

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: Corporate Accounting  
Semester-I (Batch: 2018-23)

End Semester Examination: Oct-Nov. 2018

Date: 29<sup>th</sup> October, 2018

Duration: 3 hours

Max. Marks: 50

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- Use of calculator is permitted.

Q.1 From the following Trial Balance, prepare Trading Account, Profit & Loss Account and Balance Sheet.

Marks  
(10)

Debit Balances	Amt. ₹	Credit Balances	Amt. ₹
Opening Stock of Material	20,000	Capital	1,00,000
Purchase of Material	1,05,000	Sales	1,20,000
Returns Inward	5,000	Returns	5,000
Wages to Workers	40,000	Interest	2,000
Carriage Inward	4,000	Commission	1,000
Travel Expenses to Salesmen	6,000	Discount	2,000
Rent of Factory	2,000	Creditors	35,000
Debtors	25,000	Bank Overdraft	10,000
Bills Receivable	15,000	Loans	50,000
Salaries to Supervisors	8,000	Debentures	35,000
Cash	50,000		
Plant & Machinery	80,000		
<b>Total</b>	<b>3,60,000</b>	<b>Total</b>	<b>3,60,000</b>

**Additional Information:** Closing stock for the year was ₹ 50,000. Interest at 10% on Debentures was outstanding. ₹ 10,000 of drawings were made by the owner. ₹ 15,000 was paid for insurance out of which ₹ 5,000 of insurance is due for the next year. The Plant & Machinery got burnt in an accident and only a scrap value of ₹ 5,000 was realized. Bank overdraft constantly remained overdue and the bank imposed interest of ₹1,000 and penalty of ₹500 for the same. Rent of Factory included ₹ 500 for electricity bill to be borne by the owner of the factory building. Creditors decided to forego or waive ₹10,000 of their dues. Bills Receivable was discounted with the Bank and received ₹14,500 and ₹500 was paid to the bank for discounting charges.



- Q.2 Cleantech Ltd. issued 10,000 equity shares of ₹10 face value each at a discount of ₹2. (10)  
 The break-up of the face value was ₹3 on Application, ₹4 on Allotment and ₹3 on First and Final Call. The issue got over-subscribed. Pro-rata allotment was made as follows.  
 Category I applicants: Applied for 5,000 shares- Allotted 5,000 shares  
 Category II applicants: Applied for 6,000 shares- Allotted 3,000 shares  
 Category III applicants: Applied for 2,000 shares- Allotted 1,600 shares  
 Category IV applicants: Applied for 1,000 shares- Allotted 400 shares  
 At the stage of allotment, 500 shareholders of category I, 100 shareholders of category II and 50 shareholders of category III and 20 shareholders of category IV did not pay the allotment money.  
 First and Final Call was made. 500 shareholders of category I, 100 shareholders of category II and 50 shareholders of category III and 20 shareholders of category IV did not pay the call money.  
 Shares (on default only, after adjusting the excess application money, if any) were forfeited subsequently.  
 200 forfeited shares of category I, 80 forfeited shares of category II and 50 forfeited shares of category III and 20 shares of category IV were re-issued at ₹7 per share fully paid up.  
 You are required to pass journal entries with clear working notes on the following:
- Pro-rata for each category
  - Amount received on Allotment
  - Amount received on First & Final Call
  - Amount to be transferred to Capital Reserve
- Q.3 (a) A company issued 50,000 debentures of ₹100 each at par, repayable at the end of 3 years at par. For the purpose of redemption, a sinking fund was created. Annual contribution to the fund and any interest earned was systematically reinvested during the tenure of the fund. The interest rate earned on the fund was 10%. Re.1 invested at the end of each year in a fund earning compound interest at the rate of 10% offers a future value of ₹ 3.310 at the end of 3 years. The investment was sold at a loss of ₹ 5,000. (6+4=10)  
 You are required to prepare ledger accounts for Sinking Fund Account, Sinking Fund Investment Account, Bank Account and Debentures Account.
- (b) Pass journal entries at the **time of issue and redemption** for the following situations:
- A company issued 1,000, 10% debentures of ₹ 100 each at a premium of ₹ 10, redeemable at a discount of ₹ 20.
  - A company issued 2,000, 9% debentures of ₹ 10 each at a premium of ₹ 1, redeemable at a premium of ₹ 3.
- Q.4 Adi and Anant entered into a joint venture as dealers in cloth and opened a Joint Bank Account with ₹ 10,00,000 towards which Adi contributed ₹ 4,00,000. They agreed to share profits and losses in proportion to their cash contribution. They purchased goods of ₹ 5,00,000 through joint Bank Account. Adi supplied stock of goods of ₹3,00,000. Anant supplied goods of ₹ 5,00,000. These goods were combined and half of it was sold at 15% profit and money was realized in the Joint Bank Account. Of the remaining stock, Adi and Anant individually sold ₹ 1,00,000 worth of goods each at ₹ 1,40,000 and (10)



₹ 1,50,000 respectively and retained the amounts themselves. They were entitled to 10% commission on net sales. Adi and Anant received sales returns of ₹10,000 and ₹5,000 respectively. Adi took over half of the remaining stock at cost less 10% and Anant took over half of the remaining stock at cost less 20%. The rent expense for warehouse was ₹10,000 which was paid through the Joint Bank Account.

You are required to prepare Joint Venture Account, Co-Venturers Account and Joint Bank Account (when separate set of books are maintained).

- Q.5 A & B are sharing profits in the ratio of 3:2. Their B/S as at 1.1.17 is as follows. C is admitted as a new partner on the same date for a share of 2/7<sup>th</sup> in profits and losses; (10)

Liabilities	₹	Assets	₹
Capital of A	24,000	Freehold Premises	10,000
Capital of B	9,000	Plant & Machinery	4,500
Reserves	10,000	Furniture	900
Creditors	5,000	Stock	12,500
Bills Payable	4,310	Debtors: ₹22,500 Less: Provision: ₹ 4,000 -----	18,500
		Investments	4,250
		Cash	1,660
Total	52,310	Total	52,310

The terms of the agreement are as follows:

- C is to bring ₹20,000 as capital and required amount of premium for goodwill in order to get the share in profits or losses.
- The premium for goodwill brought by C is to be credited to the loan accounts of A & B.
- It is also decided to raise Goodwill Account in the Balance Sheet of the new firm. The amount was to be calculated in accordance with C's share in profits and the capital contributed by him.
- Freehold Premises was to be revalued at ₹15,000 and Plant and Machinery at ₹4,000.
- Stock is to be reduced by 10% and provision for doubtful debts to be reduced by ₹1,000.
- Investments are to be brought down to their market price of ₹3,200.

You are required to prepare Revaluation Account, Capital Account of Partners and Balance Sheet of the new firm.

Or

Explain the process of Initial Public Offer (IPO) for equity shares and issue of Non-Convertible Debentures (NCD) taking any recent IPO and NCD issue as example. (10)

\*\*\*