GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR

Course: Corporate Accounting
Semester-I (Batch: 2019-24)

End Semester Examination: October-2019

Date: 25th October, 2019
Duration: 3 hours **Max. Marks: 50**

Instructions:
- The respective marks for each question are indicated in-line.
- Do not write anything 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 other than calculator in mobile phone is permitted.

Marks

Q.1 (a) Describe the fundamental accounting equation. How are revenue and expenses related to it? Elucidate with example. (2+3=05)

(b) Is trial balance a conclusive proof of accuracy of the account books? Explain.

OR

A company maintains its 'provision for bad debts' @5% and 'provision for discount on debtors' @ 2%. You are given the following details:

Year	*2016 (Rs.)*	*2017 (Rs.)*
Bad debts	800	1500
Discount allowed	1200	500
Recovery of bad debts	500	300

Sundry debtors (before writing off bad debts and discount allowed) amounted to Rs. 60,000 and Rs. 42,000 respectively for the year 2016 & 2017. Provision for bad debts and provision for discount on debtors had balances of Rs. Rs. 4,550 and Rs. 800 respectively for the year 2016 & 2017.

You are required to show the ledgers of 'provision for bad debts account' and 'provision for discount on debtors account for the year 2016 & 2017.

Q.2 Journalize the following transactions in the books of Chaudhary Enterprises. (05)

i. Purchased goods worth Rs. 80,000 in cash availing 5% discount.
ii. Paid staff salary Rs. 1, 00,000 for the month which is net of tax deducted at source of Rs. 10,000.
iii. Sold goods on credit Rs. 40,000 including G.S.T. @ 12%
iv. Settled travel bills of Marketing Manager of Rs. 15,000 and adjusted travel advance of Rs. 10,000.
v. Obsolete stock worth Rs. 30,000 written off.

Q.3 Fun republic Ltd. offered 1,00,000 shares at Rs. 20 each at a premium of Rs. 10 per share payable in instalments as follows: (12)

	Amt. Rs.
On application	5
On allotment	15(Incl. premium)
1st call	8
2nd & final call	2

The issue was subscribed 1.5 times. The company allotted shares on pro-rata basis to the applications for 1, 20,000 shares and the remaining applications were rejected. The excess application money were adjusted towards allotment.

Mr. Dalal, one of the allottee of 2,000 shares could not pay the allotment money and his shares were forfeited after the first call, whereas other allottee for 3,000 shares could not pay the calls and their shares were forfeited. All the forfeited shares were reissued at the price of Rs. 16 per share fully paid.

Pass the necessary journal entries.

Q.4 The Accountant of Tangent Inc. has provided you the following trail balance as on 31 March, 2018: (12)

Particulars	Debit Amt. Rs.		Credit Amt.Rs.
Stock as on 1.04.2017: Raw Materials 20,000 Finished Goods 31,000	51,000	Sales	11,40,000
Purchases	8,10,000	Interest	2,600
Manufacturing expenses	1,80,000	Profit & loss account	30,000
Salaries & wages	26,400	Share capital	1,44,000
General charges	11,000	Pension fund	46,000
Directors fees	400	Dividend equalisation fund	20,000
Dividend for 2016-17	1,800	Loans: Short term 3,000 Long term 14,000	17,000
Building	1,01,000	Unclaimed dividend	2,000
Plant & machinery	70,400	Deposits: Short term 1,000 Long term 2,200	3,200
Furniture	10,200		
Motor vehicles	40,800		
Stores & spare consumed	30,000		
Bills receivables	45,000		
Investments: Non-current 3,000 Current 5,000	8,000		
Book debts	1,14,000		
Cash at bank	1,06,600		
	16,22,800		**16,22,800**

From the above balances and the following information, prepare the company's P&L Account and Balance Sheet:

i. Stock on march, 2018: Raw material Rs. 17,200 & Finished goods Rs. 40,000
ii. Outstanding expenses: Manufacturing expenses Rs. 45,000 & salaries and wages Rs. 3,000
iii. Interest accrued on securities RS. 200
iv. General expenses Rs. 1,660 prepaid.
v. Provide depreciation: Building @ 2% p.a.; machinery @ 10% p.a.; furniture @10% p.a. & motor vehicles @20% p.a.
vi. The directors proposed dividend @ 10%
vii. Provision for taxation for the year 2017-18 is to be considered @ 40% on net profit.

Q.5 Gaurav Industries Ltd. had issued 5000, 8% 5 years redeemable preference shares of Rs. 100 each on 1.1.2014. The Board of Directors of Gaurav Ltd. is considering the following proposal to redeem the preference shares at a premium of 5% on its maturity date. (10)

i. To finance the redemption, the company should sell the investments at market price.
ii. Issue 10,000 equity shares of Rs. 10 each at a premium of 10%
iii. Issue 1,000, 7% debentures of Rs. 100 each at 10% discount.
iv. Issue 1 (one) bonus share of Rs. 10 each for every two (02) shares held to the existing shareholders (Except new shareholders). For this purpose, it is proposed to use general reserve as minimum as possible.

Following is the position statement of Gaurav Ltd. as on 31.12.2018:

Liabilities	*Amt. Rs.*	*Assets*	*Amt. Rs.*
1,00,000 equity shares of Rs, 10 each	10,00,000	Land & building	8,00,000
5,000; 8% redeemable preference shares of Rs. 100 each	5,00,000	Plant & machinery	6,00,000
Securities premium account	1,00,000	Furniture & fittings	1,00,000
General Reserve	7,50,000	Investments (market value is less by Rs. 20,000)	3,00,000
Profit & loss account	2,00,000	Stock	4,70,000
Current liabilities	3,50,000	Debtors	2,00,000
		Bills receivables	2,00,000
		Cash at bank	1,75,000
		Cash in hand	55,000
	29,00,000		**29,00,000**

You are required to advise the management considering the provisions of the Companies Act, 2013 with special reference to redemption of preference shares. In support of your advice you are also required to show necessary entries to be passed in the books as well as show the balance sheet as on 31.12.2018 (Post redemption)

Q.6 Show, by means of journal entries, how will you record the following issues of debentures: (06)

(a) Prima Ltd. issued 5000; 10% debentures of Rs. 100 each at a discount of 5%, redeemable after 5 years at par.
(b) Quasi Ltd. issued 5,000; 11% debentures of Rs. 100 each at par, redeemable at the end of 5 years at a premium of 5%

(c) Rose Ltd. issues 5,000; 12% debentures of Rs. 1000 each at a discount of 5% ; redeemable at the end of 5 years at a premium of 5%

(d) Sun Ltd. issued 5,000; 13% debentures of Rs. 100 each at a premium of 5%; redeemable at the end of 5 years at a premium of 5%

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