

CORPORATE ACCOUNTING

QUESTION BANK

UNIT -1: ISSUE OF SHARES

PART – A

FIVE-MARK QUESTIONS

1. List the permitted uses of securities premium account
2. Define
 - a. Calls in advance
 - b. Calls in arrear
3. X Ltd issued 10,000 Equity shares of Rs 100 each. All shares were subscribed and paid. Pass journal entries for the following situations
 - a. Shares are issued at par
 - b. Shares are issued at 10% premium
4. X Ltd issued 10,000 Shares of Rs 100 each for the following purpose. Pass necessary journal entries
 - a. 5,000 shares were issued for purchase of machinery
 - b. 5,000 shares were issued to promoter
5. Give model journal entries for forfeiture when shares are issued at par
 - a. Forfeiture entry
 - b. Re issue entry
 - c. Capital reserve transfer entry
6. Ram a shareholder purchased 100 shares of RS 10 each, he paid application money Rs 4, allotment money Rs 4 and failed to pay call money Rs 2. His shares were forfeited and re issued to siva for Rs 9. Pass journal entries for forfeiture
7. The directors of Z ltd forfeit 10 shares of Rs 50 each belonging to karthik who had paid Rs 5 per share on application, Rs 10 on allotment, Rs 15 on first call but failed to pay the final call of Rs 20. The same shares were re issued to Raj as fully paid on receipt of Rs 400. Pass journal entries for forfeiture and re issue

PART –B

15 MARK QUESTIONS

1. Define and differentiate between equity share capital and preference share capital
2. Define forfeiture and explain the procedure for forfeiture with model journal entries
3. A ltd issued 10000 shares of Rs 10 at a premium of RS 2 each, issued as follows

- a. On applications Rs 2
- b. On allotment Rs 4
- c. On first call Rs 4
- d. On final call Rs 2

Applications received for 12,000 shares, excess application money refunded.
Pass journal entries and prepare share capital account and bank account

4. A Ltd issued 10000 shares of Rs 10 each, issued as follows
- a. On applications Rs 2
 - b. On allotment Rs 4
 - c. On first call Rs 2
 - d. On final call Rs 2

All shares were subscribed and paid, Pass journal entries and prepare share capital account and bank account

5. A Ltd issued 10000 shares of Rs 10 each, issued as follows
- a. On applications Rs 2
 - b. On allotment Rs 4
 - c. On first call Rs 2
 - d. On final call Rs 2

Applications received for 9,000 shares, all shares were paid except a shareholder holding 100 shares. He fails to pay final call money. His shares were forfeited and reissued for Rs 9 per share. Pass journal entries for overall issue and forfeiture.

6. The directors of M Ltd forfeit 100 shares of Rs 100 each belonging to Subha who had paid Rs 10 per share on application, Rs 20 on allotment, Rs 30 on first call but failed to pay the final call of Rs 40. Out of which 80 shares were re issued to Pranesh as fully paid on receipt of Rs 6400. Pass journal entries for forfeiture and re issue,
7. A company issued 10,000 equity shares of Rs 10 each at a premium of Rs 3 per share, payable as follows
- a. On application Rs 5
 - b. On allotment Rs 5 (including premium)
 - c. The balance on call

All the shares offered were applied and allotted. All the money due were received except a share holder having 100 shares. He was failed to pay call money, his shares were forfeited and re issued to sundar for Rs 9 per share. Pass necessary journal entries for issue and forfeiture.

UNIT -2: REDEMPTION OF PREFERENCE SHARES

PART – A

FIVE-MARK QUESTIONS

1. List out any five revenue reserves
2. List out any five capital reserves
3. From the following, calculate the amount of fresh issue of shares
 - a. Redeemable preference shares Rs 80,000
 - b. Premium on redemption 5%
 - c. Profit and loss account Rs 50,000
 - d. Securities premium Rs 4,000
4. Pass journal entries for redemption of preference shares to the following situation

X co ltd redeems 1,00,000 (9%) preference shares of Rs 10 each at par out of revenue reserves (general reserve)

5. Pass journal entries for redemption of preference shares to the following situation

Y co ltd redeems 10,000 (10%) preference shares of Rs 10 each out of fresh issue of equity shares of Rs 100 each

6. The following extract from the balance sheet of Vijay ltd as on 31st December 2025.

Particulars	Amount
2,00,000 equity shares of Rs 10 each	20,00,000
2,00,000, 6% redeemable preference shares of Rs 10 each	20,00,000
General reserve	6,00,000
Profit and loss account	17,00,000

The company decided to redeem the preference shares out of its revenue reserves. Pass necessary journal entries.

7. A company having general reserve balance of Rs 60,000. It wants to redeem the redeemable preference shares of Rs 2,00,000. Calculate the value of fresh issue of shares issued for redemption purpose.

PART – B

15 MARK QUESTIONS

1. Explain the rules relating to redemption of preference shares
2. Write down the model journal entries for redemption of preference shares
3. The balance sheet of vetri ltd as on 31-3-2019 was as follows

Liabilities	Rs	Assets	Rs
Share capital		Sundry assets	9,20,000
50,000 equity shares of Rs 10 each, fully paid	5,00,000	Bank balance	6,00,000
4,000 redeemable preference shares of Rs 100 each fully paid	4,00,000		
Profit and loss a/c	5,20,000		
Creditors	1,00,000		
	15,20,000		15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and prepare amended balance sheet.

4. On 31.12.2019, the balance sheet of sundaram ltd stood as follows

Liabilities	Rs	Assets	Rs
Equity share capital	5,00,000	Sundry assets	7,60,000
Redeemable preference share capital	2,00,000	Bank	1,90,000
General reserve	1,50,000		
Sundry creditors	1,00,000		
	9,50,000		9,50,000

On the above date, the preference shares had to be redeemed. For this purpose, 1,000 equity shares of Rs 100 each were issued at Rs 110. The shares were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and balance sheet after redemption.

5. The balance sheet of ABC & CO ltd on 31.3.2026 stood as follows

Liabilities	Rs	Assets	Rs
Equity shares of Rs 100 each	5,00,000	Fixed assets	8,00,000
9% redeemable preference shares of Rs 100 each	3,00,000	Investments	1,00,000
Securities premium	50,000	Bank balance	2,00,000
Capital reserve	1,00,000	Other current assets	5,00,000
P&L account	2,00,000		
10% debentures	3,00,000		

Creditors	1,50,000		
	16,00,000		16,00,000

For redemption of preference shares, following adjustments were made by the company

1. Company sold investments for Rs 1,10,000
2. It issued 3,000 equity shares of Rs 100 each at a premium of 10% for redemption purpose
3. Revenue reserves are not utilised for redemption

Pass journal entries and prepare balance sheet after redemption.

6. The following is the balance sheet of Raman co ltd as on 31.12.2025

Liabilities	Rs	Assets	Rs
1,000, 6% preference shares of Rs 100 each fully paid	1,00,000	Fixed assets	3,10,000
20,000 equity shares of Rs 10 each	2,00,000	Cash at bank	1,40,000
Profit and loss account	1,20,000		
Sundry creditors	30,000		
	4,50,000		4,50,000

The company decided to redeem the preference shares at a premium of 2% out of profits. Pass journal entries for redemption and prepare balance sheet after redemption.

7. The following is the balance sheet of Rubi co ltd as on 31.12.2025

Liabilities	Rs	Assets	Rs
1,000, redeemable preference shares of Rs 100 each fully paid	1,00,000	Sundry assets	3,65,000
2000 equity shares of Rs 100 each	2,00,000	Bank balance	1,40,000
Profit and loss account	1,30,000		
Sundry creditors	75,000		
	5,05,000		5,05,000

The company decided to redeem the preference shares at a par out of profits. Pass journal entries for redemption and prepare balance sheet after redemption.

UNIT -3: ISSUE AND REDEMPTION OF DEBENTURES

PART – A

FIVE-MARK QUESTIONS

1. Define debenture and explain the advantages of issuing debenture
2. Write note on redemption of debenture using sinking fund method
3. Timex Ltd issued 1,000 , 8% debentures of Rs 100 each. Give journal entries in the books of the company for the following situations
 - a. Issued at par and repayable at par
 - b. Issued at discount of 5% and repayable at par
4. Baba Ltd issued 100 , 9% debentures of Rs 100 each. Give journal entries in the books of the company for the following situations
 - a. Issued at premium of 10% and repayable at par
 - b. Issued at par and repayable at a premium of 10%
5. Goodwill Ltd issues 1,000, 6% debentures of Rs 100 each. Give journal entries in each of the following cases
 - a. The debentures are issued and redeemable at par
 - b. They are issued at a discount of 6% and redeemable at par
6. Winners Ltd issues 1,000, 6% debentures of Rs 100 each. Give journal entries in each of the following cases
 - a. The debentures are issued at a premium of 5% but redeemable at par
 - b. They are issued at a discount of 4% and redeemable at a premium of 5%
7. Anil Ltd issued 4,000, 5% debentures of Rs 100 each at a premium of 10%. Payable as follows
 - a. Rs 20 on application
 - b. Balance on allotment including premium

Pass necessary journal entries

PART – B

15 MARK QUESTIONS

1. What are the different types of debentures?
2. Differentiate between shares and debentures
3. Moon Ltd issued 50,000, 8% debentures of Rs 10 each to public at par. To be paid Rs 4 on application and the balance on allotment. Applications were received for 48,000 debentures. Allotment was made to all the applicants and the amount due were received promptly. Give journal entries and show how they appear in the balance sheet of company.
4. A Ltd company issued 2,000 debentures of Rs 100 each at a premium of 10%. The amount payable as follows
 - a. Rs 25 on application
 - b. Rs 35 on allotment (including premium)

- c. Rs 30 on first call
- d. Rs 20 on final call

All the money were duly received. Pass journal entries for the above transactions

5. A company issued 1,000 debentures of Rs 10 each , pass journal entries for the following situations
 - a. Issued at par, redeemable at par
 - b. Issued at a discount of 5%, redeemable at par
 - c. Issued at a premium of 10%, redeemable at par
 - d. Issued at par, redeemable at a premium of 10%
 - e. Issued at a discount of 5%, repayable at a premium of 10%
6. M Ltd company issued 1,000 debentures of Rs 100 each at a premium of 5%. The amount payable as follows
 - a. Rs 25 on application
 - b. Rs 30 on allotment
 - c. Rs 30 on first call
 - d. Rs 20 on final call

All the money were duly received. Prepare the following ledger accounts

- i. Debenture a/c
- ii. Bank a/c
- iii. Securities premium a/c

7. On 01.01.2018, y Ltd issued 4,000, 12% debentures of Rs 100 each payable at the end of the 4th years at a premium of 5%. It has been decided to institute a sinking fund for this purpose, the investment being expected to realise 4% net. Sinking fund table shows that 0.235490 amounts to Rs 1 @ 4% in four years. Investments were made in multiples of hundred only.

On 31.12.2021, the balance at bank was Rs 1,18,000 and the investments realised Rs 3,13,600. The debentures were paid off. Give journal entries for the above transactions.

UNIT -4: PROFIT PRIOR TO INCORPORATION & FINAL ACCOUNTS

PART – A

FIVE MARK QUESTIONS

1. Draw a specimen of statement of profit and loss for a company
2. Define
 - a. Time ratio
 - b. Sales ratio
3. From the following data, calculate profit prior to incorporation
 - a. Time ratio 1:2
 - b. Sales ratio 1:3
 - c. Gross profit Rs 1,70,500
 - d. Administrative expenses Rs 69,600
 - e. Expenses relating to sales Rs 18,600
 - f. Preliminary expenses Rs 11,560
4. Abc Ltd incorporated on 1st July 2025. The business was purchased on 1st April 2025. Its books are closed on 31st March 2026. The sales for the year was as follows
 - a. 1st April to 30th June 2026 sales amounted to Rs 3,00,000
 - b. 1st July to 31st March 2026 sales amounted to Rs 9,00,000
 find out
 - i. Time ratio
 - ii. Sales ratio
5. From the following information, prepare a balance sheet of a company in prescribed format
 - a. Good will – Rs 1,50,000
 - b. Investments –Rs 2,00,000
 - c. Share capital – Rs 5,00,000
 - d. Reserves –Rs 1,10,000
 - e. Securities premium –Rs 15,000
 - f. Preliminary expenses –Rs 10,000
 - g. Profit and loss account (Cr)—Rs 25,000
 - h. Debentures –Rs 2,50,000
 - i. Other fixed assets – Rs 4,70,000
 - j. Stock –Rs 80,000
 - k. Debtors –Rs 60,000
 - l. Bank balance –Rs 30,000
 - m. Unsecured loan –Rs 65,000
 - n. Sundry creditors –Rs 35,000
6. The following trial balance was extracted from the books of XYZ Ltd as on 31.3.2026. prepare statement of profit and loss

Sales	8,00,000
Opening stock	80,000
Purchases	5,00,000

Closing stock	1,00,000
Wages	60,000
Salaries	50,000
Office expenses	20,000
Depreciation	10,000
Interest on debentures	8,000
Income tax	15,000
Transfer to general reserve	20,000

7. Where (head and side) the following items will appear in the balance sheet
- Closing stock
 - Outstanding interest on debenture
 - Provision for bad debts
 - Current year profit
 - Outstanding salary

PART – B

15 MARK QUESTIONS

- Draw the specimen of balance sheet of limited company
- Write note on accounting treatment of following items in final accounts
 - Proposed dividend
 - Payment of advance income tax
 - Outstanding interest on debentures
- From the following particulars, ascertain profit prior to incorporation
 - Time ratio –3:5
 - Sales ratio—4:6
 - Gross profit –Rs 10,00,000
 - Expenses debited to profit and loss account

Salaries	96,000
General expenses	12,000
Discount on sales	40,000
Advertisement	50,000
Preliminary expenses	70,000
Rent & rates	15,000
Printing & stationary	65,000
Income credited to profit and loss account	
Rent received	18,000
Interest received	50,000

4. Ganesh Ltd was registered on 01-07-2017 to acquire the running business of sunil & co with effect from 01.01.2017. the following was the profit and loss account of the company on 31-12-2017.

Particulars	Rs	Particulars	Rs
To office expenses	54,000	By gross profit b/d	2,25,000
To formation expenses (written off)	10,000		
To stationary & postage	5,000		
To selling expenses	60,000		
To directors fees	20,000		
To net profit	76,000		
	2,25,000		2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

5. A co ltd was incorporated on may 1, 2018 to take over the business of X & co as going concern from 1.1.2018. the profit and loss account for the year ended 31.12.2018 was as follows.

Particulars	Rs	Particulars	Rs
To rent & taxes	12,000	By trading account(gross profit)	1,55,000
To insurance	3,000		
To electricity charges	2,400		
To salaries	36,000		
To directors fees	3,000		
To auditors fees	1600		
To commission	6,000		
To advertisement	4,000		
To discount	3,500		
To office expenses	7,500		
To carriage	3,000		
To bank charges	1,500		
To preliminary expenses	6,500		
To bad debts	2,000		
To interest on loan	3,000		
To net profit	60,000		
	1,55,000		1,55,000

The total turnover for the year ending 31.12.2018 was Rs 5,00,000 divided into Rs 1,50,000 for the period up to 01.05.2018 and Rs 3,50,000 for the remaining period. Prepare a statement to find out pre incorporation and post incorporation profit.

6. The following is the trial balance of Nallis ltd as on 30th December 2018 is given below.

Debits	Rs	Credit	Rs
Stock (01.01.2018)	80,000	8,000 equity shares of Rs 100 each, Rs 75 paid	6,00,000
Bank	17,600	6% debentures	2,00,000
Patents	60,000	Sundry creditors	1,00,000
Calls in arrear	20,000	General reserve	80,000
Return inwards	30,000	Sales	10,00,000
Purchases	7,72,000	Returns outward	20,000
Wages	1,08,000	P&L a/c (Cr)	12,000
Prepaid insurance	400		
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant & machinery	4,00,000		
Land & building	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment expenses	60,000		
	20,12,000		20,12,000

Additional information

- The value of stock on 31st December 2018 was Rs 74,000
- Outstanding wages totalled Rs 10,000
- A provision 5% is to be created on sundry debtors for doubtful debts
- Depreciate
 - Patents @ 10%
 - Plant and machinery @ 7.5%
 - Land and building @ 4%

You are required to prepare statement of profit and loss for the year ended 31.12.2018 and balance sheet as on that date.

7. Moon & star Co ltd is a company with an authorised capital of Rs 5,00,000 divided into 5,000 equity shares of Rs 100 each. On 31.12.2015, out of the above shares,

2500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015

Debits	Rs	Credit	Rs
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & loss a/c (cr)	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (up to 31.03.2016)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisement	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls in arrear	5,000		
	6,60,270		6,60,270

You are required to prepare statement of profit and loss for the year ended 31.12.2015 and a balance sheet on that date. The following further information is given

- a. Closing stock was valued at Rs 1,91,500
- b. Depreciation on
 - a. Plant -- 15%
 - b. Furniture—10%
 - c. A tax provision of 8,000 is considered necessary
 - d. The directors declared an interim dividend on 15.08.2015 for 6 months ending June 30 of 2015 @ 6%.

UNIT -5: INTERNAL RECONSTRUCTION

PART – A

FIVE- MARK QUESTIONS

1. Define internal reconstruction or capital reduction
2. List the five alterations can be done by company without court approval
3. Beta Ltd has 60,000 equity shares of Rs 100 each, Rs 80 per share called up. Now the company decides to pay off Rs 20 per share of the paid up capital and the same time to reduce the Rs 100 share to Rs 60 share fully paid up by cancelling the unpaid amount. Give journal entries.
4. Give journal entries for the following using capital reduction account
 - a) 30,000 equity shares of Rs 10 each fully paid reduced to shares of Rs 5 each fully paid
 - b) 300, 9% debentures of Rs 1000 each converted into 1,500 12% debentures of Rs 100 each.
5. Journalise the following transactions using capital reduction account
 - a. 5,000 equity shares of Rs 10 each are reduced to fully paid shares of Rs 6 each
 - b. 20,000, 9% preference shares of Rs 10 each are converted into 8% preference shares of Rs 8 each fully paid
6. Journalise the following transactions using capital reduction account
 - a. A company decides to reduce Rs 3 per share on its 80,000 equity shares of Rs 10 each, fully paid
 - b. a company reduces its 5,000, 8% debentures value from 100 to 80
7. Journalise the following transactions using capital reduction account
 - a. creditors have agreed to reduce their claims by Rs 50,000
 - b. value of building appreciated by Rs 40,000

PART – B

15-MARK QUESTIONS

1. Differentiate between internal reconstruction and external reconstruction
2. write note on capital reduction account and draw the specimen of capital reduction account

3. Given below is the balance sheet of a company as on 31-3-2020

Liabilities	Rs	Assets	Rs
2,000 preference shares of Rs 100 each	2,00,000	Goodwill	1,20,000
3,000 ordinary shares of Rs 100 each	3,00,000	Fixed assets	2,50,000
Securities premium	50,000	Current assets	1,80,000
Other liabilities	1,50,000	Preliminary expenses	15,000
		P&L a/c	1,35,000
	7,00,000		7,00,000

During 2020-21, the following resolutions were implemented

- a) To reduce the face value of the preference and equity shares to Rs 50 each
- b) To write off other assets (except real assets) by utilising securities premium to the required extent.

Pass journal entries and prepare the balance sheet after reconstruction.

4. The following is the summarised balance sheet of reckless Co ltd as on 31st march 2017

Liabilities	Rs	Assets	Rs
5,000 equity shares of Rs 100 each	5,00,000	Sundry assets	2,02,800
		Profit and loss account	2,97,200
	5,00,000		5,00,000

The company has decided to reduce its losses by capital reduction scheme; it reduces all its equity shares into an equal number of fully paid equity shares of Rs 10 each. Pass journal entries and prepare balance sheet after reconstruction.

5. The balance sheet of Gloomy ltd was as follows

Liabilities	Rs	Assets	Rs
4,000 shares of Rs 100 each fully paid	4,00,000	Goodwill	60,000
6% debentures	2,00,000	Land & buildings	1,00,000
Sundry creditors	2,50,000	Plant & machinery	4,00,000
		Stock	90,000

		Sundry debtors	60,000
		Preliminary expenses	10,000
		Profit & loss a/c	1,30,000
	8,50,000		8,50,000

In order to reconstruct the company, wiping of fictitious and intangible assets and writing down plant and machinery to 3,00,000. The shares were reduced to Rs 20 each. Draft necessary journal entries and prepare balance sheet after reconstruction.

6. Sick Ltd had the following balance sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
6% preference shares of Rs 100 each	2,00,000	Goodwill	60,000
Equity shares of Rs 100 each	4,00,000	Fixed assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Sundry creditors	1,50,000	Debtors	60,000
		Discount on debentures	10,000
		Bank	1,000
		P&L a/c	2,69,000
	8,50,000		8,50,000

The following reconstruction scheme was approved

1. Preference shares to be reduced to Rs 60 each
2. Equity shares to be reduced by Rs 80 each
3. The amount thus made available to be utilised to write off fictitious assets including goodwill and Rs 50,000 from fixed assets

Give entries for reconstruction and prepare balance sheet after reconstruction.

7. The position of X Ltd on 31.12.2020 was as follows

Liabilities	Rs	Assets	Rs
12,000 shares of Rs 10 each	1,20,000	Land & buildings	30,000
Creditors	12,000	Machines	20,000
		Stock	32,000
		Debtors	10,000
		Cash	2,000
		P&L a/c	38,000
	1,32,000		1,32,000

The following scheme of reconstruction was submitted to and approved by the court.

1. Capital to be reduced to 12,000 shares of Rs 5 each fully paid, each shareholder on the register on 31.12.2020 receiving one Rs 5 share fully paid in exchange for each Rs 10 share
2. That the debit balance on profit & loss A/c be written off
3. Machines be reduced to Rs 14,000 and stock to Rs 16,000.

Show the journal entries necessary to give effect to the above scheme and the balance sheet as it would appear after reconstruction.