

2025

**CORPORATE ACCOUNTING — HONOURS**

**Paper : DSE-5.2AH**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**Group - A**

1. The directors of A Ltd. invited applications for issuing 45,000 equity shares at ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application	: ₹ 4 per share
On Allotment	: ₹ 9 per share (including premium)
On First Call	: ₹ 2 per share
On Second & Final Call	: Balance Amount

Applications were received for 60,000 shares. Excess application money was refunded and allotment was made for 45,000 shares. Akash, a shareholder holding 1,800 shares, did not pay the allotment money and his shares were forfeited. Andrews, a holder of 900 shares, failed to pay the first call money and his shares were forfeited. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹ 9 per share fully paid up.

Pass necessary journal entries for recording the above transactions in the books of the company.

(Narration not required)

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2. B Ltd. has its share capital divided into equity shares of ₹ 10 each. On 01.01.2025 it granted 20,000 employees stock option at ₹ 50 per share, when the market price was ₹ 120 per share. The options were to be exercised between 15th March, 2025 and 31st March, 2025. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year.

Show necessary journal entries to record the above transactions.

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**Or**

C Ltd. made a public issue of 62,500 equity shares of ₹ 100 each, ₹ 50 payable on application. The entire issue was underwritten by four underwriters Chandra, Chanchal, Champak and Chayan in the proportion of 30%, 25%, 25% and 20% respectively. Chandra, Chanchal and Chayan have also agreed on firm underwriting of 2,000, 3,000 and 7,500 shares respectively. The total subscription, excluding firm underwriting, including marked applications were for 45,000 shares. Marked applications received were as under :

Chandra - 12,000 shares, Chanchal - 10,000 shares, Champak - 6,000 shares, Chayan - 12,000 shares. Ascertain the liability of the individual underwriters (assuming that the relief for firm underwriting is given to them).

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**Please Turn Over**

**(4330)**

3. Balance Sheet extracts of D Ltd. as on 31st March, 2025 are as follows :

**Issued Share Capital**

6,000, 8% redeemable preference shares of ₹ 100 each, fully paid	₹	6,00,000
20,000 equity shares of ₹ 100 each, ₹ 80 paid-up	₹	16,00,000

**Reserves and Surplus**

General Reserve	₹	9,00,000
Capital Reserve	₹	85,000

On 1st April 2025, the company in its general meeting resolved that the Preference shares are to be redeemed at a premium of ₹ 10 per share. The redemption was effected partly out of profits and partly out of the proceeds of new issue of 3,000, 7½% cumulative preference shares of ₹ 100 each at a premium of ₹ 25 per share.

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

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*Or*

Victorious Ltd. (a non-listed company) has the following capital structure as on March 31, 2025 :

Particulars	₹	₹
Equity Share Capital (Shares of ₹ 10 each, fully paid)		30,00,000
<b>Reserves &amp; Surplus :</b>		
General Reserve	32,50,000	
Security Premium Account	6,00,000	
Surplus in Statement of Profit and Loss	4,30,000	
Revaluation Reserve	6,20,000	
		49,00,000
Loan Funds		42,00,000

You are required to calculate, using the Debt-Equity Ratio Test, the maximum number of shares that can be bought back based on the information above, when the offer price for the buy-back is ₹ 30 per share.

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4. The following balances appeared in the books of Ambuja Cement Ltd. on 01.04.2024 :

10% Debenture Sinking Fund ₹ 4,50,000, 10% Debentures ₹ 6,00,000. Sinking Fund was invested in the following securities :

₹ 2,00,000, 7% Govt. Loan ₹ 2,10,000; and ₹ 2,50,000, 9% Debentures ₹ 2,40,000.

An annual contribution of ₹ 96,000 to the Sinking Fund is made on 31st March. On 31.03.2025, the bank balance was ₹ 3,00,000 after receipt of interest. The company sold all investments at face value and the 10% Debentures were paid off on 31.03.2025.

Prepare 10% Debentures Account, 10% Debenture Sinking Fund Account, Debenture Sinking Fund Investments Account and Bank Account.

2+3+3+2

5. From the following particulars of a company, ascertain the value of goodwill under the following methods : 10

- 3 years' purchase of the Super Profit method;
- Capitalisation method;
- Annuity of Super Profit method, when the Present Value of an annuity of ₹ 1 for 3 years at 10% interest is ₹ 2.49.

**Particulars :**

- Average capital employed in the business is ₹ 14,00,000;
- Net Operating Profit of the firm for the past 3 years : ₹ 2,15,200; ₹ 1,81,400 and ₹ 2,25,000;
- Normal return on capital employed is 10% p.a.
- Sundry assets of the company amount to ₹ 15,00,000 and Current liabilities amount to ₹ 60,000. Ignore taxation.

**Or**

Calculate the value of an equity share under 'yield method' from the following :

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60,000 Equity Shares of ₹ 10 each, ₹ 7 paid-up.	Tax Rate : 35%
2,000, 10% Preference shares of ₹ 100 each, fully paid-up.	Transfer to General Reserve : 20% of the profits every year.
Expected annual profits before tax ₹ 4,00,000.	Normal Rate of Return : 20%.

**Group - B**

6. The following is the Trial Balance of Biskfirm Ltd. as on March 31, 2025 :

Debit Balances	₹	Credit Balances	₹
Buildings	5,80,000	Sales	10,40,000
Machinery	2,00,000	Salaries outstanding	4,000
Stock-in-trade (31.03.2025)	1,80,000	Provision for bad debts (01.04.2024)	6,000
Purchases (Adjusted)	4,20,000	Share capital (₹ 10 per share)	4,00,000
Salaries	1,20,000	General reserve	80,000
Directors' remuneration	20,000	Surplus (01.04.2024)	50,000
Rent	52,000	Trade creditors	1,84,000
Depreciation	40,000	<b>Provision for Depreciation :</b>	
Bad debts	12,000	On Buildings	1,00,000
Interest accrued on investment	4,000	On Machinery	<u>1,10,000</u>
			2,10,000
Investment in Debentures (of ₹ 100 each)	2,40,000	14% Debentures	4,00,000
Debenture interest	56,000	Rental income	28,000
Loose tools	46,000	Interest on Investment	24,000
Advance income tax	1,20,000	Unpaid dividend	10,000
Prepaid expenses	36,000		
Trade debtors	2,50,000		
Cash at bank	60,000		
	<b>24,36,000</b>		<b>24,36,000</b>

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You are required to prepare Statement of Profit and Loss for the year ended March 31, 2025 and Balance Sheet as on that date, along with the notes to accounts on Tangible Assets and Reserve and Surplus, only after taking into consideration the following information :

- (i) Stock-in-trade on 31.03.2025 exceeded the stock-in-trade as on 01.04.2024 by ₹ 60,000.
- (ii) Provide for bad debts @ 4% on debtors.
- (iii) Directors' remuneration includes ₹ 5,000 for those directors who attend only Board meetings and are not under a contract of service with the company.
- (iv) Make a provision for income tax @ 30%.
- (v) Depreciation expenses include depreciation of ₹ 16,000 on Buildings and that of ₹ 24,000 on Machinery.
- (vi) The Directors have recommended a dividend @ 25% on paid-up capital.
- (vii) Transfer 10% of the profit of the year to the General Reserve.

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7. Following is the Balance Sheet of Sunset Ltd. as on 31.03.2025 :

**Balance Sheet of Sunset Ltd. as at March 31, 2025**

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' funds :</b>		
(a) Share capital	1	11,00,000
(b) Reserve and Surplus : P/L balance		(2,30,000)
<b>2. Non-current liabilities :</b>		
Long-term borrowing : Secured Loan		50,000
<b>3. Current liabilities :</b>		
Trade payable : Creditors		1,25,000
<b>Total</b>		<b>10,45,000</b>
<b>II. ASSETS</b>		
<b>1. Non-current assets :</b>		
<b>PPE and Intangible Assets</b>		
(a) PPE	2	7,00,000
(b) Intangible assets	3	1,95,000
<b>2. Current assets :</b>		
(a) Inventories		1,35,000
(b) Trade receivables : Debtors		90,000
(c) Cash and cash equivalents	4	(75,000)
<b>Total</b>		<b>10,45,000</b>

**Notes to Balance Sheet (includes)**

Particulars	₹
<b>1. Share capital :</b>	
3,000, 5% Pref. shares of ₹ 100 each	3,00,000
8,000 Equity shares of ₹ 100 each	8,00,000
	<b>11,00,000</b>
<b>2. Property, Plant &amp; Equipment (PPE) :</b>	
Land and Building	4,50,000
Plant and Machinery	2,50,000
	<b>7,00,000</b>
<b>3. Intangible assets :</b>	
Goodwill	1,50,000
Patents	45,000
	<b>1,95,000</b>
<b>4. Cash and cash equivalents :</b>	
Bank balance	30,000
Bank overdraft	(1,05,000)
	<b>(75,000)</b>

The Company undertook the following scheme of internal reconstruction :

- (i) Equity Shares were to be reduced to shares of ₹ 50 each, fully paid up,
- (ii) Preference Shares were to be converted into 7% Preference Shares of ₹ 70 each, fully paid up,
- (iii) Sundry Creditors agreed to give up 1/5th of their claims provided they were paid off immediately,
- (iv) 5,000 Equity Shares of ₹ 50 each were to be issued for cash,
- (v) Expenses of reconstruction were to be ₹ 7,500.
- (vi) The company decided :
  - to write off Goodwill, deficit balance of Statement of Profit and Loss and Patents.
  - to write down Plant & Machinery by ₹ 45,000 and Inventories by ₹ 20,000.
  - to create a Provision for Doubtful Debts @ 5%.

Show necessary journal entries (narration not required) to give effect to the above scheme and also prepare the Balance Sheet of the company after reconstruction. 10+5

**Please Turn Over**

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Or

The Balance Sheet of EB Ltd. as on March 31, 2025 is as follows :

**Balance Sheet as on 31.03.2025**

Particulars	Note No.	₹
<b>I. EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' funds :</b>		
(a) Share capital : 60,000 Equity shares of ₹ 10 each		6,00,000
(b) Reserve and Surplus	1	2,82,000
<b>2. Current liabilities :</b>		
Trade payables	2	1,33,000
Short-term provision : Provision for tax		1,10,000
<b>Total</b>		<b>11,25,000</b>
<b>II. ASSETS</b>		
<b>1. Non-current assets :</b>		
Property, Plant and Equipment : Tangible assets	3	4,87,800
<b>2. Current assets :</b>		
(a) Inventories		3,87,400
(b) Trade receivables	4	91,000
(c) Cash and cash equivalents	5	1,58,800
<b>Total</b>		<b>11,25,000</b>

**Notes to Balance Sheet (includes)**

Particulars	₹
<b>1. Reserve and Surplus :</b>	
Prior Incorporation profit	21,000
Contingency Reserve	1,35,000
Surplus in Profit and Loss	1,26,000
	<b>2,82,000</b>
<b>2. Trade payables :</b>	
Creditors	1,13,000
Acceptances	20,000
	<b>1,33,000</b>

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Particulars	₹
<b>3. Tangible assets :</b>	
Freehold Premises	2,20,000
Machinery	1,77,000
Furniture & Fittings	90,800
	<b>4,87,800</b>
<b>4. Trade receivables :</b>	
Debtors	80,000
Less : Provision for bad debt	4,000
	76,000
Bills receivable	15,000
	<b>91,000</b>
<b>5. Cash and cash equivalents :</b>	
Cash in hand	2,300
Cash at bank	1,56,500
	<b>1,58,800</b>

MB Ltd. decided to take over EB Ltd. from March 31, 2025, with the following assets at value noted against them :

Bills Receivable ₹ 15,000; Freehold Premises ₹ 4,00,000; Furniture & Fittings ₹ 80,000; Machinery ₹ 1,60,000; Inventories ₹ 3,45,000.

1/4th of the consideration was satisfied by the allotment of fully paid preference shares of ₹ 100 each at par, carrying a 13% cumulative dividend. The balance was paid in the form of MB Ltd.'s Equity shares of ₹ 10 each, ₹ 8 paid-up.

Sundry Debtors realised ₹ 79,500. Acceptances were settled for ₹ 19,000. The income tax authorities fixed the tax liability at ₹ 1,11,600. Creditors were finally settled using the cash remaining after the liquidation expenses of ₹ 4,000 were met.

You are required to :

- Prepare the Realisation A/c and Equity Shareholders A/c in the books of EB Ltd.;
- Pass Journal entries in the books of MB Ltd. with narration.

(6+4)+5

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