

SAINTGITS COLLEGE OF APPLIED SCIENCES

PG DEPARTMENT OF COMMERCE

QUESTION BANK

Semester III

Corporate Accounts I

Section A

MODULE 1

1. What do you mean by forfeiture of shares?
2. What do you mean by reissue of shares?
3. What is under subscription and over subscription?
4. What is pro rata allotment?
5. What is securities premium?
6. Define company.
7. What is an equity share?
8. What is a preference share?
9. What are sweat equity shares?
10. What are bonus shares?
11. What are right shares?
12. What is authorised capital?
13. What is calls in advance and calls in arrears?
14. What is reserve capital?
15. What do you mean by issue of shares for consideration other than cash?
16. Illustrate journal entries for issue of shares to vendors at par and at a premium.
17. What is called Minimum Subscription ?
18. Which are the sources of redemption of preference shares?
19. Outline CRR?

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20. Explain premium on redemption of preference shares?
 21. What do you mean by untraceable shareholders?
 22. What is ESOP?
 23. What is sweat equity?
 24. What is the buyback of shares?
 25. What is an escrow account?
 26. On 1/4/2018 Wonderla holidays ltd has an issued equity share capital of Rs.10 lakhs in 100000 shares of Rs.10 each,fully paid. It has a general reserve of Rs.700000. The company resolved to buy back 10% of the issued shares at Rs.25 per share.Give journal entries.

Module 2

27. Define underwriting.
28. Explain the features of underwriting.
29. What is the underwriting Commission?
30. Who is a broker?
31. Who are sub-underwriters.
32. What is an unmarked application
33. Define marked application.
34. What is complete underwriting

MODULE 4

35. Define investments as per AS-13.
36. What is an investment account?
37. What are fixed income bearing securities?
38. What do you mean by variable income securities?
39. What do you mean by investment ledger?
40. What do you mean by cum-interest/dividend?
41. What do you mean by ex-interest/dividend?
42. Illustrate the treatment of brokerage in investment accounts?
43. Define current investments.
44. What are non-current investments?

MODULE 5

45. Define Insurance Claim?

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46. Explain the different types of Claims?
 47. Briefly explain the procedure adopted to compute the claim for loss of stocks?
 48. How to calculate admissible claim under loss of stock policy?
 49. What is an admissible claim?
 50. What is consequential policy?
 51. What are the different types of claims under fire policies?
 52. What is the indemnity period?
 53. What are standing charges?
 54. What is under-Insurance?
 55. What do you mean by increased cost of working?

Module 3

56. What is profit prior to incorporation?
57. What is the time ratio?
58. What is the sales ratio?
59. What are financial statements?
60. What are the requirements of financial statements?
61. What are contingent liabilities?
62. Illustrate the treatment of transfer to reserves in final accounts?
63. Illustrate the treatment of TDS in final accounts?
64. What are preliminary expenses?
65. What are divisible profits?
66. From the following particulars calculate weighted time ratio for pre and post incorporation period and share the salaries accordingly.

Accounting period-1. 1.2015 to 31.12.2015

Date of incorporation-1. 4.2015

Total salaries for the year-Rs. 2000000

Total number of workers:

Pre Incorporation period-10

Post incorporation period-20

Section B

67. Explain company. What are its essential characteristics?
68. Classify the different types of companies?
69. Explain share capital? Explain the different kinds of share capital.
70. Compare between reserve capital and capital reserve.
71. Interpret securities premium? For what purposes securities premium can be utilized?
72. Explain Capital Redemption Reserve ?For what purpose it is utilised?
73. Explain Escrow Account in detail?
74. Explain the different modes of issuing shares?
75. Explain Calls in Advance and Calls in Arrears with Journals?
76. Explain Forfeiture and Re-issue of shares ?
77. ABC Ltd invited applications for 100000 shares of Rs. 10 each, payable as follows.

On application Rs. 2 On allotment Rs. 3 On first call Rs. 2 On final call Rs. 3.

All the shares were applied. You are required to pass journal entries in the books of the company assuming that all sums due on allotment and calls have been received.

78. Bee Ltd invited application for 100000 shares of Rs. 10 each, payable as follows:

On application Rs. 2 on allotment Rs. 2 On first call Rs. 3 On final call Rs. 3

130000 share applications were received and pro rata allotment was made. The excess application money was adjusted against the allotment money due. All money was duly received. Mohan who had 1000 shares, paid the amount of first and final calls along with allotment. Pass journal entries in the books of the company.

79. Z Ltd forfeited 500 shares of Rs.100each, Rs.80 called up, for non payment of allotment money of Rs.30 per share and first call money of Rs.10 per share .These shares were re-issued as fully paid up for Rs.80 per share. Record Journal Entries for forfeiture and reissue of shares.

80. Explain the types of preference shares.

81. Explain the legal provisions for the redemption of preference shares.

82. Tata chemicals Ltd had 2000 redeemable preference shares of Rs.100 each fully paid up. The company has Rs.80000 in its reserve fund. The company issued necessary equity shares of Rs.10 each for the specific purpose of redemption of preference shares. The preference shares were duly redeemed. Give journal entries related to redemption.

83. The directors of Mudra Ltd decided to redeem 12000 7% preference shares of 100 each at a premium of 10%. The company decided to issue new equity shares to the minimum extent after utilising the following reserves and profits:

General reserve Rs. 320000

P&L account Rs. 80000

Securities premium Rs. 80000

Show journal entries of the redemption of preference shares.

84. JK Ltd has redeemable preference share capital of Rs. 800000 in 10000 preference shares of Rs. 100 each, Rs. 80 paid. It is resolved to redeem the shares at a premium of 20% after completing all the legal formalities. The company makes the following issues:

i) 50000 equity shares of Rs. 10 each at a premium of 10%.

ii) 2000 12% debentures of Rs. 100 each.

The company has a credit balance in profit and loss account Rs. 400000, General reserve Rs. 600000 and securities premium Rs. 200000.

Give journal entries for redemption.

85. A Ltd. has 10000 8% redeemable preference shares of 100 each fully paid. It Resolved to redeem the preference shares at par. The company has

general reserve ₹280000, statement of Profit & loss credit balance 220000 and capital reserve 50000. It is also resolved to utilise the available fund and to issue sufficient number of equity shares of 10 each at a premium of ₹5 per share to provide the required fund for redemption. Calculate the number of equity shares to be issued . Also give journal entries for the issue and redemption.

86. Explain the SEBI guidelines for the issue of Bonus shares?
87. Explain the SEBI guidelines for buyback of shares?
88. Define capitalisation of Profit and explain its objectives?
89. Compare Bonus shares and Right Shares?
90. Compare Sweat Equity shares and Employee Stock Option ?
91. Compare sweat equity shares and employee stock option schemes?
92. Explain the SEBI guidelines for buy back of shares?
93. Explain the SEBI guidelines for issue of bonus shares?
94. Explain the different types of preference shares
95. Explain ESOP and the conditions for offering shares under ESOP?
96. A company offers to its existing shareholders the right to buy one share of Rs.10 each at Rs.12 for every three shares held. The market price is Rs.18 per share. Calculate the value of right.
97. Hari Govind Ltd had issued 200000 equity shares of ₹10 each. It was decided to issue bonus shares out of its General reserve of ₹1000000 at the rate of one share of ₹10 each for every 5 shares held. The bonus issue was made at a premium of ₹2 per share. Give Journal Entries recording the issue of Bonus shares.
98. The balance sheet of a company disclosed the following:
 - 1) Share Capital: 40000 equity shares of Rs.10 each, Rs.8 paid up Rs.320000
 - 2) Statement of profit & loss Rs.200000
 - 3) General reserve Rs.100000

The company resolved that all the general reserve and part of the profit and account balance be utilised in the following manner:

- By paying Rs.2 per share on the partly paid shares in order to make them fully paid.

- Issue fully paid bonus shares at the rate of one fully paid share for every four shares held.

Give journal entries in connection with bonus issues.

99. Zee Tele services ltd resolved to buyback 50000 fully paid equity shares of Rs.10 each at par. For this purpose it issued 20000 12% preference shares of Rs.10 each at par. The company has Rs.700000 in general reserve. The buyback expenses amounted to Rs.10000. Pass journal entries.

MODULE 4

100. Explain the classification of investments.
101. What is an investment ledger? Explain its importance.
102. Explain the treatment of bonus shares and right shares in investment accounts.
103. On 1.4.2017 ABC Ltd had Rs.300000 6% government bonds at Rs.94 each.(face value being Rs.100). Interest payable half yearly on 31st march and 30th september every year. The company sold Rs.90000 of the bonds of Rs.95 cum interest on 1.6.2017. Draw up 6% government bond account for the year ended 31.3.2018.
104. On 1.5.2017 Mr. Prasad purchased 2000 10% debentures of Rs.100 each at Rs.95 per debenture and paid brokerage of ½% and stamp duty of Rs.125. On 30.9.2017 he sold 1000 debentures at Rs.98 per debenture. Rs.150 were paid as expenses on them. Interest was paid on 30th june and 31st december each year. Prepare a 10 % debenture account.

Module 2

105. Explain the types of underwriting.
106. Distinguish between open underwriting and firm underwriting.
107. Explain the advantage, objective, importance and limitations of underwriting.
108. Show the pro forma statement showing net liability of underwriters.

109. Greenland Ltd issued 150000 equity shares. The whole of the issue was underwritten as follows. X - 50%, Y - 25% ,Z-25%.

Applications for 120000 shares were received in all, out of which marked applications were: X - 30000, Y - 15000, and Z- 30000. The remaining applications for 45000 shares did not bear any stamp of the underwriter. Determine the liability of underwriters.

110. Titan Ltd issued 20000 shares of Rs 10 each. These shares were underwritten as follows:

X -10000 Shares, Y- 6000 shares

The public subscribed for 16000 shares which included marked applications as follows : X - 2400 shares and Y - 600 shares.

Determine the liability of the underwriters.

MODULE 3

111. A limited company was incorporated on 1.1.2017 to acquire a partnership firm 1.10.2016. The accounts of the company for the period ended 30.9.2017 disclosed a profit of Rs. 67540 after charging the following expenses.

Salaries-Rs. 15000(pre incorporation employees-4 and post incorporation employees 7)

Wages-5280(pre incorporation workers-4(Rs 80 per month) and post incorporation workers-5(Rs 100 per month)

Directors fees- 8000

Sales Rs. 240000 of which Rs. 40000 related to incorporation profits.

Prepare a statement showing pre incorporation and post incorporation profits.

112. Explain the accounting steps involved in the calculation of profit/loss prior to incorporation.

113. The following is the trial balance of DELL Ltd at 31-03-2018

particulars	Dr.	Cr.
Stock (31-3-2018)	75,000	
Sales		3,50,000
Purchases	2,45,000	
Wages	50,000	
Discount		5,000
Furniture	17,000	
Salaries	7,500	
Rent	4,950	
Sundry Expenses	7,050	
Surplus A/c		15,030
Dividends paid	9,000	
Share capital		1,00,000
Debtors and Creditors	37,500	17,500
Plant and Machinery	29,000	
Cash and Bank	16,200	
General Reserve		15,500
Patents and trademarks	4,830	
	5,03,030	5,03,030

Adjustments:

- Stock on 31-3-2018 is valued at Rs.82,000
- Depreciation of fixed assets @10%
- Make provision for income tax@50%
- Ignore CDT

Prepare final accounts as per Schedule III of Companies Act,2013

114. On 31.03.2018, Ananya Ltd. provides to you the following ledger balances after preparing its statement of profit and loss. Prepare Balance sheet.

Particulars	₹
Share capital	6993000
Reserves & Surplus	2647400
Long-term borrowings	1697000
Trade Payables	1400000

Other current liabilities	200000
Short term provisions	325500
Tangible assets	7475000
Intangible assets	400000
Inventories	1750000
Trade receivables	1400000
Cash and cash equivalents	1939000
Short term loans and advances	298900

MODULE 5

115. A fire occurred at the premise of a trader on 31.05.2018 destroying a great part of the stock.

Stock on 1.1.2018 was Rs. 60000, and the value of stock salvaged was Rs.13500. The gross profit on sales was 30% and sales amounted to Rs.153000 from January to the date of fire, while for the same period the purchases was Rs.103500. Prepare the statement of claim.

116. Explain the procedure of computation of admissible claim under loss of profit policy.
117. Explain the procedure of computation of admissible claim under loss of stock policy.

Section C

Module 1

118. Zee Ltd invited applications for 100000 shares of Rs. 10 each payable as follows:

On application Rs. 2 On allotment Rs. 3 On first call Rs. 2 On final call Rs. 3

130000 share applications were received, 10000 applications were rejected and pro rata allotment was made to the rest. All the amounts were duly received except the first and final call on 3000 shares. Sitaram,

the holder of 2000 shares paid the amount of first and final calls along with allotment. Pass journal entries in the books of the company.

119. ABC Ltd issued 1,00,000 Equity shares of Rs.10 each payable as follows:

On Application	Rs.1
On Allotment	Rs.2
On First Call	Rs.3
On final call	Rs.4

All the amounts were duly received with the following exceptions:

'A' who holds 1,000 shares, has not paid the money due on allotment and calls.

'B' who holds 500 shares, has not paid the money due on first and final calls.

'C' who holds 300 shares, has not paid the money due on the final call.

All these shares were forfeited. Later on these shares were re-issued at a discount of 5%. Pass Journal Entries.

120. New India Ltd issued 50000 shares of ₹100 each at a premium of ₹20 payable as follows:

On Application	₹20
On Allotment	₹50 (including premium)
On First call	₹25
On Final Call	₹25

The company received applications for 40000 shares and all these applications were accepted. All sums due were received except the final call on 400 shares. These 400 shares were subsequently forfeited by the

company and reissued at ₹80 per share, fully paid up. Give journal entries and show the balance sheet.

121. Spot light has issued 60,000, 8% Redeemable Preference shares of Rs.20 each and 4,00,000 Equity shares of Rs.10 each. The preference shares are redeemable at a premium of 5% on 1-4-2018. As on 31-3-2018, the company's Balance Sheet stood as follows:

Liabilities		Assets	
Share Capital: 60000 8% preference shares of 20 each 400000 equity shares of 10 each	1200000 4000000	Plant & machinery	2500000
P&L a/c	700000	Furniture	900000
Creditors	1100000	Stock	1500000
		Debtors	1400000
		Investment	350000
		Cash at bank	350000
	7000000		7000000

It is decided:

1. To sell the investments for Rs.3,00,000
2. To finance the part of redemption from the company's fund, subject to leaving a balance of Rs.2,00,000 in the profit and loss account, and

3. To issue sufficient number of equity shares of Rs.10 each at a premium of Rs 2 per share to raise the balance of the fund required.

The preference shares are duly redeemed. Give journal entries and show the Balance Sheet in vertical form.

122. The following is the balance sheet of ABC Ltd as on 31-3-2018

Particulars	Note no:	Amount
I.		
Equity and liabilities		
1. Shareholders fund		
a) share capital		
20000 equity shares of 10 each		200000
20000 8% redeemable preference shares of 10 each		200000
b) Reserves & surplus		
Securities premium		
General reserve		
Statement of profit & loss		30000
2. Non current liabilities		30000
3. Current liabilities		40000
Trade payables		80000
		-
		150000
Total		700000
II. Assets		
1. Non current assets		
i) Fixed: Tangible		
ii) Intangible		400000
2. Current assets		
Inventory		-
Cash at bank		220000

Mohan closes his books every 31st December. Brokerage at 1% to be paid for each transaction. Show the investment account as it would appear in his books. Market value of debentures on 31st December is Rs. 99.

125. Tandon carried out the following transactions in the shares of Bright Ltd.
1. On 1.4.2017 he purchased 20000 equity shares of Rs. 1 each fully paid for Rs. 30000
 2. On 15.5.2017 Tandon sold 4000 shares for Rs. 7600.
 3. At a meeting on 15.6.2017 the company decided:
 - a. To make a bonus issue of one fully paid share for every four shares held on 1-6-2017
 - b. To give its members the right to apply for one share for every five shares held on 1.6.2017 at a price of Rs. 1.5/share of which 75 paise is payable on or before 15th July 2017 and the balance 75 paise per share on or before 15th September 2017. The shares issued under a) and b) were not to rank for dividend for the year ending 31.12.2017.
 4. Tandon received his bonus shares and took up 2000 shares under the rights issue paying, paying the sums thereon when due and selling the rights to the remaining shares at 40 paise/share; the proceeds were received on 30/9/17.
 5. On 15.3.2018, he received dividend from Bright Ltd of 15% in respect of the year ended 31.12.2017
 6. On 30.3.2018 he received Rs. 14000 for the sale of 10000 shares.
- Prepare Tandon's investment account. Apply average cost basis.

Module 2

126. Swiss india Ltd issued 50000 equity shares of ₹ 10 each at par. The entire issue was underwritten as follows:

A-30000 shares (firm underwriting 4000 shares)

B-15000 shares (firm underwriting 5000 shares)

C-5000 shares (firm underwriting 1000 shares)

The total applications including firm underwriting were 40000 shares. The marked application were as follows:

A- 10000 shares , B- 7000 shares , C - 3000 shares

The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten.

Determine the liability of each underwriter and the amount of Commission payable to them, assuming the maximum rate allowed by law.

Module 5

127.

From the following details,calculate consequential loss claim

1.Date of fire: 1st september

2.Indemnity period:6 months

3.Perid of disruption:1st september to 1stfebruary

4.Sum insured:Rs.1,08,900

5.Sales were Rs.6,00,000 for the preceding financial year ended on 31 st March

6.Net profit for preceding Financial Year Rs.36000 Plus Insured Standing Charges Rs.72000

7. Rate of Gross profit 18%

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- 8.Uninsured Standing Charges Rs.6000
- 9.Turnover during the Disruption Period Rs.67500
- 10.Annual turnover for 12 months immediately preceding the date of fire Rs.660000
- 11.Standard Turnover, for corresponding months (1st sep to 1st feb) in the year preceding the date of fire Rs.250000
- 12.Reduced turnover avoided through increase in working capital Rs.30000
13. Increase in cost of working capital Rs.12000 with saving of insured Standing charges 4,500 during the disruption period
14. Special clause stipulated A) increase in ratio of GP 2%
B) increase in turnover (standard and annual)10%

128.On 01.04.2018, the stock of Ram was destroyed by fire but sufficient records were saved from which the following particulars were ascertained.

Gross Profit Ratio - 20%

Stock at cost (01.01.2017)	73500
Stock at cost (31.12.2017)	79600
Purchases during 2017	3,98000
Sales during 2017	487000
Purchases (01.01.2018 to 31.12.2018)	162000
Sales (01.01.2018 to 31.12.2018)	231200

In valuing the stock for the Balance sheet at 31.12.2017,2,300 had been written off on certain stock which was a poor selling line, having cost 6,900. A portion of these goods were sold in March 2018, at a loss of 250 on original cost of 3,450. The remainder of this stock was now estimated to be worth its original cost. Subject to the above

exception, gross profit had remained at a uniform rate throughout the year. The value of stock salvaged was 5,800. The policy was for 50,000 and was subject to average clause workout the amount of claim of loss by fire.

Module 3

129. The following was the trial balance of Nocil Ltd. as on 31st March 2018

Debit Balances	₹	Credit Balances	₹
Cash in Hand	30000	Creditors	100000
Land and Buildings	300000	Sales	370000
Opening stock	32000	Interest	5000
Bank Balance	100000	General Reserve	125000
Investments	200000	Surplus account	100000
Purchases	122000	Share capital	500000
Wages	18000		
Salaries	82000		
Office expenses	10000		
Rent and taxes	12000		
Goodwill	260000		
Sundry debtors	34000		
	1200000		1200000

Additional Information:

- Closing stock ₹126000
- Provide depreciation on Land and Buildings at 10%
- Interest accrued ₹5000
- Provide for taxation ₹50000
- Directors recommend a dividend of 10% on equity shares.
- Provide corporate dividend tax as per law.

Prepare final accounts of the company.

130. Vintage Ltd. furnishes the following information for the year ended 31.03.2018. Prepare final accounts.

Particulars	Dr.₹	Cr.₹
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Equity capital		300000
Opening stock	225000	
Purchase and sales	735000	1050000
Productive Wages	150000	
Discount	21000	
Salaries	22500	
Rent	14850	
General Expenses	51150	
Surplus account		45000
Dividend paid for last year	27000	
Debtors and creditors	112500	
Plant and Machinery	87000	
Cash at Bank	48600	
Reserve		46500
Loan to Managing director	9750	
Bad debts	4650	
	1509000	1509000

Additional Information:

- a. Stock on 31.03.2018 is ₹246000
- b. Depreciate machinery @ 10% p.a
- c. Reserve 5% on debtors for doubtful debts.
- d. Provide 2% for discount on creditors.
- e. Rent ₹1350 is due on 31.03.2018.
- f. Six months insurance was unexpired at ₹2250 p.a
- g. Provide ₹13668 for income tax.
- h. The board recommends a dividends @20% per annum.
- i. Make provision for DDT at the applicable rate.
- j. Transfer to general reserve 5% of net profit.

