,72,058	—
Book Debts	1,02,380	—
Investments	2,88,950	—
Provision for Depreciation on Fixed Assets	—	91,000
Advance Payment of Income Tax	50,000	—
Cash at Bank	72,240	—
Directors' Fees	1,800	—
Interest on Investment	—	8,544
Profit & Loss A/c (01.04.2023)	—	16,848
Staff Provident Fund	—	37,500
	<u>21,11,223</u>	<u>21,11,223</u>

From the above mentioned balances and the following information, prepare the Statement

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of Profit and Loss for the year ending 31st March, 2024 and a Balance Sheet as on that date : 7+8=15

- (i) The stock on 31st March, 2024 was valued at ₹1,48,680
- (ii) Provide ₹29,000 for depreciation of fixed assets and ₹8,000 for managing director's remuneration
- (iii) Interest accrued on investments amounted to ₹2,750
- (iv) Make a provision of ₹50,000 for income tax
- (v) The directors propose a dividend @ 8% after transfer of ₹25,000 to General Reserve

3. (a) Given below are the extracts from the Balance Sheet of ABC Ltd. as on 31st March, 2024 :

Particulars	Amount ₹
Equity Share Capital	10,00,000
Reserve and Surplus	4,00,000
12% Debentures	2,00,000
Trade Creditors	1,00,000
Goodwill	1,00,000
Tangible Fixed Assets	11,00,000
Investments	1,00,000
Current Assets	4,00,000

(Continued)

Additional Information :

- (i) Profit before tax for 2023-24 amounted to ₹ 6,00,000 including ₹ 10,000 as interest on investment
- (ii) An additional amount of ₹ 50,000 p.a. shall be required to be spent for smooth running of the business
- (iii) Market values of tangible fixed assets are estimated at ₹ 19,00,000. In order to match the above figures, further depreciation to the extent of ₹ 40,000 should be taken into consideration
- (iv) Income tax rate may be taken at 50%
- (v) Return on capital @ 20% before tax may be considered normal for this business at the present stage
- (vi) For the purpose of determining the rate of return, profit for this year after the aforesaid adjustments may be taken as expected average profit. Similarly, average trading capital employed is also to be considered on the basis of the position in this year

(10)

From the above information, calculate the value of goodwill on the basis of 4 years' purchase of super profit. 10

- (b) Define goodwill. What do you mean by purchased goodwill and non-purchased goodwill? 1+2+2=5

Or

(a) The paid-up capital of XYZ Ltd. amounted to ₹2,50,000 consisting of 25000 equity shares of ₹10 each. Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as under :

- (i) In lieu of their present holding, the shareholders are to receive :

(1) Fully paid equity shares equal to $\frac{2}{5}$ th of their holding

(2) 5% preference shares fully paid-up to the extent of 20% of the above new equity shares

(3) 3000, 6% second debentures of ₹10 each

- (ii) An issue of 2500, 5% first debentures of ₹10 each were made and fully subscribed in cash

(iii) The assets were reduced as follows :

- (1) Goodwill from ₹ 1,50,000 to ₹ 75,000
- (2) Machinery from ₹ 50,000 to ₹ 37,500
- (3) Leasehold premises from ₹ 75,000 to ₹ 62,500

Show the Journal Entries to give effect to the above scheme of reconstruction and also prepare Capital Reduction A/c.

7+2=9

(b) What do you mean by internal reconstruction? State the procedure for reducing share capital.

2+4=6

4. (a) From the following information, prepare the Balance Sheet of Hostine Ltd. showing the details of workings : 12

- (i) Gross profit—25% of sales
- (ii) Gross profit—₹ 1,20,000
- (iii) Shareholders' equity—₹ 20,000
- (iv) Credit sales to total sales—80%
- (v) Total turnover to total assets—4 times
- (vi) Cost of sales to inventory—10 times
- (vii) Average collection period—5 days, assume 365 days in a year

(viii) Long-term debt—?

(ix) Current ratio—1.5

(x) Sundry creditors—₹ 60,000

(b) Mention the various techniques of analysis and interpretation of financial statements.

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Or

(a) From the following information, prepare a Cash Flow Statement :

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Balance Sheet

Particulars	31.03.2023 ₹	31.03.2024 ₹
I. Equity and Liabilities :		
1. Shareholders' Funds :		
(a) Share Capital :		
Equity Share of ₹ 10 each	2,00,000	2,50,000
(b) Reserves and Surplus :		
General Reserve	50,000	60,000
Profit & Loss	30,500	30,600
2. Non-current Liabilities :		
8% Debentures	70,000	—
3. Current Liabilities :		
Trade Payables	1,50,000	1,35,200
Short-term Provision :		
Provision for Taxation	30,000	35,000
	<u>5,30,500</u>	<u>5,10,800</u>

Particulars	31.03.2023 ₹	31.03.2024 ₹
II. Assets :		
1. Non-current Assets :		
(a) Tangible Fixed Assets :		
(i) Land and Building	2,00,000	1,90,000
(ii) Machinery	1,50,000	1,69,000
(b) Intangible Assets :		
Goodwill	—	5,000
2. Current Assets :		
Inventories	1,00,000	74,000
Trade Receivables	80,000	64,200
Cash and Cash Equivalents	500	8,600
	<u>5,30,500</u>	<u>5,10,800</u>

Additional Information :

During the year ended 31st March,
2024 :

(i) Dividend of ₹23,000 was paid

(ii) Assets of another company were
purchased for consideration of
₹50,000 payable in shares. The
following assets were purchased :

Stock—₹20,000

Machinery—₹25,000

(iii) Machinery was further purchased for ₹ 8,000

(iv) Depreciation written off on Machinery—₹ 12,200

(v) Income tax provided during the year—₹ 33,000

(b) State the objectives of cash flow statement.

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5. Answer any *three* of the following questions :

5×3=15

(a) A limited company with a subscribed capital of ₹ 4,00,000 in equity shares of ₹ 10 each has resolved to utilize the balance of Capital Redemption Reserve ₹ 55,000; Securities Premium A/c ₹ 35,000 and General Reserve ₹ 10,000 to issue fully paid bonus shares in the ratio of one equity share for every four equity shares held.

Show Journal Entries in the books of the company.

(b) Write a note on interim dividend.

(15)

- (c) The following are the profits of a limited company :

Year	Amount ₹
2020	1,28,000
2021	1,44,000
2022	1,72,000
2023	1,80,000

Calculate the value of goodwill of the above business at 3 years' purchase of weighted average profits for the four years. The weights to be assigned to the profits for the purpose of averaging are :

Year	2020	2021	2022	2023
Weight	1	1.5	2	2.5

- (d) Give the meaning of comparative statements.

Or

Answer any *three* of the following questions :

5×3=15

- (a) Write a note on Employee Stock Option Schemes (ESOS).
- (b) From the following information, calculate Sales Ratio :

X Ltd. was incorporated on 1st July, 2023 to take the existing business of X

from 1st April, 2023. Date of closing the books of account, 31st March, 2024

Monthly sales in April 2023, February 2024 and March 2024 are double the average monthly sales for remaining months of the year.

- (c) Distinguish between 'Alteration of Share Capital' and 'Reduction of Share Capital'.
- (d) Mention the basic informations required for the preparation of a cash flow statement according to Ind. AS-7.
