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BCMCMC 332

**Choice Based Credit System Fifth Semester B.Com. Degree
Examination, February/March 2023
COMMERCE
Corporate Accounting – I
(2021 – 22 Batch Onwards) (Group – I)**

Time : 3 Hours

Max. Marks : 120

- Note :**
- Provide working notes wherever necessary.*
 - A single booklet of 40 pages will be issued. No additional sheets will be given.*

SECTION – A

Answer any four of the following questions (6 marks each).

(4×6=24)

1. What is minority interest ? How it is calculated and treated in the consolidated balance sheet ?
2. State the legal provisions for the redemption of preference shares.
3. Explain the various methods of the redemption of debentures.
4. What do you mean by IFRS ? What are its objectives ?
5. ABCO Ltd. issued 50,000 shares of ₹ 10 each at par. The issue was underwritten as follows :

Madan 30,000 shares, Mohan 12,500 shares and Rathan 7,500 shares. The total subscriptions excluding firm underwriting but including marked applications which were for 25,000 shares. The marked applications were as under :
Madan 5,000 shares, Mohan 10,000 shares and Rathan 2,500 shares.
The underwriters made applications for firm underwriting as follows :
Madan 4,000 shares, Mohan 1,500 shares and Rathan 5,000 shares. Determine the liability of underwriters.

P.T.O.



6. Trial Balance of XYZ Bank Ltd., as on 31-03-2022 shows the following balances :
 Interest earned (including discount on bills) ₹ 90,81,200, Rebate on bills discounted on April 1, 2021 ₹ 9,500 and the amount of unexpired discount on 31-03-2022 ₹ 11,120. Pass journal entries in the books of XYZ Bank Ltd.

SECTION – B

Answer **any four** of the following questions (12 marks each) : (4×12=48)

7. From the following Balance Sheets, prepare a consolidated balance sheet of H Ltd., and its subsidiary S Ltd. as on 31-12-2022 :

Liabilities	H Ltd. (₹)	S Ltd. (₹)	Assets	H Ltd. (₹)	S Ltd. (₹)
Shares of ₹ 100 each	2,00,000	50,000	Machinery	2,60,000	—
General Reserve (on 01-01-2022)	30,000	10,000	Stock	40,000	85,000
Profit and Loss A/c (on 01-01-2022)	40,000	20,000	Debtors	10,000	40,000
Profit for 2022	50,000	25,000	Bank Balance	10,000	10,000
Sundry Creditors	65,000	30,000	300 shares in B Ltd.	65,000	—
	3,85,000	1,35,000		3,85,000	1,35,000

Shares were acquired by H Ltd., on 01-07-2022.

8. The following are the figures extracted from the books of Modern Banks on 31st March, 2022 :

Particulars	₹
Interest and discount received	3,12,500
Interest paid on deposits	1,62,500
Commission, exchange and brokerage	60,000
Rent received	10,000
Profit on sale of investments	5,000



Loss on sale of investments	1,250
Salaries and allowances	90,000
Directors fees and allowances	7,500
Rent and taxes paid	6,000
Printing and stationery	3,000
Postage and telegram	1,250
Other expenses	1,000
Audit fee	750
Depreciation on bank's property	3,750
Balance of profit as on 1 st April, 2021	60,000

Other information :

- i) Provide ₹ 3,750 for doubtful debts.
- ii) Provide ₹ 15,000 for taxation.
- iii) Rebate on bills discounted on 31st March, 2022 ₹ 10,000.
- iv) Provide 10% dividend proposed on the paid-up capital of ₹ 2,50,000.
- v) Transfer 20% of current year profits to statutory reserves.

Prepare profit and loss account in the prescribed form.

9. Chaitanya Chemicals Limited planned to set up a unit for manufacture of bulk drugs. For the purpose of financing the unit the Board of Directors have issued 15,00,000 Equity shares of ₹ 10 each. 30% of the issue was reserved for promoters and the balance was offered to the public, Mr. Ram, Mr. Rahim and Mr. D'souza have come forward to underwrite the public issue in the ratio of 3 : 1 : 1 and also agreed for firm undertaking of 30,000 ; 20,000 and 10,000 shares, respectively. The underwriting commission was fixed at 4%. The details of subscriptions are : Marked forms of Mr. Ram 5,50,000 shares, Marked forms of Mr. Rahim 2,00,000 shares, Marked forms of Mr. D'souza 1,50,000 shares and Unmarked forms 50,000 shares. Determine the liability of underwriters and pass journal entries in the books of Chaitanya Chemicals Limited.



10. Mohanlal Limited decides to redeem its 10% 5,000 preference shares of ₹ 100 each, at a premium of ₹ 10. For this purpose it issues 1,000 12% preference shares ₹ 100 each and 10,000 equity shares of ₹ 10 each, both at a premium of 5%. The issue is fully subscribed and all the amounts are received.

The company has the following balances :

General Reserve ₹ 1,60,000, Profit and Loss account ₹ 1,85,000, Securities Premium ₹ 40,000 and Capital Reserve ₹ 60,000. The redemption is carried out. Record the redemption journal entries in the books of Mohanlal Limited.

11. The following balance stood in the books of Sunrise Ltd. as on 31-3-2022 :

12% Debentures ₹ 5,00,000

Debenture Redemption Fund ₹ 5,00,000

Debenture Redemption Fund Investments :

Govt. Bonds (Face value ₹ 2,40,000) ₹ 2,45,000

Port Trust Bonds (Face value ₹ 1,80,000) ₹ 1,75,000

The company realised on that date Govt. bonds at Par and Port Trust Bonds at 95%. The debentures were redeemed on 31-3-2022. On that date the company had bank balance of ₹ 1,50,000 (before interest on investments). Prepare in the books of Sunrise Ltd.

- 1) 12% Debenture A/c
- 2) Debenture Redemption Fund A/c
- 3) Debenture Redemption Fund Investment A/c
- 4) Debenture holders A/c
- 5) Bank A/c.

12. State the differences between IFRS and Indian GAAP.



SECTION – C

Answer **any two** of the following questions (24 marks each). (2×24=48)

13. On 1st October, 2021, A Ltd., bought 14,000 shares of ₹ 10 each fully paid in B Ltd., for ₹ 20 each. The following are the Balance Sheets of the two companies on 31st March, 2022 :

Balance Sheet as at 31 st March, 2022					
Liabilities	A Ltd. (₹)	B Ltd. (₹)	Assets	A Ltd. (₹)	B Ltd. (₹)
Share Capital :			Land and		
Shares of			Building	5,50,000	3,25,000
₹ 10 each	6,00,000	1,60,000	Investment		
General Reserve	1,20,000	50,000	in B Ltd.	2,80,000	—
Profit and Loss A/c	2,80,000	88,000	Stock	1,80,000	60,000
Creditors	1,50,000	1,02,000	Sundry Debtors	1,60,000	—
Bills payable	20,000	—	Bills Receivables	—	15,000
	11,70,000	4,00,000		11,70,000	4,00,000

On 1st April, 2021, the Balance in General Reserve of ₹ 20,000 and on the same date Profit and Loss Account showed a balance of ₹ 28,000. The Bills Payable in A Ltd. represented bills issued all in favour of B Ltd., which company got bills of ₹ 5,000 discounted. The entire stock of B Ltd., represents goods were supplied by A Ltd., at cost plus 25%. Prepare the consolidated Balance Sheet as on 31-03-2022.

14. From the following information, you are required to prepare a Profit and Loss Accounts and the Balance Sheet of Coastal Bank Ltd., according to Banking Companies Regulation Act.

Trial Balance as on 31-03-2022

Particulars	Dr. (₹)	Cr. (₹)
10,000 shares of ₹ 100 each	—	10,00,000
Cash on hand	3,00,000	—



Statutory Reserve Fund	—	5,00,000
Deposits	—	15,00,000
Cash at Banks	5,00,000	—
Loan from Canara Bank	—	7,00,000
Money at call and Short Notice	3,00,000	—
Pension fund	—	50,000
Government Securities	8,00,000	—
Loan and Cash credits	18,30,000	—
Bills discounted	1,50,000	—
Commission	5,000	35,000
Interest and discount	—	7,15,000
Profit on sale of investments	—	10,000
Interest on deposits	1,55,000	—
Premises less depreciation	3,00,000	—
Furniture less depreciation	60,000	—
Directors' fees	10,000	—
Audit fees	10,000	—
Salary and allowance	60,000	—
Depreciation on property	15,000	—
Printing and Stationery	6,000	—
Postage and telegram	6,000	—
Other expenses	3,000	—
	45,10,000	45,10,000

- i) Provide ₹ 25,000 for doubtful debts.
- ii) The average due date of all bills discounted is 60 days including grace days. Bills have been discounted at 10 per cent per annum.
- iii) A claim of ₹ 45,000 for bonus to workmen is pending award.
- iv) Make provision for income-tax ₹ 30,000.



15. The Balance Sheet of Kwality Ltd., as on 31st March, 2022 is as follows :

Liabilities	₹	Assets	₹
Share Capital :		Sundry Assets	8,40,000
40,000 preference shares of ₹ 10		Cash and Bank	3,00,000
each fully paid	4,00,000		
20,000 equity shares of ₹ 10 each			
fully paid	2,00,000		
Securities Premium Account	50,000		
Profit and Loss Account	2,80,000		
Sundry Creditors	2,10,000		
	11,40,000		11,40,000

As per the terms of issue of the Preference Shares, these were redeemable at a premium of 5% on 1st April, 2022 and it was decided to arrange for this, as far as possible out of the company's resources subject to leaving a balance of ₹ 50,000 in the credit of the Profit and Loss Account and to raise the balance amount by issue of minimum number of Equity shares of ₹ 10 each at a premium of ₹ 2.50 per share. The issue were fully subscribed and all the amounts are received, the preference shares were redeemed. Journalise the transaction and prepare the Balance Sheet after redemption.

16. Soans Ltd. issued on 1st April, 2019, 1,000, 12% debentures of ₹ 100 each repayable at the end of 3 years at a premium of 5%. It was decided to create a sinking fund for the redemption of debentures. The investments are expected to earn interest at 5% p.a. Reference to the sinking fund table shows that ₹ 0.31720856 invested at 5% p.a. amounts to ₹ 1 at the end of three years. On 31st March, 2022, the balance at bank was ₹ 45,000 (before interest on investment) and the investments were realised at 10% profits and the debentures were paid off.

Prepare the following Ledger Accounts in the books of Soans Ltd. :

- 12% Debenture Account
- Debenture Redemption Fund Account
- Debenture Redemption Fund Investment Account
- Bank Account
- Debenture Holders Account.