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(Pages: 5)

Name: .....

Reg. No: .....

**THIRD SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2023**

(CUCBCSS-UG)

**CC17U BC3 B04 - CORPORATE ACCOUNTING**

(Commerce – Core Course)

(2017, 2018 Admissions – Supplementary)

Time: 3 Hours

Maximum: 80 Marks

**Part-I**

Answer *all* questions. Each question carries 1 mark.

Choose the correct answer:

1. .... shall be measured at the lower of cost or net realizable value.
  - a. Property, plant and equipment
  - b. Inventory
  - c. Intangible asset
  - d. Borrowing cost
2. The issue of shares made by a company to its existing shareholders with the objective of capitalizing its past accumulated profits is called .....
  - a. right issue
  - b. private issue
  - c. bonus issue
  - d. employee stock option scheme
3. .... is the statement that shows the position of assets and liabilities of an entity as on a particular date.
  - a. Statement of Profit or Loss
  - b. Statement of Financial Position
  - c. Statement of Change in Equity
  - d. Statement of Movement of Equity
4. The excess of the cost of shares acquired by the acquirer company over its nominal value is known as .....
  - a. Non-controlling interest
  - b. Revenue profit
  - c. Capital profit
  - d. Goodwill
5. .... and General Balance Sheet are the two parts of a balance sheet under double account system.
  - a. Revenue account
  - b. Equity account
  - c. Capital account
  - d. Reserves and surplus

Fill in the blanks:

6. Premium on redemption preference shares can be provided out of securities premium account or .....

7. .... is the systematic allocation of depreciable amount of intangible asset over its useful life.
8. .... is the statement that shows the movement of equity during a period.
9. Suppose A Ltd. holds 80% shares in B Ltd. When preparing consolidated balance sheet, the balance 20% shares of B Ltd is recorded as to be held by .....
10. Electricity companies prepare final accounts under ..... system.

(10 × 1 = 10 Marks)

**Part-II**Answer any *eight* questions in two or three sentences. Each question carries 2 marks.

11. What is financial lease?
12. What is deferred tax liability?
13. What is sinking fund?
14. What is borrowing cost?
15. What are events after reporting period?
16. What is accounting policy?
17. What do you mean by consolidated financial statements?
18. What is buy back of shares?
19. What is clear profit?
20. What is surplus for electricity companies?

(8 × 2 = 16 Marks)

**Part-III**Answer any *six* questions. Each question carries 4 marks.

21. Distinguish between double entry system and double account system.
22. Explain the methods of alteration of share capital.
23. Distinguish between bonus issue and right issue.
24. Large Ltd. had a paid-up capital of Rs. 6,10,000 consisting of 40,000 equity shares of ₹ 10 each fully paid-up and 30,000 equity shares of ₹ 10 each, ₹ 7 per share paid-up. The general reserve of the company stood at ₹ 7,00,000. The directors decided to issue one fully paid-up bonus share at a premium of ₹ 5 per share for every fully paid shares held and to make the partly paid-up shares fully paid-up. At the date of allotment of the bonus shares, the market value of equity shares is 28.

Assuming that all legal formalities are complied with, pass necessary journal entries in the books of the company.

(2)

30. Balance Sheets of H Ltd. and S Ltd. on 31<sup>st</sup> March, 2020 were as follows:

|                                       | H Ltd.                  | S Ltd.                 |
|---------------------------------------|-------------------------|------------------------|
|                                       | Rs.                     | Rs.                    |
| <i>Equity and Liabilities</i>         |                         |                        |
| Shareholders' funds:                  |                         |                        |
| Share Capital                         |                         |                        |
| Equity shares of Rs. 100 each         | 10,00,000               | 4,00,000               |
| 10% Preference shares of Rs. 100 each | -                       | 1,00,000               |
| Reserves and surplus:                 |                         |                        |
| General reserve                       | 1,00,000                | 50,000                 |
| Surplus account:                      |                         |                        |
| Balance on 1.4.2019                   | 40,000                  | 30,000                 |
| Profit for 2019-2020                  | 2,00,000                | 80,000                 |
| Current liabilities:                  |                         |                        |
| Creditors                             | <u>1,50,000</u>         | <u>70,000</u>          |
| <b>Total</b>                          | <b><u>14,90,000</u></b> | <b><u>7,30,000</u></b> |
| <i>Assets</i>                         |                         |                        |
| Non- current assets:                  |                         |                        |
| Fixed assets                          |                         |                        |
| Land & building at cost               | 3,10,000                | 1,60,000               |
| Machinery less 10% depreciation       | 2,70,000                | 1,35,000               |
| Investment- 4000 shares in S Ltd.     | 4,50,000                | -                      |
| Current assets:                       |                         |                        |
| Stock at cost                         | 2,20,000                | 1,50,000               |
| Sundry debtors                        | 1,55,000                | 90,000                 |
| Cash and bank                         | <u>85,000</u>           | <u>1,95,000</u>        |
| <b>Total</b>                          | <b><u>14,90,000</u></b> | <b><u>7,30,000</u></b> |

H Ltd. acquired 4000 equity shares in S Ltd. on 31<sup>st</sup> March, 2020. Prepare a Consolidated Balance Sheet.

31. Explain the provisions on the redemption of preference shares.

(2 × 15 = 30 Marks)

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(5)

25. An entity has a machinery on 31<sup>st</sup> March 2020 which was acquired at a cost of Rs. 2,60,000 for which accumulated depreciation is Rs. 1,40,000 (including depreciation for the year ended 31<sup>st</sup> March 2020). The machinery has a useful life of 4 years and a residual value of Rs. 20,000. The asset is depreciated using SLM basis. The recoverable amount of this asset as on 31<sup>st</sup> March 2020 is Rs. 1,10,000. The entity's assessment of the machinery's useful life, depreciation method and residual value are unaffected by the impairment. Calculate the impairment loss and pass the entry to record impairment.
26. Following figures have been extracted from the books of Big Ltd. as on 31.03.2020.

|   | Rs.         |
|---|-------------|
| Authorised capital:                                   |             |
| 50,00,000 equity shares of RS. 10 each                | 5,00,00,000 |
| Issued and subscribed capital:                        |             |
| 50,00,000 equity shares of RS. 10 each, fully paid-up | 5,00,00,000 |
| Reserves & surplus:                                   | 80,00,000   |
| General reserve                                       | 20,00,000   |
| Profit and loss A/c                                   | 30,00,000   |
| Capital reserves                                      | 15,00,000   |
| Securities premium                                    | 50,00,000   |
| 14% Debentures  | 1,00,00,000 |
| Cash and bank balance                                 |             |

The company decided to buyback 25% of the paid up equity share capital at face value. It was also decided to issue further 14 % debentures of Rs. 50,00,000 at par for the purpose of buyback. Pass necessary journal entries.

27. On 1st January, 2020 Huge Ltd. issued Rs. 6,50,000 9% debentures at a discount of 10% repayable as follows:
- On 31st December, 2016-Rs.2 50,000
  - On 31st December 2017-Rs. 1,50,000
  - On 31st December 2018- Rs. 1,00,000
  - On 31st December, 2019- Rs. 75,000
  - On 31st December, 2020- the balance outstanding.

Show the amount of discount to be written off in each of these five years.

28. Giant Ltd. rebuilt and re- equipped a part of their works at a cost of Rs. 10 crores.

The part of the old works thus superceded cost Rs. 4 crores. The capacity of the works is double the capacity of the old works. Rs. 60 lakhs was realised by the sale of old materials and materials worth Rs. 40 lakhs were used in the construction of the new works and included in the total cost of Rs. 10 crores. The cost of materials and labour are 50% higher than what it was when the old works were built. Journalise the transactions.

(6 × 4 = 24 Marks)

#### Part-IV

Answer any *two* questions. Each question carries 15 marks.

29. The following is the Balance sheet of Kent Ltd:

| Particulars                 | Note No. | Rs.             |
|-----------------------------|----------|-----------------|
| A. Equity and Liabilities:  |          |                 |
| 1. Shareholders fund        |          |                 |
| Share capital               | 1        | 5,00,000        |
| 2. Reserves and Surplus     |          |                 |
| General reserve             |          | 50,000          |
| 3. Current liabilities      |          |                 |
| Creditors                   |          | <u>80,000</u>   |
|                             |          | <u>6,30,000</u> |
| B. Assets:                  |          |                 |
| 1. Non- Current Assets      |          |                 |
| Tangible assets             | 2        | 4,50,000        |
| Intangible assets- Goodwill |          | 50,000          |
| 2. Current Assets           |          |                 |
| Short term investments      |          | 20,000          |
| Bank                        |          | <u>1,10,000</u> |
|                             |          | <u>6,30,000</u> |

Note No. 1- Share Capital

|                                     |                 |
|-------------------------------------|-----------------|
| Share Capital:                      |                 |
| 30,000 Equity shares of Rs. 10 each | 3,00,000        |
| 20,000 Preference shares of Rs. 10  | 2,00,000        |
|                                     | <u>5,00,000</u> |
| Note No. 2- Tangible assets:        |                 |
| Computers                           | 50,000          |
| Furniture                           | 4,00,000        |
|                                     | <u>4,50,000</u> |

The company decided to redeem its preference shares at a premium of 10%. For this purpose, the investments were sold for Rs. 18,000. The company decided to issue necessary equity shares of Rs. 10 each after utilizing the divisible profits. Redemption was duly carried out. Give journal entries and show the Balance Sheet after the redemption.