DSC-C-232: Corporate Accounting (Gujarat University 2024 Paper Solution)

Q.1: Hanie Limited:

Step - 1: Gross Profit 25% of Sales 25% of 30,00,000 **750,000**

Step - 2: Calculate two ratios:

(1) Time Ratio:

Date of Purchase	1/1/2024	
Date of Incorporation	1/5/2024	
Date of Final Accounts	31/10/2024	
Pre-Incorporation period is 1-1-24 to 30-4-24		4 months
Post-Incorporation period is 1-5-24 to 31-10-24		6 months
So, Time ratio is 4:6	**2:3**	

(2) Sales/Turnover Ratio:

Total Sales		30,00,000
Pre-Incorporation Sales		7,50,000
Post-Incorporation Sales		22,50,000
So, Sales Ratio is 15:45	**1:3**	

Step - 3:

Statement Showing Apportionment of Profit between Pre and Post Incorporation

Particulars	Basis for Allocation	Pre-Incorporation		Post-Incorporation	
		Expenses	G.P. & Income	Expenses	G.P. & Income
Gross Profit	Turnover		187,500		562,500
Commission on sales	Turnover	7,500		22,500	
Bad Debts Reserve	Post			12,000	
Salaries	Time	48,000		72,000	
Rent (W.N. 1)	As given	10,000		15,000	
General Expenses	Time	6,000		9,000	
Preliminary Expenses	Post			20,000	
Share Transfer Fees	Post				2,000
Audit Fees	Time	6,000		9,000	
Interest paid to vendor	Pre	16,000			
Bad Debts	As given	5,000		15,000	
Salesman allowance	Turnover	2,500		7,500	
Depreciation	Time	18,000		27,000	
Salesman Salary	Time	6,400		9,600	
Advertisement expenses	Turnover	2,000		6,000	
Net Profit		**60,100**		**339,900**	
		187,500	**187,500**	**564,500**	**564,500**

W.N.-1: **Rent**

Pre-incorporation rent	2,500 × 4	**10,000**
Post-incorporation rent	3,000 × 5	**15,000**

because building was purchased on 1-10-24

so there is no need to pay rent of October.

OR Q.1:

In the books of Dhairya Limited

Step - 1: **Net Assets = Total Assets - Total Liabilities**

Total Assets		Amount (₹)
Goodwill		12,500
Building		60,000
Machinery		20,000
Stock		12,500
Debtors		23,000
Investment		2,500
Bills Receivables		6,000
Bank Balance		11,000
Total Assets		147,500
Less: Total Liabilities:		
Creditors	12,500	
Bills Payable	5,000	17,500
Net Assets		**130,000**

Step - 2: **Purchase Consideration**

Particulars		Amount (₹)
Equity Share Capital	(5,000 shares x ₹ 10 each)	50,000
Security Premium	(5,000 shares x ₹ 2 each)	10,000
6% Debentures		37,500
Cash (Remaining amount)		**32,500**
Purchase Consideration		**130,000**

Journal Entries in the books of Dhairya Limited

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
1	Goodwill A/c	Dr.		12,500	
	Building A/c	Dr.		60,000	
	Machinery A/c	Dr.		20,000	
	Stock A/c	Dr.		12,500	
	Debtors A/c	Dr.		23,000	
	Investment A/c	Dr.		2,500	
	Bills Receivable A/c	Dr.		6,000	
	Bank Balance A/c	Dr.		11,000	
	To Creditors A/c				12,500
	To Bills Payable A/c				5,000
	To A and B A/c				130,000
	(Being All assets and liabilities except Bank loan has taken over)				
2	A and B A/c	Dr.		130,000	
	To Equity Share Capital A/c				50,000
	To Security Premium A/c				10,000
	To 6% Debentures A/c				37,500
	To Cash A/c				32,500
	(Being Purchase Consideration was paid)				
3	Goodwill A/c	Dr.		1,000	
	To Cash A/c				1,000
	(Being dissolution expenses was borne)				
4	Preliminary Expenses A/c	Dr.		1,500	
	To Cash A/c				1,500
	(Being preliminary expenses was paid)				

Balance Sheet of Dhairya Limited

Particulars	Note No.	Amount
I. EQUITY AND LIABILITIES:		
(1) Shareholder's Funds:		
(a) Share Capital:		
Equity Share Capital		50,000
(5,000 shares of ₹ 10 each)		
(b) Reserves & Surplus:		
Security Premium (5,000 shares of ₹ 2 each)		10,000
(2) Non-Current Liabilities:		
6% Debentures		37,500
(3) Current Liabilities:		
Creditors		12,500
Bills Payable		5,000
Bank Overdraft		24,000
TOTAL		**139,000**

II. ASSETS:		
(1) Non-Current Assets:		
(a) Fixed Assets:		
Intangible Assets: Goodwill (12,500 + 1,000)		13,500
Tangible Assets: Building		60,000
Machinery		20,000
(b) Other Non-Current Assets:		
Preliminary Expenses		1,500
(2) Current Assets:		
Stock		12,500
Debtors		23,000
Investment		2,500
Bills Receivable		6,000
Cash and Bank Balance		--
(11,000 - 32,500 - 1,000 - 1,500) = -24,000		
TOTAL		**139,000**

Q.2:

Capital Reduction Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Preference Dividend	12,500	By 6% Pref. Share Capital	100,000
To Goodwill A/c	45,000	(25,000 shares x ₹ 4 each)	
To Profit & Loss A/c (Debit)	150,000	By Equity Share Capital	300,000
To Preliminary Expenses A/c	6,500	(50,000 shares x ₹ 6 each)	
To Land & Building	50,000	By O/s Interest on Debentures	10,000
To Plant & Machinery	50,000		
To Patents	75,000		
To Furniture	10,000		
To Provision for Bad Debts	2,500		
(50,000 x 5%)			
To Capital Reserve A/c (Bal.)	**8,500**		
	410,000		**410,000**

Journal Entries in the books of ABC Limited

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	6% Pref. Capital A/c Dr.		100,000	
	Equity Share Capital A/c Dr.		300,000	
	To Capital Reduction A/c			400,000
	(Being Pref. Share Capital and Equity Share Capital reduced as per scheme)			

2	O/s Interest on Debentures A/c Dr.		10,000	
	To Capital Reduction A/c			10,000
	(Being o/s interest on debentures waived)			
3	Capital Reduction A/c Dr.		12,500	
	To Preference Dividend A/c			12,500
	(Being provision for pref. dividend made)			
4	Preference Dividend A/c Dr.		12,500	
	To Cash A/c			12,500
	(Being preference dividend is paid)			
5	Capital Reduction A/c Dr.		201,500	
	To Goodwill A/c			45,000
	To Profit & Loss A/c			150,000
	To Preliminary Expenses A/c			6,500
	(Being goodwill, profit & loss a/c debit balance and preliminary expenses are to be written off)			
6	Capital Reduction A/c Dr.		185,000	
	To Land & Building A/c			50,000
	To Plant & Machinery A/c			50,000
	To Patents A/c			75,000
	To Furniture A/c			10,000
	(Being land & building, plant & machinery, patents and furniture are to be written off)			
7	Capital Reduction A/c Dr.		2,500	
	To Debtors A/c			2,500
	(Being provision for bad debt is made)			
8	Capital Reduction A/c Dr.		8,500	
	To Capital Reserve A/c			8,500
	(Being balance is transferred to capital reserve account)			

Balance Sheet of ABC Limited

Particulars	Note No.	Amount
I. EQUITY AND LIABILITIES:		
(1) Shareholder's Funds:		
(a) Share Capital:		
Equity Share Capital (5,00,000 - 3,00,000)		200,000
6% Pref. Share Capital (2,50,000 - 1,00,000)		150,000
(b) Reserves & Surplus:		
Capital Reserve		8,500
(2) Non-Current Liabilities:		
(a) Long term borrowings: Debentures		100,000
(3) Current Liabilities:		
(a) Trade Payables: Creditors		50,000
TOTAL		**508,500**

II. ASSETS:		
(1) Non-Current Assets:		
(a) Fixed Assets:		
(i) Tangible Assets		
Land & Building (2,00,000 - 50,000)		150,000
Furniture (20,000 - 10,000)		10,000
Plant & Machinery (2,00,000 - 50,000)		150,000
(ii) Intangible Assets		
Patents (1,00,000 - 75,000)		25,000
(2) Current Assets:		
(a) Inventories: Stock		125,000
(b) Trade Receivable: Debtors (50,000 - 2,500)		47,500
(c) Cash & Cash Equivalents: Bank Balance (13,500 - 12,500)		1,000
TOTAL		**508,500**

OR Q.2(A):

Journal Entries in the books of ABC Limited

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Capital Reduction A/c Dr.		24,000	
	To Preference Dividend A/c			24,000
	(Being provision for pref. dividend made)			
2	Preference Dividend A/c Dr.		24,000	
	To Cash A/c			14,000
	To Equity Share Capital A/c			10,000
	(Being Preference Dividend is to be paid in cash and equity share capital)			

Q.3 (1)

Journal Entries in the books of Bank of Baroda

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
31/3/23	Yogesh's A/c Dr.		37,500	
	To Interest Suspense A/c (3,00,000 × 12.5%)			37,500
	(Being interest accrued on doubtful debt)			
31/3/24	Cash A/c Dr.		236,250	
	To Yogesh's A/c (300,000 + 37,500) × 70%			236,250
	(Being amount received from Yogesh)			

31/3/24	Bad Debt A/c Dr.		90,000	
	To Yogesh's A/c			90,000
	(3,00,000 × 30%)			
	(Being amount of loan not recovered)			
31/3/24	Interest Suspense A/c Dr.		37,500	
	To Interest A/c (Received)			26,250
	To Yogesh's A/c (Not Recd.)			11,250
	(Being amount of interest received)			
31/3/24	Interest A/c Dr.		26,250	
	To Profit & Loss A/c			26,250
	(Being interest received trf. to P & L A/c)			

Q.3 (2)

Journal Entries in the book of National Bank Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
31/12/23	Rebate on Bills Disounted A/c Dr.		7,000	
	To Interest & Discount A/c			7,000
	(Being reverse entry for last year's rebate)			
31/12/23	Interest & Discount A/c Dr.		5,870	
	To Rebate on Bills Discounted A/c			5,870
	(W. N. - 1)			
	(Being adjustment of current year's rebate)			
31/12/23	Discount A/c Dr.		38,630	
	To Profit & Loss A/c			38,630
	(37,500 + 7,000 - 5,870)			
	(Being net discount transferred to P & L A/c)			

W.N.-1: The total discount received in advance on all the four bills would be calculated as under:

No.	Amount	Rate of Rebate	No. of Days	Amount of Discount	
1	182,500	5%	65 days	**1,625**	(1,82,500 × 5% × 65/365)
			(1-1-24 to 6-3-24)		
2	125,000	4.50%	73 days	**1,125**	(1,25,000 × 4.5% × 73/365)
			(1-1-24 to 14-3-24)		
3	73,000	6%	85 days	**1,020**	(73,000 × 6% × 85/365)
			(1-1-24 to 26-3-24)		
4	109,500	7%	100 days	**2,100**	(1,09,500 × 7% × 100/365)
			(1-1-24 to 10-4-24)		
Total Amount of Rebate of Current Year				**5,870**	

Q.3 (3) In the books of BOB Bank Ltd. for the year ended on 31-03-24

Schedule - 11: Other Assets

Particulars	Amount
Tax paid in advance	63,000
Interest Accrued	54,000
Stock of Stationery and Stamps	45,000
Non-banking assets acquired in satisfaction of claims	1,620,000
Inter Office Adjustments (Net)	1,800,000
TOTAL	**3,582,000**

Q.4

ABC Ltd. (In Voluntary Liquidation)
Liquidator's Final Statement of Account

Receipts		Amount	Payments		Amount
To Cash and Bank		--	**By Secured Creditors**		--
To Realization of Assets			**By Liquidator's Expenses** (W.N. - 1)		291,000
Land & Building	1,968,000		**By Preferential Creditors**		
Stock	326,000		Preferential Creditors		210,000
Plant & Machinery	1,424,000		Income Tax Payable		89,000
Debtors	2,382,000	6,100,000	**By Debenture holders**		
			15% Debentures		800,000
			By Unsecured Creditors		
			Sundry Creditors		1,484,000
			Bank Overdraft		606,000
			By 6% Pref. Shareholders	2,000,000	
			Add: Pref. Dividend (20,00,000 x 6% x 2 years)	240,000	2,240,000
			By 'A' Eq. shareholders (W.N.2)		240,000
			By 'B' Eq. shareholders (W.N.2)		140,000
		6,100,000			**6,100,000**

W.N. - 1: Liquidator's Expenses and Remuneration

Particulars		Amount
Liquidation Expenses		108,000
Add: 3% remuneration on assets realized	(61,00,000 x 3%)	183,000
	TOTAL	**291,000**

W.N. - 2: Payment to Equity Shareholders

After payment of Pref. shareholders surplus balance is ₹ 3,80,000

Capital Deficiency = Total amount of Eq. share capital - Surplus
= ₹ 11,00,000 - ₹ 3,80,000 = ₹ 7,20,000

Distribution of Capital Deficiency
As the face value of both types of equity shares are equal, the defficiency will be divided in the proportion of no. of shares

A 10,000 shares
B 10,000 shares
So, the ratio of no. of shares is 1 : 1

Capital Deficiency of A eq. shares = 7,20,000 × 1/2 = ₹ 3,60,000
Capital Deficiency of B eq. shares = 7,20,000 × 1/2 = ₹ 3,60,000

Amount to be Called or to be Returned:

	Paid up capital	-	Capital Deficiency	=	Difference	
A	600,000	-	360,000	=	**240,000**	**Returned**
B	500,000	-	360,000	=	**140,000**	**Returned**

OR Q.4 (A) **Liquidator's Remuneration and Payment to Unsecured Creditors**

Liquidator's Remuneration = $\frac{\text{Available Balance} \times \text{Rate of Commission}}{100 + \text{Rate of Commission}}$

$= \frac{2{,}06{,}000 \times 3}{100 + 3}$

$= \frac{6{,}18{,}000}{103}$

= ₹ 6,000

Payment to Unsecured Creditors = Available Balance - Liquidator's Remuneration
= ₹ 2,06,000 - ₹ 6,000
= ₹ 2,00,000

Q.5 Multiple Choice Questions (MCQs):

1	(b) Pre incorporation period
2	(c) Revenue profit
3	(d) Net assets of business
4	(c) Capital reserve
5	(c) Debited to capital reduction fund account
6	(b) Contingent liability account
7	(a) Credit balance
8	(a) Interest suspense account
9	(d) Loss assets
10	(b) Bills receivable
11	(a) 100 days
12	(b) On completion of liquidation