

GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR
Course: **Corporate Accounting**
Semester-I (Batch: 2020-25)

End Semester Online Examination: February 2021

Date: 12th February, 2020

Duration: 8 hours

Max. Marks: 50

Instructions:

- The respective marks for each question are indicated in-line.
 - Indicate correct question numbers in front of the answer.
 - No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
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Marks

- Q.1 Journalize the following transactions in the books of Vedanta Infosys (A sole proprietorship firm). (10)
- a) Purchased computer systems worth Rs. 8, 00,000 in cash availing 2% trade discount in addition to 5% cash discount.
 - b) Developed and installed accounting software solution for Rs. 3, 00,000 including G.S.T. @ 12%. As part of agreement, payment will be made by the buyer after successful operation of the system for 3 months.
 - c) Settled refreshment expenses of employees Rs. 75,000 with the service provider M/s. Foodie Caterers.
 - d) Obsolete software packs worth Rs. 30,000 written off.
 - e) Paid staff salary Rs. 1, 00,000 for the month which is net of tax deducted at source of Rs. 10,000.
- Q.2 Mr. Entrepreneur, a University graduate in chemical technology, started a chemical trading firm in the year 2005 immediately after completing his degree. He made initial investment of Rs. 10, 00,000 which included Rs. 4, 00,000 borrowed from his friends and relatives. Although, he did not possess any formal education in business management, his perseverance and hard work helped him in gaining a good reputation and credit worthiness in the business. Since, his business was expanding rapidly, following the advice from his business circles, he diversified his business interest and jumped in to paper manufacturing. For the purpose, he converted his proprietary firm into a private limited company in the year 2009 and later into a public limited company in the name of 'Supreme Paper Company Limited' in the year 2014. The company also tapped capital market for its funds requirement. As, the company has got prospects for the future, it has received foreign investor's offer for pumping in additional investments which can be invested in expansion, modernization etc. (20)

The management seeks your expert opinion as legal commercial advisor on the offer and for the purpose you are provided with the list of balances as on 31 March, 2018 along with the additional information for the adjustment purpose.

The following is the list of balances of Supreme Paper Company Limited as on March 31, 2018.

	Debit Amt. Rs.	Credit Amt. Rs.
Leasehold land & building (Cost Rs. 20,00,000)	16,00,000	
Plant & machinery (Cost Rs. 60,00,000)	42,40,000	
Furniture & Equipment (Cost Rs. 4,00,000)	3,20,000	
Vehicles (Cost Rs. 3,00,000)	2,00,000	
Stock and work in progress	33,20,000	
Debtors	49,10,000	
Investments at cost (Market value Rs. 9,47,500)	10,00,000	
Dividends on investment		1,00,000
Tax deducted on dividends on investment	31,400	
Cash on hand	10,000	
Bank balance	5,00,000	
Creditors and accrued charges		40,69,000
Debenture interest	84,000	
Payments	60,000	
Director's fees	40,000	
Share premium account		1,00,000
General reserve		6,00,000
Debenture redemption reserve		4,00,000
Share capital- equity share of Rs. 10 each		60,00,000
Interim dividend for the year (free of tax)	3,45,000	
13% secured debentures (Redeemable in 2023)		20,00,000
Tax paid	6,34,900	
P&L Account		32,51,700
Provision for tax (on 1.4.2017)		8,82,000
Other assets	1,08,000	
Other liabilities		600
	1,74,03,300	1,74,03,300

Additional information:

The account section furnished the information that depreciation is to be provided for the year 2017-18 on leasehold land & building Rs. 1,00,000; plant & machinery Rs. 6,00,000; furniture and equipment Rs. 32,000 and on vehicles Rs. 50,000. The account section also informed you that Taxation amounting to Rs. 10,06,540 is to be provided for the year 2017-18 and also additional tax of Rs. 2,00,000 is to be provided for previous years (since short provision had been made in the previous years). Rs. 4,00,000 is to be transferred to debenture redemption reserve as part of compliance. The management also decided to transfer Rs. 7,00,000 to General Reserve. The board approved 12% final dividend and balance debenture interest is still outstanding.

You are required to prepare final accounts for the year 2017-18 in compliance with the prevailing Act and Rules and advise your client.

Q.3 Kailash Ltd. presented the following balance sheet as on 31.03.2019: (20)

Share Capital:		Fixed Assets:	
Authorized	<u>30,00,000</u>	Plant & machinery	12,00,000
Issued and subscribed:		Furniture & fittings	1,50,000
5,000, 14% preference shares of Rs. 100 each fully paid-up	5,00,000	Patents & trademarks	50,000
1,00,000 equity shares of Rs. 10 each, fully paid up	10,00,000		
Reserves and Surplus:		Current assets, loans and advances:	
Capital Reserve	1,50,000	Stock	11,00,000
Securities premium reserve	1,00,000	Debtors	1,50,000
General reserve	7,50,000	Cash in hand	5,000
P&L A/c.	1,50,000	Cash at bank	3,15,000
		Bills of exchange	70,000
Current liabilities & provisions:			
Sundry creditors	1,80,000		
Provisions for taxation	2,10,000		
	30,40,000		30,40,000

The management decided to purchase new machinery for Rs. 1, 50,000 for which it paid Rs. 50,000 by cheque and wishes to offer 12%; 1,250 preference shares of Rs. 100 each as partly paid Rs.80 to vendors.

The management also wishes to issue one bonus shares for every five shares held to its equity shareholders and for the purpose wishes to utilize its free reserves. Moreover the management also wishes to redeem existing preference shares at a premium of 10%. In order to meet the requirement of funds for redemption, the management proposes to issue 7 year; 13% debentures of Rs. 5, 00,000.

You are required to refer relevant provisions in India and advise the management. Also show necessary journal entries to effect the proposals mentioned above and draft a proposed balance sheet as on 31.03.2020 assuming other things remain constant.
