

II B.Com/B.Com(CA)/B.A (Accountancy)

III SEMESTER

CORPORATE ACCOUNTING

Unit-I:

Accounting for Share Capital - Issue, forfeiture and reissue of forfeited shares- concept & process of book building - Issue of rights – Buy back of shares (preparation of Journal only).

Unit-II:

Issue and Redemption of Debentures – Issue and redemption of debentures – Accounting Treatment for Convertible and Non-Convertible debentures sinking fund method only (preparation of Journal and Ledger).

Unit –III:

Valuation of Goodwill: Need and methods - Normal Profit Method, Super Profits Method – Capitalization Method, annuity method (including problems).

Unit - IV

Valuation of shares: Need for Valuation - Methods of Valuation - Net assets method, Yield basis method, Fair value method (including problems).

Unit –V

Provisions of the Companies Act, 2013 : Company final accounts - Preparation of Balance Sheet and Profit and Loss Account – Schedule-III – Adjustments relating to preparation of final Accounts.

Reference Books:

1. Modern Accounting: A. Mukherjee, M. Hanife Volume-II, McGraw Hill
2. Corporate Accounting – RL Gupta & Radha swami
3. Management Accounting: Shashi K. Gupta, R.K. Sharma, Kalyani Publishers.
4. Corporate Accounting – P.C. Tulsian
5. Advanced Accountancy: Jain and Narang
6. Advanced Accountancy : R.L. Gupta and M.Radhaswamy, S Chand.
7. Advanced Accountancy : Chakraborty
8. Accounting standards and Corporate Accounting Practices: T.P. Ghosh Taxman
9. Corporate Accounting: S.N. Maheswari, S.R. Maheswari, Vikas Publishing House.
10. Advanced Accountancy: Arutanandam, Raman, Himalaya Publishing House.
11. Advanced Accounts: M.C. Shukla, T.S. Grewal, S.C. Gupta, S. Chand & Company Ltd.,

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Model Paper; DSC3B II B.Com /B.A, Accountancy Semester – III, Nov, 2016 Corporate Accounting (DSC 1 C)

Answer any **Five** of the following Questions

(5 x 3 = 15 Marks)

1. (a) Share Capital
(b) Forfeiture of Shares
(c) Debentures
(d) Sinking fund
(e) Super Profits
(f) Methods of Valuations of Shares
(g) Need for valuation of good will
(h) Fair value method
(i) Profit and Loss appropriation account
(j) Companies Act 2013

UNIT I

2. A Ltd. Invited applications for 10,000 shares of Rs.100 each at a discount of 5 per cent payable as follows:

On application Rs.25; On allotment Rs.34; On first call and final call Rs.36.

The applications received were for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 200 shares which were forfeited. 100 Shares were reissued @ Rs.90 as fully paid.

You are required to show journal entries in the books of the company.

3. A limited company issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs.2 per share payable as follows:

On applications Rs.2; on allotment Rs.5 (including premium); on First Call Rs.3 and on Second Call Rs.2

Applications were received for 3,000 shares and allotments made pro-rata to the applicants for 2,400 shares, the remaining applications being refused. Money overpaid on application was employed on account of sums due on allotment.

X to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Y, the holder of 60 shares

failed to pay the two calls, and his shares were forfeited after the second call had been made.

Of the shares forfeited, 80 shares were sold to Z, credited as fully paid, for Rs.9 per share, the whole of X's share being included.

Show journal and Cash Book entries.

UNIT II

4. Raghavendra Co. Ltd. offered 1000, 5% debentures of Rs 100 each. Pass necessary journal entries in the following cases.

- a) Issued at par and redeemable at par.
- b) Issued at 10% premium and redeemable at par.
- c) Issued at 6% discount and redeemable at par.
- d) Issued at par and redeemable at 10% premium.
- e) Issued at 6% discount and redeemable at 10% premium.

OR

5. On 1st April 2009 Anuradha company issued 4000 debentures of Rs 100 at par, redeemable at par on 31st March, 2014. A sinking Fund was established for this purpose. It was expected that investments would earn 5% interest. Sinking Fund tables show that Rs 0.180975 amounts to Rs 1 at the end of 5th year @ 5%.

On 31st March, 2014, the investments realized Rs 2,96,000. On that date the company's bank balance stood at Rs 1,45,000. The debentures were duly redeemed.

Prepare sinking Fund Account and sinking Fund Investments Account assuming that the investments were made to the nearest Rs 10.

UNIT III

6. The following particulars are available in respect of a business firm.

- i. Average capital employed Rs. 50,000.
- ii. Trading results: 2005 (Profit Rs. 12,200) 2006 (Profit Rs. 15,000) , 2007 (Rs. 2,000) and 2008 (Profit Rs. 21,000)
- iii. Market rate of interest on investment at 8%.
- iv. Rate of risk return on capital invested at 2%.
- v. Remuneration of the proprietor Rs. 3,600 pa.
You are required to compute the value of Goodwill on the basis of 3 years purchase of super profit.

7. The following particulars are available in respect:

- i. Profits earned in 2000-Rs.50,000, 2001-Rs.60,000 and 2002-Rs.55,000
- ii. Normal rate of return 10%
- iii. Capital employed Rs. 3,00,000
- iv. Present value of annuity for 5 years at 10% is Rs. 3.78 in a Rupee.
- v. The profit included non-recurring profit on an average basis of Rs. 4000 out of which it was deemed that even non-recurring profits had a tendency of appearing at Rs. 1000 pa.

You are required to calculate goodwill under the following methods.

- As per five years purchase of super profit.
- As per capitalization method.
- As per annuity method.

UNIT IV

8. The following details are extracted from the records of Gopi Co. Ltd. For the year ending 31.12.2010. You are required to calculate the value of equity share.

2000, 9% preference share of Rs. 100 each Rs.,. 2,00,000

50,000 equity shares of Rs. 10 each, Rs. 8 per share paid Rs. 4,00,000

Expected profits per year before tax Rs. 2,18,000 rating tax 50 percent.

Transfer to general reserve every year Rs. 20% of the profit normal rate of earnings.

Transfer to general reserve every year Rs. 20% of the profit normal rate of earnings 15 percent.

9. The following is the Balance sheet of Srinivasa co. Ltd for the year ending with 31st March, 2012

Liabilities	Amount	Assets	Amount
8% preference share capital at Rs. 100 each	1,50,000	Land & Buildings	2,50,000
3000 Equity shares at Rs 100	3,00,000	Plant & Machinery	70,000
Bank Overdraft	60,000	Furniture	18,000
Sundry creditors	64,000	Goodwill	70,000
Profit & Loss Account	56,000	Cash in Hand	12,000
General Reserve	70,000	Cash at Bank	28,000
		Sundry Debtors	90,000
		Stock in Trade	1,30,000
		Preliminary Expenses	12,000
		Discount on issue of shares	20,000
	<u>7,00,000</u>		<u>7,00,000</u>
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Assets are revued as given below :

1.Land & Buildings Rs. 3,00,000, Plant & Machinery Rs.64,000 .depreciate furniture by 10%

2. Debtors are expected to realise at 80% and stock in Trade is Rs. 1,42,000

Find the value of equity share

UNIT V

10. Following is the Balance of BHANU Ltd. as on 31st March, 2013

Debit Balances	R₹	Credit Balances	R₹
Stock on 1-4-2012	75,000	Purchase returns	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount received	3,000
Carriage	950	Surplus A/c	15,000
Furniture	17,000	Share Capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General reserve	15,500
Sundry Trade Expenses	16,950	Bills Payable	7,000
Debtors	27,500		
Plant and Machinery	29,000		
Cash at Bank	45,300		
Patents	4,800		
Bills receivable	5,000		
	<u>5,08,000</u>		<u>5,08,000</u>

Prepare Statement of Profit and Loss for the year ending 31st March, 2013 and a Balance Sheet on that date after considering the following adjustments:

- (a) Stock on 31-3-2013 was ` 88,000.
- (b) Depreciate Plant and Machinery at 15%, Furniture 10% and Patents at 5%
- (c) Outstanding rent amounted to ` 800 and outstanding salaries ` 900.
- (d) Provide ` 5100 for doubtful debts.
- (e) The Board recommends payment of dividend @ 15% per annum.
- (f) Transfer the minimum required amount to general reserve.

OR

11. Following are the balances of ABC Limited as on 31st March, 2013:

Debit	Rs	Credit	Rs
Premises	30,72,000	Equity Share Capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	Surplus account	2,63,000
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Bank	4,52,000	General Reserve	2,50,000
Cash in Arrears	75,000	Sales	41,50,000
Interim Dividend paid	6,00,000	Bad Debts Provision	35,000
Purchases	18,50,000		
Wages	7,71,000		
General Expenses	74,000		
Salaries	2,03,000		
Bad debts	21,000		
Debenture Interest paid	1,80,000		
	1,24,68,000		1,24,68,000

Additional Information:

- (1) Depreciation Plant by 10%
- (2) Write off ` 5,000 from Preliminary Expenses.
- (3) Half year's Debenture interest due.
- (4) Create 5% provision on Debtors for doubtful debts.
- (5) Provide for Income Tax @ 35%.
- (6) Stock on 31st March, 2013 was ` 9,50,000.
- (7) No final dividend is declared by the company.
- (8) Ignore Corporate Dividend Tax.
- (9) Transfer the minimum required amount to General Reserve.

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IV SEMESTER – W.E.F. 2016-17

DSC 1D - ACCOUNTING FOR SERVICE ORGANIZATIONS

Unit-I: Non-Trading/ Service Organizations:

Concept - Types of Service Organizations – Section (8) and other Provisions of Companies Act, 2013 –Receipts and Payments Accounts and Income and Expenditure Account- preparation of income and expenditure account and Balance sheet (Simple problems).

Unit – II Electricity Supply Companies:

Accounts of Electricity supply companies: Double Accounting system – Revenue Account – Net Revenue Account – Capital Account – General Balance Sheet. (Simple problems).

Unit – III - Bank Accounts

Bank Accounts – Books and Registers to be maintained by Banks – Banking Regulation Act, 1969 - Legal Provisions Relating to preparation of Final Accounts, Rebate on bills discounted. (including problems).

Unit-IV: Insurance Companies -I

Life Insurance Companies –Preparation of Revenue Account, Profit and Loss Account, Balance Sheet (including problems) – LIC Act, 1956. Preparation and valuation of balance sheet – correct life assurance fund including problems.

Unit – V: Insurance Claims:

Insurance concepts - average clause-calculation of salvage value – claims for loss of stock (problems on valuation of loss of stock only).

Suggested Readings

1. Modern Accounting: A. Mukherjee, M. Hanife :McGraw Hill Company Ltd., New Delhi.
2. Corporate Accounting: T.S Reddy & A. Murthy; Margam Publications.
3. Corporate Accounting – RL Gupta & M. Radha Swami
4. Corporate Accounting – P.C. Tulsian
5. Company Accounts : Monga, Girish Ahuja and Shok Sehagal
6. Advanced Accountancy: Jain and Narang
7. Advanced Accountancy : R.K. Gupta and M. Radhaswamy
8. Advanced Accountancy : Chakraborty
9. Advanced Accountancy: S.P. Iyengar
10. Accounting standards and Corporate Accounting Practices: T.P. Ghosh Taxman
11. Corporate Accounting: S.N. Maheswari, S.R. Maheswari, Vikas Publishing.

12. Advanced Accountancy: Arutanandam, Raman, Himalaya Publishing House.
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MODEL PAPER

II B.Com/B.Com(CA)/B.Com (ASM)/ B.Com (Tax)/ B.A(ACCOUNTANCY)
SEMESTER – IV

DSC 1D – ACCOUNTING FOR SERVICE ORGANIZATIONS

Time: 3 hours

Max.Marks: 75 M

Section A

Answer any Five of the following

5X3=15 Marks

- | | |
|--------------------------------------|---|
| 1. a) Income and Expenditure Account | b) Receipts and Payments Account |
| c) Double Accounting System | d) Single Accounting Vs Double Accounting |
| e) Rabate on Bills Discounted | f) Types of Deposits |
| g) Valuation Balance Sheet | h) Claims |
| i) Average Clause | j) Memorandum Trading Account |

Section B

Answer **ONE** question from each unit of the following:

5X12=60 Marks

UNIT I

Q.2 Explain service Organisation and distinguish between Receipts & Payments Account and Income & Expenditure Account

OR

Q.3. Prepare an Income & Expenditure Account for the year ending with 31st March, 2014 and the Balance Sheet on that date of Officers' club from the following :

RECEIPTS AND PAYMENTS ACCOUNT

For the year ended with 31st March 2014

Receipts	Amount (Rs)	Payments	Amount (Rs.)
To Balance b/d	40,000	By Pay & Allowances	24,000
To Subscription received	1,18,000	By Expenditure for games	5,600
To Annual maintenance fee	24,000	By Books for Library	16,000
To Interest on securities	10,000	By News Papers & Journals	2,400
To Rent the function Hall	42,000	By Telephone Expenses	4,800

To Collection received for tour	24,000	By Construction of New hall	64,000
To Sale of News Papers etc.	400	By Repairs and Maintenance	20,000
		By Tour Expenses	30,000
		By General Expenses	6,000
		By Balance c/d	42,600
TOTAL	2,58,400	TOTAL	2,58,400

The club has the assets as below as on 31.03.2013 :

Furniture Rs.30,000, Buildings Rs.5,00,000, Library books 24,000, Investments Rs. 1,00,000
Annual Maintenance receivable from the members for 2013-14 is Rs. 2,800 and received in advance for 2014-15 is Rs.2,200 ; Depreciation on Buildings 2%, Books 5% and furniture 5%.

UNIT II

4. The following are the balances on 31-03-14 in the books of the Ernakulam Power and Light company Ltd.,

	Rs.	Rs.
Lands on 31-3-13	1,20,000	-
Lands expended during 2013-14	4,000	-
Machinery on 31-3-13	4,80,000	-
Machinery expended during 2013-14	4,000	-
Mains including cost of laying	1,60,000	-
Mains expended during 2013-14	40,800	-
Equity shares	-	4,39,200
Debentures	-	1,60,000
Sundry Creditors	-	800
Depreciation Fund A/c	-	2,00,000
Sundry debtors for Current supplied	32,000	-
Other debtors	400	-
Cash	4,000	-
Cost of generation of electricity	28,000	-
Cost of distribution of electricity	4,000	-
Rent rates and taxes	4,000	-
Management Expenses	9,600	-
Depreciation	16,000	-
Sale of current	-	1,04,000
Rent of Meters	-	4,000
Interest on Debentures	8,000	-
Interim dividend	16,000	-
Net Revenue A/c Balance on 31-3-13	-	22,800
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	9,30,800	9,30,800

From the above Trial Balance, Prepare Revenue A/c, Net Revenue A/c, Capital A/c and General Balance Sheet.

OR

5. The following balances appeared in the books of Universal Electric Supply Corporation Ltd., as on 31.12.2013:

Particulars	Debit Balances Rs.	Credit Balances Rs.
Equity Shares	-	6,00,000
Debentures	-	2,00,000
Land on 31.12.13	1,50,000	-
Land Purchased during the year	60,000	-
Mains including cost of laying to 31.12.13	1,60,000	-
Mains expended during the year	76,000	-
Machinery on 31.12.2013	5,50,000	-
Machinery purchased during the year	66,000	-
Sundry Creditors	-	1,000
Depreciation Fund Account	-	2,50,000
Sundry Debtors for Current Supplied	40,000	-
Other Book Debts	500	-
Stores in Hand	6,000	-
Cash in Hand	4,000	-
Cost of Generation of Electricity	30,000	-
Cost of Distribution of Electricity	9,000	-
Sale of Current	-	1,50,000
Meter Rent	-	5,000
Rent, rates & Taxes	12,000	-
Establishment Expenses	21,000	-
Interest on Debentures	10,000	-
Interim Dividend	20,000	-
Depreciation	20,000	-
Net Revenue A/c Balance on 31.12.13	-	28,500
	12,34,500	12,34,500

From the above balances, prepare the Revenue A/c, Net Revenue A/c, Capital A/c and General Balance Sheet.

UNIT III

6. From the following particulars, prepare a Profit and Loss A/c of New bank Ltd., for the year ended 31.12.2015.

	Rs. (in '000)		Rs. (in '000)
Interest on loans	260	Interest on cash credits	225
Interest on fixed deposits	280	Rent and taxes	20
Rebate on bills discounted	50	Interest on overdrafts	56

Commission charged to customers	9	Director's and Auditor's fees	4
Establishment expenses	56	Interest on savings bank accounts	70
Discount on bills discounted	200	Postage and telegrams	2
Interest on current accounts	45	Sundry charges	2
Printing and advertisements	3		

OR

7. Given below is an extract from the Trial balance of Mayura Bank Ltd., as on 31.12.2015.

PARTICULARS	Dr. Rs.	Dr. Rs.
Bills discounted	15,00,000	
Rebate on bills discounted on 1.1.2015		5,340
Interest and discount		91,473

An analysis of the bills discounted shows the following.

Amount Rs.	Due date Rs.	Rate of discount % p.a
1,45,000	6 th March	5%
4,31,000	15 th March	6%
2,90,000	21 st March	4%
3,98,000	14 th April	3.5%
2,36,000	24 th April	4.5%

Show with the aid of workings how the relevant items will appear in the bank's balance sheet as on 31.12.2015 and in the Profit and Loss Account for the same period.

UNIT IV

8. The Revenue account of a Life Insurance Company showed the life fund at Rs.73,17,000 on 31.3.2016 before taking into account the following items:

	Rs.
a. Claims intimated but not admitted	98,250
b. Bonus utilised in reduction of premium	13,500
c. Interest accrued on investments	29,750
d. Outstanding premiums	27,000
e. Claims covered under re insurance	40,500
f. Provision for taxation	31,500

Pass journal entries giving effect to the above adjustments and show the adjusted life fund.

9. A Life Insurance Company got its valuation made once in every three years. The Life Assurance Fund on 31.3.16 amounted to Rs.41,92,000 before providing for Rs.32,000 for the shareholder's dividend for the year 2014-15. Its actuarial valuation on 31.3.16 disclosed a net

liability of Rs.40,40,000 under the assurance and annuity contracts. An Interim bonus of Rs.40,000 was paid to the policy holders during the period ending 31.3.16.

Prepare a statement showing the amount now available as bonus to policy holders.

UNIT V

10. A fire occurred on 15th September, 2014 in the premises of X Co., Ltd.. From the following figures, calculate the amount of claim to be lodged with the insurance company for loss of stock:

	Rs.
Stock at cost as on 1 st January, 2013	20,000
Stock at cost as on 1 st January, 2014	30,000
Purchases 2013	40,000
Purchases from 1 st January, 2014 to 15 th September, 2014	88,000
Sales 2013	60,000
Sales from 1 st January, 2014 to 15 th September 2014	1,05,000

During the current year cost of purchases has risen by 10% above last year's level. Selling prices have gone up by 5%. Salvage value of stocks after fire was Rs.2,000.

OR

11. A fire occurred in the business premises of M/s Poonawalla on 15th October, 2015. From the following particulars ascertain the loss of stock and prepare a claim for insurance:

	Rs.
Stock as on 1-1-2014	30,600
Purchases from 1-1-2014 to 31-12-2014	1,22,000
Sales from 1-1-14 to 31-12-14	1,80,000
Stock as on 31-12-14	27,000
Purchases from 1-1-15 to 14-10-15	1,47,000
Sales from 1-1-15 to 14-10-15	1,50,000

The stocks were always valued at 90 per cent of cost. The stock saved from fire was worth Rs.18,000. The amount of the policy was Rs.63,000. There was an average clause in the policy.