Corporate Accounting – I
B.Com
Code :CM305P

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SECTION – A
2 Marks Questions

Unit -I

1. Define company
2. What is share?
3. What is meant by allotment of shares?
4. Write a short note on pro-rata allotment?
5. What is forfeiture of shares?
6. What is meant by over subscription?
7. What is calls in arrears and calls in advance?
8. Define' Debenture'
9. What is mean by Public companies?

10. When can share be forfeited?
11. List out kinds of company
12. State any two features of a Company.
13. What is preference share?
14. Issue of shares at a premium – Explain.

Unit –II

1. What are the rules regarding redemption of preference share?
2. What is capital Redemption reserve?
3. What is meant by redemption of preference shares?
4. What is preference share?
5. What is minimum fresh issue of shares?

Unit –III

1. What is mean by acquisition of business?
2. What are the methods of computing purchase consideration
3. What is purchase consideration?
4. Write a note on ‘vendor’s suspense account’.

5. What are the methods of computing purchase consideration?

Unit –IV

1. Write shot note on 'Pre incorporation profit'?
2. What is meant by certificate of incorporation?
3. What is certificate of commencement of business?
4. What is time ratio?
5. What is sales ratio?

Unit –V

1. What is meant by revenue from profit?
2. Give a short note on shareholders funds
3. What is meant by dividend?
4. What is meant by interim dividend?
5. What do you understand by current liabilities?
6. What are tangible assets?
7. What is proposed dividend?
8. Define current assets?
9. What is non -current liabilities?
10. What is DTS?
11. Write short note on managerial remuneration?
12. What is a preliminary expense?
13. What is Managerial Remuneration?
14. Draw a specimen of the balance sheet of the company – asset side – main headings only.

SECTION – B

5 Marks Questions

Unit – I

1. What are the contents of Memorandum of association?
2. Explain briefly the different types of shares.
3. Distinguish between a private company and public company.
4. Distinguish between partnership and a company
5. Define 'share' and explain its types.
6. Raj Ltd. Forfeited 100 shares of Rs 10 each for non-payment of the first call Rs. 2 and final call of Rs. 3. Of these 60 shares were reissued @ Rs. 8 per share. Arising from this, which accounts?

Remain and what balances do they show?

7. The Directors of R Ltd., resolved on 1st May 2000 ordinary shares of Rs. 10 each, Rs. 7.50 paid, be forfeited for non payment of Final call of Rs.2.50. On June 10, 2000, out of the above, 1800 shares were reissued for Rs. 6 per share. Show the entries to give effect to the above transaction.

8. **The directors of 'Z' Co. Ltd., forfeit 20 shares of ₹ 50 each belonging to "Karthik" who had**

paid ₹ 5 per share on application, ₹ 10 on allotment and ₹ 15 on first call but failed to pay the final call of ₹ 20. The same shares are then reissued to **'Raj' as fully paid on receipt**

₹ 400. Give journal entries in respect of forfeiture and reissue of shares.

9. The directors of 'Z' Co. Ltd. forfeit 10 shares of ₹ 50 each belonging to 'Karthik' who had paid ₹ 5 per share on application, ₹ 10 on allotment and ₹ 15 on first call but failed to pay the final call of ₹ 20. The same shares are then reissued to 'Raj' as f ully paid on receipt of ₹ 400. Pass journal entries in respect of forfeiture and the reissue of shares.

10. A company forfeited 10 shares of ₹ 10 each issued at a premium of 10% for non payment of the final call of ₹ 3 per share. Out of these 7 shares were reissued at ₹ 8 per share as fully paid up.

Give entries for forfeiture and reissue

Unit – II

1. What are the provision sand conditions for redemption of preference shares

2. Modern Fibres Ltd. has part of its share capital as 5000 redeemable Preference Shares of ₹ 100 each. When the shares became due for redemption, the company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of ₹ 10 each. Show the Journal entries.

3. A company has 10,000 9% redeemable preference share of Rs. 100 each fully paid. The Company decide to redeem the share on 31st Dec. 1997 at a premium of 10% . The company makes the following issues:

   a. 6,000 equity shares of Rs. 100 each at premium of 10%.

   b. 4,000 8% Debentures of Rs. 100 each.

The issue was fully subscribed and allotments were made. The redemption was duly carried out The company has sufficient profits.

4. Rashid Ltd. Has Rs. 10,00,000 8% debenture outstanding on 1.1.96. The company has been

redeeming every year on January 1st Rs. 1,00,000 debentures by drawing by lot, at par.

Give necessary journal entries:

If the redemption is out of profit
If the redemption is out of capital.

5. X Ltd; issued 75,000 equity shares of ₹ 10 each and 5,000 Redeemable preference shares of ₹ 100 each all shares being fully called and paid up on 31.3.1992. Profit and Loss Account showed

undistributed profit of ₹ 3,00,000 and General reserve stood at ₹ 2,50,000. On1.4.1992, the directors decided to redeem the existing preference shares at ₹105 utilising as much profits as would be required for the purpose.

You are required to pass journal entries in the books of the company.

6. The following extract from the balance sheet of Gayathri C Ltd. As on 31st Dec 1997, is given to you.

Share Capital:	Rs
2,00,000 equity share of Rs. 10 each	20,00,000
3,00,000 6% redeemable Preference Shares of Rs. 10 each	30,00,000
Capital Reserve	15,00,000
General Reserve	9,00,000
Profit and Loss	25,50,000

The company exercises its option to redeem the Preference shares on 1st Jan.1998. The company has sufficient each. Give journal entries to record the redemption.

Unit –III

1. Give the entries to be passed by a company on purchase of running business
2. Explain the methods of computing purchase consideration.

3. Pradeep Ltd., has taken over the business of Mr. Sandeep and agreed to pay the purchase price as given below:

    a. 2800 shares of ₹50 each fully paid at ₹60 per share
    b. ₹ 25000 in 8% preference shares of ₹100 each issued at premium of 25% and
    c. ₹25000 in cash

You are required to compute the amount of purchase consideration payable to Mr. Sandeep.

4. Vasan Ltd., purchase the business of R&K brothers and decide to continue the same set of books

The company decided to makes the following revaluations:

Building to be appreciated by Rs.60,000

Plant and Machinery to be depreciated by Rs. 7,000

Stock to be revalued at Rs. 40,000 [Book value Rs. 25,000]

Creditors agreed to reduce their claim by Rs. 5,000

Outstanding expenses net provided amounted to Rs. 10,000 You are required to Prepare Revaluation A/c

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5. Pradeep Ltd.has taken over the business of Mr.Sandeep and agreed to pay the purchase price as given below:

a. 2,800 shares of ₹ 50 each fully paid at ₹ 60 per share.

b. ₹ 25,000 in 8% preference shares of ₹ 100 each issued at premium of 25% and

c. ₹ 20,000 in cash.

You required to compute the amount of purchase consideration payable to Mr.Sandeep.

6. Amal Ltd. acquired the business of Macmillan Agencies, whose debtors and creditors were taken over by the company for collection and payment for a commission of 10% on all amount collected and 2% on amount paid. The debtors amounted to ₹ 90,000 and creditors ₹ 44,000. There was a contingent liability of ₹ 12,000. The company collected one-third of debtors in full, 50% of debtors at 4% discount, 2/3rd of the balance at 6% discount and the remaining proved bad. A debt of ₹ 6000 written off by the vendor in the past was collected at 80% but court expenses for that amounted to ₹ 1200 of which ₹ 400 only could be recovered from the debtor. ₹ 4000 of creditors were paid in full and the balance was paid at 97%. The contingent liability came up for payment at ₹ 8000. The company settled its account with the vendor in cash. Ascertain the amount collected from debtors.

7. Explain the methods of computing purchase consideration.

Unit –IV

1. How do you apportion various expenses and Income between pre and post Incorporation period?
2. Vasanth Ltd was incorporated on 1-4-92 to take over the business of Kumar Brothers from 1-1-92 From the following information , Calculate sales ratio and Gross profit; Sales during the period January - December 1992 amounted to Rs. 72,000. The trend of sales was a under:

January and February - half the average sales in each
month May, June and July - average sales in each
month October - average sales

November and December - half the average sales in each
month. Cost of goods sold Rs. 18,000

3. A company was incorporated on 1.2.2013 to purchase the business of Abdul Kalam & Sons, as from 1st November 2012. There were 10 employees before incorporation but 5 more were appointed on 1.2.2013. You are required to ascertain the weighted time ratio for dividing salaries between the pre and post incorporation periods, assuming that accounts are finalised on 31st October.

4.

Unit –V

1. Draw a specimen of the balance sheet of the company –
2. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.

The Profit & Loss Account of the company showed a net profit of ₹ 4000000 after taking into account the following items

(i) Depreciation (including special depreciation of 40,000)	1,00,000
(ii) Provision for income tax	2,00,000
(iii)Donation to political parties	50,000
(iv) Ex-gratia payment to a worker	10,000
(v) Capital profit on sale of assets	15,000

3. Determine the maximum remuneration payable to the part time director and manager of Bharat Ltd (a manufacturing company) under section 309 and 387 of the Companies Act 1956 from the following particulars.

Before charging any such remuneration, the profit & loss Account showed a credit balance of ₹ 2305000 for the year ended 31st March 2014 after taking into account the following matters.

I	Profit on sale of investments	205000
II	Subsidy received from Government	410000
III	Loss on sale of fixed assets	65000
IV	Ex-gratia to an employee	30000
V	Compensation paid to injured workman	75000
VI	Provision for taxation	279000
VII	Bonus to foreign technicians	312000
VII	Multiple shift allowance	100000
IX	Special depreciation	75000
X	Capital expenditure	510000

Company is providing depreciation as per section 350 of the Companies Act 1956.

4. From the following particulars determine the maximum remuneration available to a full time director of a manufacturing company.

The profit & Loss Account of the company showed a net profit of ₹ 40,00,000 after taking into account the following items: a) Depreciation [including special depreciation of

	40,000]	1,00,000
b) Provision for income tax		2,00,000
c) Donation to political parties		50,000
d) Ex-gratia payment to a worker		10,000
e) Capital profit on sale of assets		15,000

5. TVS Ltd., employs a manager is entitled to salary of Rs. 10,000 per month and salary and in addition to a commission of 2% of the net profits of the company before such salary of commission. The Profit and Loss for the company's financial year ending 31st March 1998 is as follows:

	Rs		Rs
To staff salary & Bonus	8,35,000	By Gross profit b/d	30,50,000
To General expenses	3,15,000	By unpaid dividend	60,000
To Depreciation	2,75,000	By Subsidy from state Govt	1,25,000
		By Profit on sale of	
To Income tax	4,25,000	Machinery	2,00,000
To Manager's salary	1,20,000	[difference between price	
To Commission to the		realised and WDV - Cost	
Manager (account)	25,000	Rs. 7,50,000 Realised	
To Ex-gratia payment		Rs. 8,00,000]	
to an employee	20,000		
To Charitable Donation	50,000		
To Balance c/d	13,70,000		
	34,35,000		34,35,000

depreciation includes Rs. 75,000 development rebate on new machinery installed during the year. Calculate the commission payable to the manager.

6. The following P&L A/c is presented by Shanthi Ltd. For the year ended 31.12.98

Profit & Loss A/c

	Rs		Rs
To Salary & wages	1,28,000	By Gross profit b/d	5,08,000
To Directors' fees	4,000	By Capital profit on sale	
To Repairs	27,000	on company's Land	25,000
To Depreciation (including		By Subsidy received from	
development rebate			
Rs.16,000)	1,06,000	State Government	50,000
To Scientific Research	20,000		
(New Laboratory set up)			
To General expenses	15,000		
To Income tax	1,00,000		
To Proposed dividends	1,00,000		
To Interest on debenture	24,000		
To Balance c/d	59,000		
	5,83,000		5,83,000

Income tax authorizes have allowed Rs. 82,000 as depreciation excluding development

rebate. Calculate the remuneration payable to the managing director.

7. How will you deal with the following items while preparing a company's final accounts for the Year ended 31.3.02?
   a. Land & Buildings [Cost ₹10,00,000 depreciation provided ₹ 1,60,000] sold for ₹15,00,000.
   b. Closing stock valued at market price ₹12,40,000 instead of cost which was ₹13,00,000.

SECTION – C

10 Marks Questions

Unit –I

1.Raj Ltd., issued a prospectus offering 10,000 equity share of Rs. 20 each at Rs.22 per share,

payable as follows:

On application Rs. 3 per share

On allotment Rs. 8 per share [including premium]

On first call Rs. 6 per share

On final call Rs. 5 per share.

Applications were received for 10,000 shares and all money on allotment, first call and final call were received except final call amount on one holding of 400 shares. Tease shares were forfeited and 300 of these were subsequently reissued at Rs. 20 per share, fully paid up. Make journal entries [including for cash]

2. A Ltd issued 10,000 equity shares of Rs. 10 each payable as under: Rs. 2 on application

Rs. 5 on allotment

Rs. 3 on first and final call

The public applied for 8,000 shares which are allotment. All the money due on shares was received except the first and final call on 100 shares. These shares were forfeited and reissued at Rs 8 pershare.

Show the journal entries in the books of the company.

3. A invited applications for 10000 shares of ₹ 100 each at a discount of 5% payable as follows:

On application ₹ 25 On allotment ₹ 34

On first & final call ₹ 36.

Applications were received for 9000 shares and all these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of ₹ 90 as fully paid. Show necessary journal entries in the books of the company.

4. On 1st April 2013, ABC Ltd. issued 1,00,000 equity shares of ₹ 10 each at ₹ 12 per share payable as to ₹ 5 on application, ₹ 4 on allotment and the balance on 1st July 2013.

The lists closed on 12th April 2013 by which date applications for 140000 shares had been received. Of the cash received, ₹ 80000 was returned and ₹ 120000 was applied to the amount due on allotment, the balance of which was paid on 19th April 2013.

All shareholders paid the call due on 1st July 2013 with the exception of one allottee for 1000 shares. These shares were forfeited on 30th November 2013 and reissued as fully paid at 8 per share on 2nd January 2014, Give journal entries.

5. Good prospects Ltd; issued 40,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The shares were payable as follows:

₹ 2	on	application
₹ 5	on	allotment (including premium)
₹ 5	on first & final call.	

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at ₹ 8 per share.

Give the necessary journal entries, prepare the bank A/C and the balance sheet of the company.

6. A Ltd issued a prospectus inviting application for 2000 shares of Rs. 10 each at a premium of Rs. 5 per share payable as follows.

	Per share
On application	---- Rs,2.50
On allotment	-----Rs.7.50(including premium)
On first call	-----Rs.4.00
On final call	-----Rs.1.00

Application were received for 3000 shares and allotment was made pro-rata to the applicants of 2400 shares, the remaining applications being allotted. Money received in excess on the application was adjusted towards the amount due on allotment.

D. to whom 400 shares were allotted failed to pay allotment money and on his failure to pay the first call his shares were forfeited. M. the holder of 600 shares were failed to pay the two calls and so his shares were forfeited. All these shares were sold to R credited as fully paid for Rs. 8 per share. Pass journal entries to record the transactions.

Unit –II

1. A company has 10,000 9% redeemable preference shares of Rs 100 each fully paid. The company decides to redeem the share on 31 st Dec. 1997 at premium of 10% . The company makes the following issues:

   (i) 6,000 equity shares of Rs. 100 each at premium of 10%

   (ii) 4,000 8% Debenture of Rs. 100 each

   The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profit. You are required to give the necessary entries.

2. On 30 th June 1998, the balance sheet of Gopi Ltd., stood as follows:

Liabilities	Rs	Assets	
Equity share capital	10,00,000	Sundry assets	1400000
Redeemable Pre.Share capital	4,00,000	Bank	500000
P&L A/c	3,00,000		
Sundry Creditors	2,00,000		
	19,00,000		19,00,000

On the above date, the preference share had to be redeemed. For this purpose 2,000 equity shares of Rs. 100 each were issued at Rs. 110. The company also issued 8% debenture totaling Rs. 3,00,000. The shares and debenture were immediately subscribed and paid for. The preference shares were duly redeemed.

Give journal entries and the balance after redemption.

3. On 30th June 2014, the balance sheet of Sandhya Ltd., stood as follows

Liabilities	₹	**Assets**	₹
Equity share capital	1000000	Sundry Assets	1400000
Redeemable Preference share capital	400000	Bank	500000
Profit & Loss A/C	300000		
Sundry Creditors	200000		
	1900000		1900000

On the above date, the Preference Shares had to be redeemed. For this purpose, 2000 equity shares of 100 each were issued at 110. The company also issued 8% debentures totalling 300000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed.

4. Prepare balance sheet after redemption. The balance sheet of Exchange Ltd., as on 31.12.2013 was as follows:

Liabilities	₹	Assets	₹
50000 equity shares of ₹10 each fully paid	500000	Sundry Assets	920000
4000 Redeemable Preference Shares of 100 each fully paid	400000	Bank Balance	600000
Profit & Loss A/C	520000		
Creditors	100000		
	1520000		1520000

On the above date the Preference Shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended balance sheet.

5. A company has 10,000 9% redeemable preference shares of ₹100 each fully paid. The company decides to redeem the shares on 31st Dec.1997 at a premium of 10%. The company makes the following issues:

   a. 6,000 equity shares of ₹ 100 each at a premium of 10%

   b. 4,000 8% Debentures of ₹100 each.

The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits.

You are required to give the necessary entries.

6. The balance sheet of ABC & Co Ltd on 31 .12.1990 stood as follows:

Liabilities	**Rs**	**Assets**	**Rs**
Equity shares of Rs. 100 each	500000	Fixed assets	800000
9% redeemable preference shares of Rs. 100 each	300000	Investment	100000
		Bank balance	200000
Securities premium	50000	Other current assets	00000
Capital reserve	100000		
P&l a/c	200000		
10% debentures	300000		
Creditors	150000		
	1600000		**1600000**

Both the redeemable preference shares and debentures were due for redemption on 1.1.91. The company arranged for the following:

(i) It issued 2000 equity shares of Rs. 100 each at premium of 10%

(ii) It sold the investment for Rs. 90000

(iii) It arranged a bank over draft to the extent necessary.

The redemption carried out. Give journal entries for redemption of preference shares and debentures and balance sheet after redemption

Unit- III

7. Ganguly Ltd.., was formed with an authorised capital of 12,00,000 divided in to equity **shares of 10 each , to acquire the business of 'A' and 'B' whose balance sheet on the data** acquisition was as follows.

Liabilities	₹	Assets		₹
Capital	600000	Free hold premises		700000
General reserve	400000	Stock		200000
Sundry creditors	200000	Sundry debtors	160000	
		(-) Provision	10000	150000
		Cash at Bank		150000
	1200000			1200000

The purchase consideration was agreed upon at ₹ 14.00,000 to be paid in ₹ 12,00,000 fully paid equity shares at 11 and the balance in cash.

Give journal entries to record the above and prepare the balance sheet of Ganguly Ltd.

assuming the vendor's account is finally settled.

8. Tamilnadu & co Which was run by Saravanan and Murugan was taken over by Anna Ltd. On 31st Dec 1985. The Balance sheet of Tamil Nadu & co. was as follows:

Liabilities	Rs	Assets	Rs
Bill payable	3,700	Bank	2,500
Creditors	12,650	Stock	19,700
General reserve	5,000	Debtors	13,650
Capital account:		Typewriter	1,250
Saravanan	28,250	Furniture	2,300
Murugan	15,200	Machinery	22,400
		Good will	3,000
	64,800		64,800

The company takes over assets and liabilities. The purchase consideration was agreed at

Rs. 40,830 Out of this Rs. 33,000 in equity shares of Rs. 100 each at 10% premium and for the balance

cash is to be given. Anna Ltd. Valued the stock and typewriter at 10% and 20% respectively less than

the book value. Machinery was valued at Rs. 25,000.

Give Journal entries in the books of the purchasing companying.

Unit – IV

1. A company was incorporated on 1st May 2013 acquiring the business of a sole trader with effect from 1st January 2013. The accounts of the company were closed for the first time on 30th September 2013, disclosing a gross profit of ₹ 168000. The establishment expenses were ₹ 42660, director's fee ₹ 3000 per month, preliminary expenses written off ₹ 4000, rent up to June 2013 was ₹ 300 per month which was thereafter increased to ₹ 750 per month. Salary to manager was at ₹ 1500 per month who was appointed a director at the time of incorporation of the company. Prepare a statement showing profit prior and subsequent to incorporation assuming that the net sales were ₹ 2460000 the monthly average of which for the first four months of 2013 was half of that of the remaining period.

2. Prabhu company Ltd., was incorporated on 30th June 1985 to take over the business of Mr. Lal as from 1st January 1985. The financial accounts of the business for the year ended 31st December 1985 disclosed the following information:

Particulars	Rs		Rs
Sales:			
January to June	1,20,000		
July to December	1,80,000		3,00,000
Less:			
Purchase:			
January to June		75,000	
July to December		1,20,000	1,95,000
Gross Profit			1,05,000
Less:			
Salaries		15,000	
selling expenses		3,000	
Depreciation		1,500	
Directors remuneration		750	
Debenture interest		90	
Administration expenses [Rent, Rate, etc..,]		4,500	24,840
Profit for the year			80,160

You are requested to prepare a statement apportioning the balance of profit between the period prior to and after incorporation and show the profit and loss appropriation account for the year ended 31st December 1985.

3. Kaveri Ltd. Was incorporated on 1.5.96 to take over the running business of M/s saveri Bros. with effect from 1.1.96. From the following details for the year ended 31.12.96. prepare a statement showing profit or loss made during pre and post incorporation periods:

Particulars		Particulars	
Gross profit	3,00,000	Underwriting commission	20,000
Salaries	48,000	Insurance premium paid	
Advertising	6,000	For the year ending 31.3.97	12,000
Commission to partners	8,000	Interest on loans taken	
Carriage outward	16,000	[including 2,000 on	
Depreciation	18,000	Loan taken after incorporation]	14,000
Provision for			
Doubtful debts	6,000		

The following additional data is also available

1) Average monthly sales during the first four months of the year was twice the average monthly sales during each of the remaining eight months.
2) 20% of the under writing commission is to be written off.
3) Commission to partners was paid for their work before incorporation.
4) Salaries includes salary paid to a director of the company

   ₹ 6,000.

Unit- V

1. Moon and Star Co Ltd. Is a company an authorized capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs. 100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985

Trail balance of Moon & Star Co Ltd.

Debit	Rs	Credit	Rs
Opening stock	50,000	Sales	3,25,000
Purchase	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance [up to 31.3.86]	6,720	Reserves	25,000
salaries	18,500	(Loan from managing director)	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisement	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Profit & Loss account for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

a. Closing stock was valued at Rs. 1,91,500
b. Depreciation on plant at 15% and on furniture at 10% should be provided
c. A tax provision of Rs. 8,000 is considered necessary.
d. The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%.

2. Silver Ore Co. Ltd., was formed in 1.4.2013 with an authorised capital of 600000 in shares of 10 each, of these 52000 shares had been issued and subscribed but there were calls in

arrears on 100 shares. From the following trial balance as on March 31, 2014, prepare the Trading and Profit & Loss A/c and the Balance sheet.

Trial Balance

Debit	₹	**Credit**	₹
Cash at bank	105500	Share capital	519750
Plant	40000	Sale of silver	179500
Mines	220000	Interest on F.D up to Dec. 31	3900
Promotion Expenses	6000	Dividend on investments	3200
Advertising	5000		
Cartage on plant	1800		
Furniture & buildings	20900		
Administrative expenses	28000		
Repairs to plant	900		
Coal & Oil	6500		
Royalties paid	10000		
Railway track & wagons	17000		
Wages of miners	74220		
Cash	530		
Investment in shares - -of tin mines	80000		
Brokerage on above	1000		
6% F.D in Syndicate Bank	89000		
	706350		706350

Adjustments

I. Depreciation on Plant and Railway by 10% Furniture and Building by 5% II. Write off a third of the promotion expenses

III. Value of silver ore on March 31, 2014 ₹ 15000

IV. The directors forfeited on Dec 20, 2013, 100 shares on which only ₹ 7.50 has paid.

3. Moon and Star Co. Ltd., is a company with an authorised capital of ₹ 500000 divided into 5000 equity shares of ₹ 100 each on 31.12.2013 of which 2500 shares were fully called up.

The following are the balance extracted from the ledger as on 31.12.2013.

Trial Balance

Debit	₹	**Credit**	₹
Opening Stock	50000	Sales	325000
Purchases	200000	Discount received	3150
Wages	70000	Profit & Loss A/C	6220
Discount allowed	4200	Creditors	35200
Insurance (up to 31.03.2014)	6720	Reserves	25000
Salaries	18500	Loan from MD	15700
Rent	6000	Share Capital	250000
General expenses	8950		
Printing	2400		
Advertisements	3800		
Bonus	10500		
Debtors	38700		
Plant	180500		
Furniture	17100		
Bank	34700		
Bad debts	3200		
Calls-in-arrears	5000		
	660270		660270

You are required to prepare Profit & Loss A/C for the year ended 31.12.2013 and a balance sheet as on that date.

The following further information is given.

I. Closing stock was valued at ₹ 191500

18. Depreciation on plant at 15% and on furniture at 10% III. A tax provision of ₹ 8000 is considered necessary

IV. The directors declared an interim dividend on 15.08.2013 for 6 months ending June 30, 2013 at 6%.

4. From the following profit & Loss Account of soundarya Ltd. For the year ended 31.12.92 and additional data given, calculate commission due to Managing director at 5% of net profit. Salary of managing director is to be treated as part payment of the commisssion:

Profit & Loss A/C for the year ended 31.12.92

	₹		₹
To opening stock	11,000	By sales	1,70,00
To Bonus[including 500 for 1991]	5,000	By closing stock	15,000
To Director's fees	3,000		
To Managing director:		By other incomes:	
Salary	2,000	Discount	2,000
commission ₹	1,000	Profit on sale of	
To Development rebate reserve	800	Fixed assets	1,000
To provision for tax	3,000		
To Establishment expenses	40,000		
ToLoss on sale of investments	200		
ToNet profit C/d	1,22,000		
	1,88,000		1,88,000

The book value of the fixed assets sold was ₹ 2,000 and their original cost was ₹ 2,600.

Debit Balance	Rs	Credit Balance	
Opening stock	30,000	Equity share capital 1,000	100000
Rent and Taxes	6,000	shares of Rs 100 each	
Purchase	60,900	5% Debenture	25000
Wages	55,200	Sales	175000
Discount	1,500	Creditors	8000
Fuel	2,570	Bank overdraft	12000
Building	70,000	Discount	2200
Carriage inwards	1,175	Transfer fee	100
Debtors	20,000	Return outwards	100
Goodwill	28,000		
plant and Machinery	25,000		
Loose tools	6,000		
Advertisement	3,000		
General expenses	4,400		
Bad debts	1,030		
Debenture Interest	625		
(For Half year)			
Miscellaneous Expenses	3,000		
insurance	1,000		
Cash	3,000		
	3,22,400		3,22,400

The authorized capital of the company is Rs. 2,00,000

Stock on December 31st 1996 is Rs. 2,00,000

Depreciate Plant and Machinery at 9% and Revalue Tools at Rs. 4,100
Allow 2.5% discount on debtors and 2% as bad debts reserve.