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**Presidency University**

**Bengaluru**

**SCHOOL OF COMMERCE**

**MAKE UP EXAMINATION – SEPTEMBER 2023**

**Course Code**: MGT121

**Course Name**: Corporate Accounting

**Program** : BCOM

**Date**: 01.10.2023

**Time**: 09:30 AM – 12:30 PM

**Max Marks**: 100

**Weightage**: 50%

**Instructions:**

1. *Read the question properly and answer accordingly.*

**Part A (Memory Recall Questions)**

**Answer all the questions. (10Q\*3M=30)**

1. Issued share capital is: (C.O.No.1) [Knowledge]

(A) that part of the authorised capital which is issued by the company

(B) the amount of capital which is actually applied for by the prospective shareholders

(C) the maximum amount of share capital which a company is authorised to issue

(D) the amount actually paid by the shareholders

2. A Company was incorporated on 1st May, 2000 to take over a business from another company with effect from 1st January, 2000. The company closes its books of accounts on 31st December. It is ascertain that the average monthly sales during the first four months was twice the average monthly sales during each of the remaining eight months. The sales ratio for pre-and-post incorporation in this situation is: (C.O.No.3) [Knowledge]

(A) 1:1 (B) 1:3 (C) 5:7 (D) 7:5

3. SEBI has allowed underwriting commission only at the rate of \_\_\_\_\_\_\_\_ of issue price of equity shares.

(C.O.No.2) [Knowledge]

(A) 2.5% (B) 5% (C) 4.5% (D) 3.5%

4. If buy-back is made from free reserves a sum equal to the nominal value of shares so bought must be transferred to\_\_\_\_\_\_\_\_\_\_. (C.O.No.4) [Knowledge]

(A) Profit and Loss Account (B) General Reserve (C) Capital Reserve (D) Capital Redemption Reserve

5. Ramona Ltd., issued 50,000 equity shares which is fully underwritten by Golden. Applications for 40,000 shares were recived by the company. The gross liability of Golden is:

(C.O.No.2) [Knowledge]

(A) 50,000 (B) 5000 (C) 40,000 (D) 10,000

6. TATA Ltd. took over the running business of Air India Ltd. from 1st April 2021, was incorporated on 31st August 2021, and it closed its accounts on 31st March 2022. The time ratio for pre-and-post incorporation in this situation is: (C.O.No.3) [Knowledge]

(A) 1:1 (B) 1:3 (C) 5:7 (D) 7:5

7. Whenever there are divisible profits, \_\_\_\_\_\_\_\_\_\_ preference shares are paid dividend for all the previous years in which dividend could not be declared. (C.O.No.1) [Knowledge]

(A) Non-Cumulative (B) Cumulating (C) Redeemable (D) Irredeemable

8. If the face value of a share is ₹ 10/- and the company call only ₹ 6/- now, then ₹ 4/- will be called as: (C.O.No.1) [Knowledge]

(A) Called share capital (B) Uncalled up Share capital (C) Paid-up Share capital

(D) Subscribed Share capital

9. When a company buys-back its own shares from the open market, it shall physically destroy the shares so bought-back within \_\_\_\_\_\_ days from the date of completion of buy-back.

(C.O.No.4) [Knowledge]

(A) 15 (B) 5 (C) 7 (D) 9

10. A company issued 1,000 shares, 40% of which is underwritten by Nikhil. Out of 800 applications received, the marked applications are 350. The net liability of Nikhil is:

(C.O.No.2) [Knowledge]

(A) 100 (B) 50 (C) 150 (D) 200

**Part B (Thought Provoking Questions)**

**Answer all the questions. (5Q\*8M=40)**

11. The authorised capital of a limited company is Rs. 2,00,000 divided in to 20,000 equity shares of Rs.10 each. Out of these, 15,000 shares have been issued to the public, payable Rs. 2 on application, Rs. 4 on allotment, Rs. 2 on first call and Rs. 2 on second and final call.

Apply necessary journal entries and prepare Balance sheet. All amounts have been duly received. (CO1, Comprehension)

12. Lillies Ltd. issued 1,00,000 equity shares, where the issue was underwritten by 3 underwriters as follows:

A 30%; B 30%; C 40%

Applications for 60,000 shares were received in all, out of which applications for 20,000 shares had the stamp of A; those for 10,000 shares that of B and those for 20,000 shares that of C. The remaining applications for 10,000 shares did not bear any stamp. Determine the liability of the underwriters.

(C.O.No.2) [Comprehension]

13. Preference shares, more commonly referred to as [preferred stock](https://www.investopedia.com/terms/p/preferredstock.asp), are shares of a company’s stock with dividends that are paid out to shareholders before common stock dividends are issued.Discuss about the different types of Preference shares.(C.O.No.2) [Comprehension]

14. Luxury Cars Ltd. issued 100000 shares of Rs 10 each at a premium of Rs 5 per share, payable as:

On application Rs. 4 (including Rs 2 premium) per share

On allotment Rs 8 (including Rs 3 premium) per share

On call Rs. 3 per share.

Applications were received for 100000 shares and allotment was made to all. Apply journal entries. (C.O.No.1) [Comprehension]

15. Differential voting rights (DVRs) refer to equity shares holding differential rights as to dividend and/or voting. Discuss the conditions for issuing the equity shares with DVR under Companies Act, 2013. (C.O.No.5) [Comprehension]

**Part C (Problem Solving Questions)**

**Answer the questions. (2Q\*15M=30)**

16.Kaveri Ltd. was incorporated on 31.07.2016 to take over the running business of M/s. Saveri Bros. with effect from 01.04.2016. From the following details for the year ended 31.03.2017, prepare a statement showing profit or loss made during pre and post incorporation periods:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount (**₹) | **Particulars** | **Amount (**₹) |
| Gross Profit | 3,00,000 | Underwriting commission | 20,000 |
| Salaries | 48,000 | Insurance premium paid | 12,000 |
| Advertising | 6,000 | Interest on loans taken | 14,000 |
| Commission to Partners | 8,000 | Depreciation | 18,000 |
| Carriage outward | 16,000 | Provision for doubtful debts | 6,000 |

The following data is available:

1. Average monthly sales during the first four months of the year was twice the average monthly sales during each of the remaining months.
2. Commission to the partners was paid for their work before incorporation
3. Salaries include salary paid to a director of the company ₹ 6000.

(C.O.No.3) [Application]

17.The Evergreen Co. Ltd. Wanted to buy-back 1,00,000 of its equity shares of the face value of ₹ 10 each, on which ₹ 8 has been paid up. However, the company is not sure about the conditions to be fulfilled by the company under Section 68 (2) of the Companies Act, 2013. You are requested to guide the company about the conditions to be fulfilled by the company for initiating the buy back. Also,apply journal entries in the books of Evergreen to complete the buy back process. You may draw necessary assumptions, if required.

(C.O.No.4) [Application]