**First Internal Assessment Examination, September 2018**

**B. Com Third Semester (Computer Applications & Taxation)**

CORPORATE ACCOUNTS I

ANSWER SCHEME

**Section A**

1.     What is CRR?

Capital Redemption Reserve is a reserve created on redemption of preference shares or on buy back of shares, when the redemption or buy back is made out of profits or reserves.

2.     What do you meant by Insurance Claim?

An insurance claim can be defined as, “a formal request to an insurance company for coverage or compensation for a covered policy or policy event”

3.     What do you meant by redemption of preference shares?

Redemption of preference shares means repayment of preference share capital to the existing preference shareholders during the life time of the company on expiry of the stipulated period.

4.     Explain the term ESOP.

Employee Stock Option Plan is a type of employee benefit plan which is intended to encourage employees to acquire stocks or ownership in the company. Many companies use employee stock option plans to retain and attract employees.

5.     What do you meant by Capitalization of Profits?

The capitalization of profits refers to the process of converting a company’s retained earnings, which represent the profits held in the business over time, into capital stock. The capitalization of profits process involves issuing a stock dividend, or bonus shares, to existing shareholders.

6.     Give journal entry for Reissue of forfeited shares.

Accounting Treatment for Reissue of forfeited shares.

Bank a/c                      Dr [Amount received on reissue]

Share forfeited a/c      Dr [Amount of discount allowed]

To Share capital a/c         [Issued value]

(Re-issue of forfeited Shares)

Share forfeited a/c      Dr [Balance in share forfeited a/c]

  To Capital Reserve a/c

            (Balance in share forfeited account transferred to capital reserve a/c)                                                                                                          **(5 X 2 = 10 marks)**

**Section B**

*Short essay questions*

*Answer any 5 questions. Each question carries 5 marks.*

7.     What are the profits and reserves available for redemption of preference shares? Also explain the conditions for redemption of preference shares.

*Profits available for redemption of preference share capital*

1. Credit balance in Profit and loss account

2. General Reserve

3. Dividend Equalisation fund

4. Reserve Fund

5. Workmens compensation Fund

6. Contingency reserves.

*Conditions for redemption of preference share capital*

1. The redemption of preference shares should not be regarded as a reduction of authorised capital of the company and such the reduced shares should remain as part of the authorised capital.

2. Where redemption of preference shares is made out of profits, a sum equivalent to the face value of shares to be redeemed should be transferred to an account called  Capital Redemption Reserve (CRR).

3. The shares shall be redeemed either out of profits of the company which would otherwise be available for the dividends or out of the proceeds of fresh issue of shares.

4. The shares shall be redeemed only if they are fully paid-up.

8. The go down of P Ltd. Caught fire on 15th dept. 2011. Records saved from fire showed the following particulars.

Stock At Cost On 1st April 2010                                                        60,000

Stock At Cost On 31st March 2011                                                    84,000

Purchases Less Return For The Year 2010-2011                               5,08,000

Wages For The Year 2010-2011                                                        20,000

Sales Less Return For The Year 2010-2011                                      7,20,000

Purchases Less Return From April 1 To Sept  15th  2011                  1,80,000

Sales Less Return From April 1 To Sept 15 2011                              2,46,000

Wages From April 1 To Sept 15 2011                                               16200

Gross profit remained at a uniform rate. The stock salvaged was worth Rs7200 and they retained by P Ltd. The go down was insured. Show the amount of claim.

Trading A/c for the year ending 31st March 2011

|  |  |  |  |
| --- | --- | --- | --- |
| PARTICULARS | AMT | PARTICULARS | AMT |
| Opening Stock  Purchases  Wages  Gross profit(Bal Fig) | 60,000  5,08,000  20,000  2,16,000  **8,04,000** | Sales  Closing stock | 7,20,000  84,000  **8,04,000** |

Rate of Gross Profit = 2, 16,000/7, 20,000\*100 =30%

Memorandum of Trading A/c

|  |  |  |  |
| --- | --- | --- | --- |
| PARTICULARS | AMT | PARTICULARS | AMT |
| Opening Stock  Purchases  Wages  Gross profit | 84,000  1,08,000  16,200  73,800  **3,54,000** | Sales  Closing stock (Bal Fig) | 2,46,000  1,08,000  **3,54,000** |

 Statement of claim of loss of stock

Book value of stock                1,08,000

Less: salvaged                         7200

            Loss of stock               1,00,800

9. Zee ltd had an issued capital of Rs.10,00,000 equity shares of Rs.10 each, fully paid. The company resolved to buy back 25,000 shares at Rs 9 per share. For this purpose the company issued 20,000,12% preference shares of Rs.10 each at a premium of 10%.The company had Rs.1,00,000 in securities premium and Rs.1,50,000 in General Reserve.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L/F | Dr | Cr |
|  | Bank         a/c                                Dr  To Preference Share Capital  To Securities Premium |  | 220,000 | 2,00,000  20,000 |
|  | Equity Share capital            Dr  To Equity Shareholders |  | 225000 | 225000 |
|  | Equity Shareholders    A/C     Dr  To Bank |  | 225000 | 225000 |
|  | General Reserve       a/c             Dr  To CRR |  | 5000 | 5000 |

10. X Ltd has 1,00,000 equity shares of Rs.10 each, Rs.8 paid up. It is resolved to make the shares fully paid up by bonus issue. It is also resolved to issue fully paid up bonus shares in the ratio one share for every four shares held. The company has General Reserve Rs.250000 and securities premium balance of Rs.150000 and capital redemption reserve Rs.100000.Give entries in connection with bonus issue.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L/F | Dr | Cr |
|  | Equity Share Final Call a/c                 Dr  To Equity Share Capital |  | 2,00,000 | 2,00,000 |
|  | GR     a/c                                             Dr  To Bonus to equity Shareholders |  | 2,00,000 | 2,00,000 |
|  | Bonus to shareholders a/c                   Dr   To Equity Share final call a/c |  | 200000 | 200000 |
|  | Securities Premium a/c                        Dr  Capital Redemption reserve a/c           Dr           To Bonus to shareholder a/c |  | 150000  100000 | 250000 |
|  | Bonus to shareholders a/c                   Dr         To Equity Share capital a/c |  | 250000 | 250000 |

11. M Ltd decides to increase its share capital by the issue of additional shares to the existing shareholders in proportion of one new share for every five shares held. The market price of a share is Rs.300 at the time of announcement of the right issue. The issue price of the new share is Rs.150 including securities premium Rs.150 including premium Rs.50.Calculate the value of right and also give Journal entries.

Value of Right=M.P-A.p

M.p=5\*300=1500

I.P=2\*150=300

A.p of a share=1500+300/6=300

Value of Right=1500-300=1200

12. Sidharth Ltd had issued capital of Rs.1,00,00,000 in equity shares of Rs.10 each. The balance in securities premium account is 1,00,000 and general reserve is Rs.15,00,000.The company decided to buy back 30% of its share capital from shareholders at Rs.8 per share. The company decided to issue 10% preference shares of Rs.3,00,000 and 12% debentures of Rs.2,00,000 for the purpose of buyback. Also the company decided to sell its investments worth Rs.10,00,000 at Rs 9,00,000.Pass journal entries.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L/F | Dr | Cr |
|  | Bank                   A/c                        Dr  To 10% preference Share Capital |  | 3,00,000 | 3,00,000 |
|  | Bank                  A/c              Dr  To 12% Debentures |  | 2,00,000 | 2,00,000 |
|  | Bank                       A/c                   Dr  P & L                    A/c                     Dr  To Investments |  | 9,00,000  1,00,000 | 10,00,000 |
|  | Equity Share capital                       Dr  Capital Reserve                              Dr   To Equity Shareholders |  | 20,00,000  5,00,000 | 25,00,000 |
|  | Equity Shareholders    A/C              Dr  To Bank |  | 20,00,000 | 25,00,000 |
|  | GR    a/c                                         Dr  To CRR |  | 15,00,000 | 15,00,000 |

**(5 X 5 = 25 marks)**

**Section C**

*Long essay questions*

*Answer any 1 question. It carries 15 marks.*

13. Jai ltd having a nominal capital of 20000 shares of RS.10 each, invited applications for 10000 shares payable as follows:

On application   : Rs.2.50

On allotment: Rs.3.50

On first call: Rs.2.00

On second & final call: Rs.2.00

The company received application for 9000 shares. All applications were accepted. All money due as stated above were received with the exception of the second and final call on 200 shares. These shares were forfeited and reissued as fully paid at Rs.9 per share. Draft journal entries.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F | Dr | Cr |
|  | Bank a/c                                                                Dr  To Share Application a/c  (Application money received) |  | 22500  22500  31500  31500  18000  18000  18000  17600  2000  1800  200  1400 | 22500  22500  31500  31500  18000  18000  18000  17600  400  1600  2000  1400 |
| Share Application a/c                                            Dr  To Share Capital a/c  (Application money transferred to share capital a/c) |
| Share Allotment a/c                                               Dr  To Share Capital a/c  (Allotment money due) |
| Bank a/c                                                                 Dr  To Share Allotment a/c  (amount received on account of share allotment) |
| Share First call a/c                                                Dr  To Share Capital a/c  (First call money due) |
| Bank a/c                                                               Dr  To Share first call a/c  (First call money received) |
| Share second and final call a/c                            Dr  To Share Capital a/c  (Second call money due) |
| Bank a/c                                                              Dr  To Share second and final call a/c  (Second call money received) |
| Share capital a/c                                                 Dr  To share second and final call a/c  To share forfeited a/c  (Forfeiture of 200 shares) |
| Bank a/c                                                               Dr  Forfeited shares a/c  To Share Capital a/c  (Re-issue of 200 forfeited shares) |
| Forfeited Shares a/c                                               Dr  To Capital reserve a/cBalance of forfeited shares transferred to capital reserve a/c) |

14. What is Vertical Balance Sheet? Give a specimen of it. Illustrate with your own example.

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Note**  **No** | **Current Year**  **Amount** | **Previous Year**  **Amount** |
| **I.EQUITY AND LIABILITIES**  **(1) Shareholder’s Funds**  a)     Share capital  b)     Reserves and Surplus  c)     Money received against share warrants  d)     Non controlling interest  **(2) Share Application Money Pending Allotment**  **(3) Non-current Liabilities**  a)     Long-term borrowings  b)     Deferred tax liabilities(net)  c)     Other long term liabilities  d)     Long term provisions  **(4) Current Liabilities**  a)     Short-term borrowings  b)     Trade Payables  c)     Other current liabilities  d)     Short-term provisions                                                                   TOTAL  **II.ASSETS**  **(1)   Non-current Assets**  a)     Fixed Assets:  i)Tangible assets  ii) Intangible assets  iii) Capital work-in-progress  iv) Intangible assets on development  b)     Non-current Investments  c)     Deferred Tax Assets (Net)  d)     Long term Loans and Advances  e)     Other Non-current Assets  **(2)   Current Assets**  **a)** Current Investments  **b)** Inventories  **c)** Trade Receivables  **d)** Cash and Cash Equivalents  **e)** Short-term Loans and Advances  **f)** Other Current Assets                                                TOTAL |  |  |  |
|  |  |
|  |  |

**(1 X 15 = 15 marks)**