

GLS UNIVERSITY
FACULTY OF COMMERCE-SMPIC
BCOM HONOURS SEMESTER -1
SUBJECT: CORPORATE ACCOUNTING-1
ASSIGNMENT 2021-22

UNIT-1 ACCOUNTING FOR SHARE CAPITAL

Q-1 ABC Limited issued 10,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share payable as under

On Application	₹2
On Allotment	₹6 (with premium)
On Calls	₹4

Applications were received for 15,00,000 shares of which applications for 1,00,000 shares were rejected. Allotment were made pro-rata to the remaining applicants. The excess application money was to be credited to allotment money.

Mr. X, to whom 3,000 shares were allotted failed to pay allotment money, so his shares were forfeited before calls collected.

Mr. Y, who applied for 7,000 shares failed to pay calls. So his shares were forfeited after calls.

Out of the above forfeited shares, 5,500 shares were issued at Rs. 8 per share, which includes all forfeited shares of Mr.X.

Pass journal entries in the books of the company.

Q-2 A company issued certain equity shares of Rs. 100 each at a premium of Rs. 20 per share. Rs. 90 per share including premium are called up. Ajit holding 15000 shares had paid Rs. 80 per share along with premium. Therefore the shares were forfeited. Draft the entry for forfeiture.

Q-3 Write a note on share forfeiture.

UNIT-2 DEBENTURES

Q-1 On 31st March, 2016 the following balances stood in the books of Sangita Ltd.:

	₹
14% Mortgage debentures	2,50,000
Interest received on sinking fund investments	10,000

Discount on issue of debentures	25,000
Sinking Fund	2,25,000
9% Gujarat Govt. Loan (purchased at par)	1,00,000
10% National Defence Bonds (face value ₹1,40,000)	1,25,000

On the same day the investments were sold : Gujarat Govt. Loan at ₹97 and National Defence Bonds at ₹102.

On 1st April, 2016 the debentures of ₹1,50,000 were redeemed at a premium of 10%. On the same day Central Govt. Securities of ₹50,000 were purchased at a premium of 2%. Annual contribution for redemption of debentures was ₹25,000.

Pass journal entries in the books of the Company to record the above transactions.

Q-2 A company issued 3,000 12% Debentures of Rs. 100 each at a premium of 10%. All debentures were allotted and all sums due were received. Give Journal entry.

Q-3 On 1-1-2006 Nirali Textiles Ltd. issued 5,0000 12% Debentures of Rs. 100 each at par but redeemable at Rs. 110 on 1-1-2016. Give journal entries for issue and redemption of debentures.

UNIT:3 [A] Alteration of Share Capital
[B] Issue of Bonus Shares & Right Shares
[C] Redemption of Preference Shares

Q-1 The Balance Sheet of Dreams Ltd. as on 31st March, 2021 was as follows:

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs.10 fully paid	5,00,000	Fixed assets	5,36,000
6% Redeemable Preference shares of Rs.100 each, Rs.80 paid	2,40,000	Cash	3,50,000
General Reserve	1,38,000	Other Current Assets	2,34,000
Capital Reserve	62,000		
Security Premium	38,000		
Creditors	1,42,000		
	11,20,000		11,20,000

Other Information:

- (1) The company on 1st April, 2021 decided to redeem 6% Redeemable Preference Shares at 10% premium after complying with the provisions under section 55 of the Companies Act, 2013..
- (2) The company issued minimum number of equity shares of Rs.10 each at par.
- (3) The directors decided to maintain a minimum Cash and Bank balance of Rs.1,50,000.

(4) It was also decided to utilize the resultant reserve created out of redemption of preference shares for issuing fully paid up bonus shares to equity shareholders.

Pass necessary journal entries and prepare Cash and Bank Account and a Balance Sheet of the company.

Q-2 The Share Capital of Queen Ltd. consists of 75,000 Equity Shares of Rs.100 each, Rs.80 paid up. The company resolved to capitalise its reserves and issue bonus to make the partly paid shares as fully paid up. The General Reserve of the company showed a balance of Rs.13,00,000 and Profit and Loss A/c showed a balance of Rs.5,50,000. Give Journal entries

Q-3(A) Lotus Ltd. registered with a capital of 8,00,000, 10% Preference shares of Rs.10 each fully paid, resolve to consolidate its every 20 shares into 1 new Pref. share.

Q-3(B) A company has issued 100 Equity Shares of Rs.10 each in exchange of Equity stock of Rs.980.

UNIT-4 CAPITAL REDUCTION

Q-1 The following is the Balance Sheet of Virat Ltd. As on 31st March 2021.

Liabilities	Rs.	Assets	Rs.
ESC each of Rs.100 fully paid	2,00,000	Good Will	50,000
PSC each of Rs.100 fully paid	2,00,000	Patent	20,000
Securities Premium	1,00,000	Land & Building	2,00,000
General Reserve	1,00,000	Plant & Machinery	2,00,000
10% debentures	1,00,000	Furniture	1,30,000
Bank Loan	50,000	Stock	1,00,000
Creditors	50,000	Debtors	1,00,000
	8,00,000		8,00,000

A scheme of Capital Reduction was approved by the court was as follows.

1. ESC is to be reduced by Rs.70.
2. PSC is to be reduced to Rs.40.
3. Total amount of Securities premium and 50% General Reserve is to be utilised for Capital Reduction.
4. Debentures are to be reduced by 50%.
5. All Intangible Assets are written off fully.
6. L & B and P & M are to be reduced by 50% while Furniture is to be reduced by Rs. 80,000.

Prepare Necessary Working Notes, New Balance Sheet (and reduced) and pass journal entries.

Q-2 State the methods of capital reduction.

Q-3 Give Journal entries :

- a. Debenture holders of the company holding debentures of Rs. 5,00,000 agreed to take over in part settlement of their dues a building of the company at Rs. 3,00,000 appearing in the books of the company at Rs.2,40,000. Give journal entries.
- b. A company was called upon to pay a contingent liability of Rs. 10,000 when the scheme of capital reduction was implemented. This amount was recovered from a director who has advanced a loan of Rs.40,000 to the company. The balance was paid to him in cash. Give journal entries

UNIT:5 (A) UNDERWRITING COMMISSION (B)PROFIT (OR LOSS) PRIOR TO INCORPORATION

Q-1 V Limited was incorporated on 1-4-2010 to purchase a running business of a firm from 1-1-2010. From the information given below about the year ending on 31-12-2010, determine profit prior to incorporation and post incorporation.

- (1) The total sales of the year ending on 31 -12-2010 is ₹60,00,000 out of which sales from 1 -1 -2010 to 31 -3-2010 amounted to ₹12,00,000.
- (2) The Gross profit showed by Trading Account for the year ending on 31-12-2010 is ₹24,00,000. Following information relates to the Profit and Loss Account:

	₹		₹
Rent	1,95,000	Audit Fees	7,500
Salaries of employees	3,60,000	Director's fees	37,500
Debenture interest	90,000	Formation expenses	30,000
General Expenses	60,000	Selling Commission	1,20,000

Q-2 From the information given below, find out the proportion of sales for the period prior to and after incorporation.

Date of purchase of business : 1-7-21,

Date of incorporation : 1-10-21

Date of year ending : 31-3-22.

The average sales of first three months are half of the average sales for the remaining months.

Q-3 Explain Firm Underwriting.

UNIT-6 ACCOUNTING STANDARDS

Q-1 Write a brief note on AS-1 Disclosure of Accounting Policies.

Q-2 Define Inventories as per AS-2 Valuation of Inventories

Q-3 State the applicability of AS-10 Property, Plant and Equipment