Answer scheme for corporate accounting

Section A

1. A company is an incorporated association. It is an artifical person created by law, having a corporate and legal entity, with perpetual succession and a common seal.
2. Sweat equity shares are those shares issued by a conpany to its emoloyees or directors at a discount or for a consideration other than cash for providing technical knowhow or for intellectual property.
3. An underwriter may appoint one or more persons to underwrite the shares or debentures of a company for some commission and the persons are known as sub underwriters.
4. Application forms for shares or debentures received by the company bearing the official stamp of underwriter is called marked applications.
5. An investment ledger is a special type of ledger which is used by the investing entity to record all the details of each investment.
6. The latin word ' Ex ' means exclusive or without. When the quoted price only covers the cost of investment and excludes interest or dividend accrued is known as ex-interest or ex-dividend.
7. Limit on the total liability of the Insurance in the event of a claim is known as admissible claim.
8. Standing charges are the fixed expenses which are incurred irrespective of reduction in turnover or dislocation of business.
9. The profit earned by the company from the date of purchase or acquisition to the date of incorporation is called as profit prior to incorporation.
10. Time ratio is the ratio of the previous balance sheet date to the date of incorporation (pre-incorporation period ) and the date of incorporation to the last date of presenting the final accounts.(post-incorporation period ).
11. Indemnity period refers to any period not exceeding 12 months from the date of damage during which the financial results of the business unit shall be affected due to fire.
12. An escrow is a contractual arrangement in which a third party receives and disburses money or documents for the primary transacting parties, with the disbursement dependent on conditions agreed to by the parties. And the account opened is known as Escrow account.

Section B

13. The following are the different types of companies:

1. On the basis of mode of Registration
* Statutory companies
* Registered companies
* Chartered companies
1. On the basis of Number of members
* Private companies
* Public company
* One person company
1. On the basis of Liability of members
* Companies limited by shares
* Companies limited by guarantee
* Companies with unlimited liability
1. On the basis of Listing
* Listed company
* Unlisted company
1. Other types of companies

It includes foreign companies,holding and subsidiary companies etc.

14.Reserve capital

* It is that portion of uncalled capital which is capable of being called up for the purpose of winding up of the company
* It is not disclosed in the balance sheet
* It can be used at the time of winding up
* Cannot be used to write off capital losses
* Cannot be used for bonus issues
* It is not realized
* Not necessary to create reserve capital
* Resolution is required

Capital Reserve

1. It is the amount which is not available for dividend distribution
2. Disclosed under reserves and surplus of balance sheet
3. Used to write off capital losses
4. Can be used for bonus issues
5. Always realized
6. Necessary to create capital Reserve in case of capital profits
7. No resolution required

15. Investments are classified on the basis of the following

1. As per AS13 and Schedule III of companies act
* Non current investments or trade investments
* Current investments
1. On the basis of income
* Fixed income bearing securities
* Variable income bearing securities

16. A. Open underwriting

* The underwriter is liable to purchase the shares or debentures only if they are not subscribed by the public
* An open underwriting exist by itself
* Liability of the underwriter arises only if there is under subscriptions
* In case of over subscription the company need not allot the shares or debentures to the underwriter

B. Firm Underwriting

* The underwriter is liable to purchase both the unsubscribed share and the shares or debentures of the company firmly underwritten
* It is accompanied by open underwriting
* Liability of the underwriter is absolute if there is over subscription
* In case of over subscription the company is bound to allot the shares or debentures which is underwritten under firm underwriting agreement to the underwriter

17.The following are the steps to calculate profit or loss prior to incorporation

1. Prepare the trading account for the entire period
2. Calculate three ratios namely time ratio,sales ratio and weighted ratio
3. Prepare statement of profit and loss for the pre incorporation period and post incorporation period seperately on the basis of time and sales ratio
4. The profit prior to incorporation is credited to capital Reserve And the loss prior to incorporation is debited to goodwill
5. Post incorporation profit is treated as revenue profits and the loss is revenue loss

18. Journal

1.Bank A/c…………………….Dr 2,60,000

 To share applications 2,60,000

2.Share applications A/c …...Dr 2,60,000

 To share capital 2,00,000

 To bank 20,000

 To share allotment 40,000

3.Share allotment A/c ……...Dr 3,00,000

 To share capital 3,00,000

4.Bank A/c……………………Dr 2,70,000

 To share allotment 2,60,000

 To calls in advance 10,000

5. Share first call A/c…...……Dr 2,00,000

 To share capital 2,00,000

6.Bank A/c…………….………Dr 1,90,000

Calls in advanceA /c ..………Dr 4,000

 To share first call 1,94,000

7.share final call A /c ………Dr 3,00,000

 To share capital 3,00,000

8Bank A/c ……….. ……..……Dr 2,85,000

Calls In advance A /c ………Dr 6,000

 To share final call 2,91,000

19.interest transferred to profit and loss A/c:

 Rs.10833

 Cost of investment earned(balance sheet value of 10%debenture)Rs.92,229

Profit on sale Rs.3,121

20. Journal

1.General reserveA/c …………....Dr 80,000

 To Bonus to shareholders 80,000

2.Equity share final callA/c……...Dr 80,000

 To share capital 80,000

3. Bonus to shareholders A/c…...Dr 80,000

 To Equity share final call 80,000

4.General Reserve A/c ………....Dr 20,000

Statement of profit and loss A/c..Dr 80,000

 To Bonus to shareholders 1,00,000

5.Bonus to shareholders A/c …..Dr 1,00,000

 To share capital 1,00,000

21.closing stock: 56,400

Loss of stock: 42,900

Section C

22. Statement of profit and loss

Revenue from operations 350000

Other income 5000

Total Income 355000

Total expenses 312583

Profit before tax 42417

Tax expense 21209

Profit after tax 21208

Balance sheet

Equity and liabilities

Share capital 100000

Reserves and surplus 42738

Trade payables 17500

Short term provisions 21209

Assets

Tangible assets 41400

Intangible assets 4347

Inventories 82000

Trade receivables 37500

Cash and cash equivalents 16200

Total 181447

23. Journal

8% redeemable preference

 share capital Dr 1200000

Premium on redemption Dr 60000

 To Redeemable preference 1260000

 Shareholders

Bank a/c Dr 300000

Statement of profit and loss Dr 50000

 To Investment 350000

Bank a/c Dr 972000

 To equity share capital 810000

 To securities premium 162000

Redeemable preference

share holders Dr 1260000

 To bank 1260000

Statement of profit and loss Dr 390000

 To capital redemption reserve 390000

Balance sheet

Share capital 4810000

Reserves and surplus 752000

Trade payables 1100000

Fixed assets 3400000

Stock 1500000

Debtors 1400000

Cash at bank 362000

Total 6662000

24.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | Nominal value | Dividend | Principal | Date | Particulars | Nominal value | Interest | Cost |
| 1.4.2017 | To bank | 200000 | - | 30000 | 15.5.17 | By bank | 4000 | - | 7600 |
| 15.5.17 | To P&L | - | - | 1600 | 15.5.17 | By bank |  | 2400 |  |
| 1.6.17 | To bonus shares | 4000 | - | - | 30.3.18 | By bank | 10000 |  | 14000 |
| 15.7.17 | To bank | 2000 | - | 1500 | 30.3.18 | By bal c/d | 12000 |  | 14727 |
| 15.9.17 | To bank | - | - | 1500 |  |  |  |  |  |
| 31.3.18 | To P&L  | - | 2400 | 1727 |  |  |  |  |  |
|  |  | 26000 | 2400 | 36327 |  |  | 26000 | 2400 | 36327 |

25.Indemnity period-6 months

Gross profit ratio-18%

Adjusted gross profit rate-20%

Short sales=180000

Gross profit on short sales-36000

Allowable additional expenses-6000

Net claim =37500

Admissible claim=28125