

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA INTEGRATED - SEMESTER– II EXAMINATION – WINTER 2019****Subject Code: 2527104****Date: 18/11/2019****Subject Name: Corporate Accounting****Time: 02:30PM to 05:30PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

**Q.1** The Alfa Mfg. Company Ltd. was registered with a nominal capital of Rs. 6 Lakhs in Equity shares of Rs. 10 each. The following is the list of balances extracted from its books on 31.12.2017: **14**

Particulars	Amt.	Particulars	Amt.
Wages	84,865	Share capital	400,000
Calls-in-arrears	7,500	6% Debentures	300,000
Premises	300,000	P & L A/c (Cr.)	14,500
Plant & Machinery	330,000	Bills payable	38,000
Interim Dividend (01.08.2017)	37,500	Creditors	50,000
Stock (01.01.2017)	75,000	Sales	415,000
Furniture	7,200	General reserve	25,000
Debtors	87,000	Bad debts reserve	3,500
Goodwill	25,000	(01.01.2017)	
Cash in hand	750		
Cash at bank	39,900		
Purchases	185,000		
Preliminary expenses	5,000		
General expenses	16,835		
Freight	13,115		
Salaries	14,500		
Directors fees	5,725		
Bad-debts	2,110		
Debenture Interest paid	9,000		
	<u>12,46,000</u>		<u>12,46,000</u>

Prepare Final Accounts in Vertical Form after making following adjustments:

- 1) Depreciate Plant & Machinery by 10%.
- 2) Write off Rs. 500 from Preliminary expenses.
- 3) Provide half year's debenture interest due.
- 4) Leave bad and doubtful debts reserve at 5% on debtors.
- 5) Stock on 31.12.17 was Rs. 95,000.

- Q.2** (a) What is Cash Flow Statement? Explain its usefulness. Also Distinguish Cash Flow Statement and Fund Flow Statement. **07**
- (b) Write a short note on Receipts & Payments account. Differentiate Receipts & payments account and income & expenditure account. **07**

**OR**

- (b) The following is the receipts and payments account of Delhi Football Association for the first year ending on 31.12.2017: 07

Receipts	Rs.	Payments	Rs.
To Donations	50,000	By Pavilion Offices	40,000
To Reserve Fund (Life membership fees and Entry fees)	4,000	By Expenses in connection with matches	900
To Receipts from football matches	8,000	By Furniture	2,100
To Revenue Receipts:		By Investment	16,000
Subscriptions	5,200	By revenue Payments:	
Locker Rents	50	Salaries	1,800
Interest on Securities	240	Wages	600
sundries	350	Insurance	350
		Telephone	250
		Electricity	110
		Sundry expenses	210
		By Balance in hand	5,520
	<u>67,840</u>		<u>67,840</u>

Additional Information:

- Subscriptions outstanding for 2017 are Rs. 250.
- Salaries unpaid for 2017 are Rs. 170.
- Wages unpaid for 2017 are Rs. 90.
- Outstanding bills for sundry expenses are Rs. 40.
- Donations received have to be capitalized.

You are required to prepare Income & Expenditure account for the year ended on 31.12.2017 and the balance sheet of the Association as on 31.12.2017.

- Q.3** (a) The following is the balance sheet of RBD Ltd. as on 31.03.2018:

**07**

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	125,000
200,000 Equity Shares of Rs. 10 each	20,00,000	Patents	22,500
7,500, 10% Preference shares of Rs. 100 each	750,000	Land & Buildings	13,50,000
General Reserve	375,000	Other Fixed Assets	16,50,000
Profit & loss A/c	150,000	Plant & Machinery	187,500
12% Debentures	625,000	Investments:	
Creditors	150,000	Shares in Subsidiary Co.	75,000
Bills payable	100,000	10% Debentures of LB Ltd. (interest taxable)	225,000
Provident fund	25,000	Debtors	262,500
		Stock	200,000
		Prepaid expenses	5,000
		Cash & Bank Balance	72,500
	<u>41,75,000</u>		<u>41,75,000</u>

Additional Information:

- 1) The present market value of land & building and other fixed assets are Rs. 17,22,500 and Rs. 17,50,000 respectively.
- 2) The patents are now useless.
- 3) The company's average profit before tax is Rs. 900,000. The tax rate is 50%.
- 4) The expected rate of return on capital employed in this type of business is 10%.

Compute the value of goodwill of the company on the basis of three years purchase of its super profit.

- (b) Why do we need to value the shares? Explain its importance with factors affecting value of shares. **07**

**OR**

- Q.3** (a) Define goodwill. Explain its main characteristics with factors affecting value of goodwill. **07**

- (b) The following is the balance sheet of D Ltd: **07**

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	800,000	Goodwill	50,000
3000, 10% pref. Shares of Rs. 100 each	300,000	Land & building 600,000 (-) Dep. 60,000	540,000
Reserves & surplus	150,000	Plant & machine 760,000 (-) Dep. 100,000	660,000
Profit & Loss A/c	60,000	Other Fixed asset 100,000 (-) Dep. 25,000	75,000
13% Debentures	250,000	Investments:	
Creditors	70,000	Shares of subsidiary co.	30,000
Bank Overdraft	30,000	15% Debentures of J Ltd. (F.V. Rs. 85,000 interest is taxable)	90,000
Bills payable	10,000	Stock	80,000
		Debtors 110,000 (-) Bad debt Res. 5,000	105,000
		Cash & Bank Balance	31,000
		Preliminary expenses	9,000
	<u>16,70,000</u>		<u>16,70,000</u>

Additional information :

- 1) The value of land & building after depreciation has appreciated by Rs. 149,000.
- 2) The present market value of plant & machinery is Rs. 700,000.
- 3) The goodwill (new value) of the company is Rs. 80,000.
- 4) The E.R.R. on capital employed is 10%.

From the above particulars, ascertain the intrinsic value of equity shares.

- Q.4** (a) CMU Ltd. Invited applications for issuing 80,000 Equity shares of Rs. 10 each at a premium of Rs. 40 per share. The amount was payable as under: **07**

On Application Rs. 35 per share (including Rs. 30 Premium)

On Allotment Rs. 8 per share (including Rs. 4 Premium)

On First & Final call – Balance

Applications received for 77,000 shares. Shares were allotted to all the applicants.

Mr. A to whom 7,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made.

Mr. B the holder of 500 shares failed to pay the first and final call. His shares were also forfeited.

Out of the forfeited shares 1,000 shares were re-issued at Rs. 50 per share fully paid up. Re-issued shares included all the shares of Mr. B. Pass necessary journal entries.

- (b) Define Debenture. Explain the various classes of Debenture. Also differentiate 07  
Share and Debenture.

**OR**

- Q.4 (a)** (I) On 1-4-2017 P Ltd. Issued 6,000, 11% Debentures of Rs. 100 each at a discount of 5%. All the debentures are to be redeemed after 6 years as on 31-3-2023 at a premium of 10%. Pass the necessary journal entries in the books of the company. 07  
(II) ABC Ltd. Issued 10,000, 10% convertible debentures of Rs. 100 each at par as on April 1, 2013. All the debentures will be converted into shares after 5 years and for this 1 equity share of Rs. 10 each will be issued at a premium of 25% against each debenture. As per the terms, all the debentures are converted into shares as on April 1, 2018. Write necessary journal entries.

- (b) Write a short note on Buyback of Shares. 07

- Q.5 (a)** From the following Balance Sheet of CMU Ltd. on 31<sup>st</sup> December 2016 and 2017, 14  
you are required to prepare:  
(1) Statement of Changes in Working Capital; and  
(2) Funds Flow Statement.

Liabilities	2016	2017	Assets	2016	2017
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
General Reserve	14,000	18,000	Plant & Mach.	37,000	36,000
P & L A/c	16,000	13,000	Investment	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
B/P	1,200	800	B/R	2,000	3,200
Prov. For Tax	16,000	18,000	Debtors	18,000	19,000
Prov. For Doubtful Debts	400	600	Cash at bank	6,600	15,200
			Preliminary Exp.	12,000	10,000
	1,55,600	1,65,800		1,55,600	1,65,800

Additional Information :

- (I) Depreciation charged on plant was Rs. 4,000.  
(II) Provision for taxation Rs. 19,000 was made during the year.  
(III) Interim dividend of Rs. 8,000 was paid during the year.  
(IV) A piece of machinery was sold for Rs. 8,000 during the year 2017. It had costed Rs. 12,000, depreciation of Rs. 7,000 has been provided on it.

**OR**

- Q.5 (a)** The following are the summaries of the balance sheets of JD limited company as on 31<sup>st</sup> March: 14

Liabilities	2016	2017	Assets	2016	2017
Share Capital	2,00,000	2,60,000	Cash at Bank	2,500	2,700
Sundry Creditors	39,500	41,135	Debtors	85,175	72,625
Bills Payable	33,780	11,525	Advances	2,315	735
Bank Overdraft	59,510	-	Stock	1,11,040	97,370
Prov. For tax	40,000	50,000	Land & Building	1,48,500	1,44,250
Reserves	50,000	50,000	Plant & Machinery	1,12,950	1,16,200
P & L A/c	39,690	41,220	Goodwill	-	20,000
	4,62,480	4,53,880		4,62,480	4,53,880

Additional Information :

- (I) During the year ended on 31-3-2017, an additional dividend of Rs. 26,000 was paid.
- (II) The assets of another company were purchased for Rs. 60,000 payable in fully paid shares of the company. These assets consisted of stock Rs. 21,640, machinery of Rs. 18,360 and goodwill of Rs. 20,000. In addition, sundry purchases of plants were made of Rs. 5,650.
- (III) Income tax paid during the year was Rs. 25,000.
- (IV) The net profit of the year before tax was Rs. 62,530.
- Prepare a cash-flow Statement by Indirect method.

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