



PRACTICE SET
End Semester Examination, December, 2025

Program: B. Com.

Semester: III

Subject: Corporate Accounting - I

Subject Code: 32ACC201

Course Learning Objective:

The Objective of the course are classified as follows: -

CLO 1: To understand the concept, types, and accounting treatment for the issue and redemption of debentures, including compliance with legal provisions like Debenture Redemption Reserve (DRR).

CLO 2: To understand the legal and accounting procedures for redeeming preference shares and maintaining investment accounts, and to develop the skills to record related journal entries, analyze investment income, and perform valuation.

CLO 3: To understand and apply accounting treatments for internal reconstruction and amalgamation, including capital reduction, statement preparation, and post-amalgamation analysis.

CLO 4: To develop the ability to understand the need for valuation of shares and goodwill, and to apply appropriate methods for valuing it for various business purposes.

Course Outcome:

On completion of the Course, the students will be able to:

CO1: Identify types of debentures, record issue and redemption entries, explain legal requirements like DRR, and evaluate various redemption methods in real-world contexts.

CO2: Apply legal and accounting procedures for preference shares and investments, including redemption, bonus and rights issues, income analysis, and preparation of investment accounts.

CO3: Apply accounting treatments for internal reconstruction and amalgamation, including journal entries, balance sheet preparation, and analysis of their financial impact.

CO4: Explain the need for valuation, calculate goodwill using various methods, apply techniques for share valuation, and interpret results to support financial decision-making.

SECTION A

Question for Five (5) marks:

1. Define debenture and explain its main features. [CO1, Unit I, BTL – LOT, Remember]
2. Describe a convertible debenture and discuss its benefits to the investor. [CO1, Unit I, BTL – LOT, Remember]
3. Describe redemption of debenture by installments and provide accounting treatment. [CO1, Unit I, BTL – LOT, Remember]
4. List the advantages and disadvantages of redeeming debentures in lump sum. [CO1, Unit I, BTL – LOT, Remember]
5. Prepare the journal entry for the issue of 1,00,000 20% debentures of ₹100 each at par, at 10% premium and 10% discount. [CO1, Unit I, BTL – LOT, Apply]
6. Define preference shares and explain its advantages and disadvantages. [CO2, Unit II, BTL – LOT, Remember]
7. Differentiate between cumulative and non-cumulative preference shares and write its advantages. [CO2, Unit II, BTL – LOT, Understand]
8. Explain the purpose of issuing redeemable preference shares. [CO2, Unit II, BTL – LOT, Understand]
9. Explain the term Investment and classify it according to tenure. [CO2, Unit II, BTL – LOT, Understand]
10. Describe the journal entries for the purchase of investments on cum-interest and ex-interest basis. [CO2, Unit II, BTL – LOT, Remember]

11. Describe the term Amalgamation of Companies. What are its types? [CO3, Unit III, BTL – LOT, Remember]
12. State the list of conditions which satisfied Amalgamation is in the nature of merger. [CO3, Unit III, BTL – LOT, Remember]
13. Define purchase consideration. List the methods to find purchase consideration. [CO3, Unit III, BTL – LOT, Remember]
14. Describe the meaning of and objectives of internal reconstruction. [CO3, Unit III, BTL – LOT, Remember]
15. Explain the modes or methods of internal reconstruction. [CO3, Unit III, BTL – LOT, Understand]
16. Define Goodwill. Why is it considered an intangible asset? [CO4, Unit IV, BTL – LOT, Remember]
17. State any four factors that affect the value of Goodwill. [CO4, Unit IV, BTL – LOT, Remember]
18. Explain any four factors influencing the valuation of shares. [CO4, Unit IV, BTL – LOT, Understand]
19. Distinguish between Simple Average Method and Weighted Average Method of valuing goodwill. [CO4, Unit IV, BTL – LOT, Understand]
20. Explain the term Normal Rate of Return in the context of goodwill and share valuation. [CO4, Unit IV, BTL – LOT, Understand]

SECTION B

Question for Ten (10) marks:

21. List the different types of debentures and explain each types with proper example. [CO1, Unit I, BTL – LOT, Remember]
22. Explain the different methods of redemption of debentures. [CO1, Unit I, BTL – LOT, Understand]
23. ABC Limited issued 10,000, 12% debentures of Rs. 100 each payable Rs. 30 on application and remaining amount on allotment. The public applied for 9,000 debentures which were fully allotted, and all the relevant allotment money was duly received. Prepare the journal entries in the books of the company and analyze the impact of this transaction on ABC Ltd.'s financial position (balance sheet). [CO1, Unit I, BTL – HOT, Analyze]

24. A Limited issued 5,000, 10% debentures of Rs. 100 each, at a premium of Rs. 10 per debenture payable as follows:
- On application Rs. 25
 - On allotment Rs. 45 (including premium)
 - On first and final call Rs. 40
- The debentures were fully subscribed and all money was duly received. . Prepare the journal entries in the books of the company and analyze the impact of this transaction on A Limited's financial position (balance sheet). [CO1, Unit I, BTL – HOT, Analyze]
25. Explain the various methods of redeeming preference shares. Illustrate each method with an example and describe its accounting treatment. [CO2, Unit II, BTL – LOT, Understand]
26. Describe the redemption of Preference shares by fresh issue of equity shares. What are the reasons for redemption of preference share by issuing fresh equity shares? [CO2, Unit II, BTL – LOT, Understand]
27. Evaluate why the combination method of redeeming preference shares is considered a flexible approach. Provide an example of a company that might benefit from using this method and justify your reasoning. [CO2, Unit II, BTL – HOT, Evaluate]
28. On 1.4.2012, Mr. Krishna Murty purchased 1,000 equity shares of ₹ 100 each in TELCO Ltd. @ ₹ 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per ₹ 100 as cost of shares transfer stamps. On 31.1.2013 Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 31.3.2013 Mr. Krishna Murty sold bonus shares to a Broker, who charged 2% brokerage.
- Show the Investment Account in the books of Mr. Krishna Murty, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower. [CO2, Unit II, BTL – HOT, Evaluate]
29. Describe the methods of accounting for Amalgamation and differentiate between the two. [CO3, Unit III, BTL – LOT, Understand]
30. List the journal entries in the books of Transferor Company in case of Amalgamation in the nature of merger. [CO3, Unit III, BTL – LOT, Remember]
31. Evaluate the financial impact of internal reconstruction on a company's balance sheet. Discuss how the reduction of share capital, alteration in share structure, and writing off accumulated losses affects shareholders' equity and creditors' rights. [CO3, Unit III, BTL – HOT, Evaluate]
32. The Balance Sheet of A ltd. on 31st March 2021 was as follow:

Liabilities		Assets	
4,000 Equity Shares of Rs 100 each	4,00,000	Goodwill	15,000
2,000, Preferences Shares of 100 Each	2,00,000	Freehold Property	2,00,000
5% Debentures	1,00,000	Plant and Machinery	3,00,000
Bank Overdraft	50,000	Stock in trade	50,000
Creditors	1,00,000	Debtors	40,000
			2,45,000
	8,50,000		8,50,000

The company got the following scheme of reconstruction:

- (i) The Preference shares to be reduced to Rs. 75 per share fully paid-up and ordinary shares to Rs. 37.50.
- (ii) The Debenture holders took over the Stock in trade and the book debts in full satisfaction of the amount due to them.
- (iii) The Freehold Property to be depreciated by 50%.
- (iv) The value of Plant and Machinery to be increased by Rs. 50,000.

Give journal entries and prepare the Revised Balance Sheet [CO3, Unit III, BTL – HOT, Evaluate]

33. Analyze the impact of a company's past performance on the valuation of its shares. Discuss the limitations of using historical data for future projections. [CO4, Unit IV, BTL – HOT, Analyze]

34. The balance sheet of Saraswati Co. Ltd. disclosed the following position as on 31st December 1998.

Liabilities	Rs.	Assets	Rs.
<i>Share Capital</i>		Goodwill	1,65,000
6,000 equity shares of Rs.100 each	6,00,000	Investments	5,25,000
	75,000	Stock	6,60,000
Profit & Loss A/c	2,25,000	Sundry Debtors	3,90,000
General Reserve	4,50,000	Cash at Bank	60,000
6% Debentures	1,50,000		
Sundry Creditors	3,00,000		
Workmen's Savings bank A/c			
	18,00,000		18,00,000

i) The profits for the past five years were:

1994 –Rs. 30,000; 1995 – Rs. 70,000; 1996 – Rs. 50,000; 1997 – Rs. 55,000 and 1998- Rs.95,000.

- ii) The market value of investments was Rs. 3,30,000.
- iii) Goodwill is to be valued at three years purchase of the average annual profits for the last five years. Find the intrinsic value of each share. [CO4, Unit IV, BTL – HOT, Evaluate]

SECTION C

Question for Twenty (20) marks:

35. XYZ Ltd. issued 200, 15% debentures of Rs. 100 each on April 01, 2013 at discount of 10% redeemable at premium of 10% out of profits. Give journal entries at the time of issue and redemption of debentures if debentures are to be redeemed in lump sum at the end of 4th year. The company has invested the requisite amount as stipulated in the Act for the redemption of debentures. Compare the accounting treatment if (a) XYZ is a listed company and (b) XYZ is an unlisted company in the redemption process and justify the different approaches. [CO1, Unit I, BTL – HOT, Analyze]
36. JK Ltd., a listed company, issued 6,000, 12% Debentures of 50 each at a premium of 5% on April 1, 2014. Interest on these debentures is payable annually on 31st March each year. The debentures are redeemable at par in four equal installments at the end of third, fourth, fifth and sixth year at a premium of 10%. The company invested in specified securities as investment for the redemption of debentures. Analyze and pass the required journal entries at the time of issue and redemption of debentures in the books of the company. [CO1, Unit I, BTL – HOT, Analyze]
37. On 1.4.2012, Sundar had 25,000 equity shares of 'X' Ltd. at a book value of ₹ 15 per share (Face value ₹ 10). On 20.6.2012, he purchased another 5,000 shares of the company at ₹ 16 per share. The directors of 'X' Ltd. announced a bonus and rights issue. No dividend was payable on these issues. The terms of the issue are as follows:
Bonus basis 1:6 (Date 16.8.2012).
Rights basis 3:7 (Date 31.8.2012) Price ₹ 15 per share.
Due date for payment 30.9.2012.
Shareholders can transfer their rights in full or in part. Accordingly Sundar sold 33.33% of his entitlement to Sekhar for a consideration of ₹ 2 per share.
Dividends: Dividends for the year ended 31.3.2012 at the rate of 20% were declared by X Ltd. and received by Sundar on 31.10.2012. Dividends for shares acquired by him on 20.6.2012 are to be adjusted against the cost of purchase.
On 15.11.2012, Sundar sold 25,000 equity shares at a premium of ₹ 5 per share.
You are required to analyze and prepare necessary accounts in the books of Sundar.
(1) Investment Account

(2) Profit & Loss Account.

For your exercise, assume that the books are closed on 31.12.2012 and shares are valued at average cost. [CO2, Unit II, BTL – HOT, Analyze]

38. The A Ltd. and B Ltd., whose business are of similar nature, decided to amalgamate and the new company the C Ltd., is formed to take over their respective Assets and Liabilities. The following are their respective Balance Sheets:

Liabilities	A Ltd.	B. Ltd	Assets	A Ltd.	B. Ltd.
Share Capital 7,500 shares of Rs. 10 Each	75,000	-	Goodwill	30,000	20,000
4,550 share of Rs.10 each	-	45,500	Freehold property	20,000	-
Bill Payable	1,000	-	Plant and Machinery	8,300	21,550
Sundry Creditors	2,300	2,000	Stock	6,000	3,450
General Reserve	3,200	2,500	Sundry Debtors	17,500	6,000
Profit and Loss A/c	1,800	2,000	Cash at Bank	1,500	1,000
	83,300	52,000		83,300	52,000

Assuming that assets realized at their book values, what amount each company will get? Prepare Balance Sheet after amalgamation and pass the necessary journal entries in the books of the companies. [CO3, Unit III, BTL – HOT, Evaluate]

39. On 31st March, 2021, B Ltd. was absorbed by A Ltd. The later took over all the Assets and Liabilities of the former at book values. The purchase consideration was fixed at Rs. 5, 00,000 to be paid in the form of its fully paid shares of Rs. 10 each, to be distributed among the shareholders of the Transferor Company, each shareholder getting two shares for every share held in the Transferor Company. The Balance Sheet of the two companies as on 31st March, 2021 is as follows:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital Shares of Rs. 10 each	9,00,000	3,00,000	Goodwill	2,00,000	60,000
General Reserve	1,80,000	50,000	P Machinery	4,12,000	2,00,000
P & Loss A/c	20,502	12,900	Furniture	80,000	30,000
WC Fund	12,000	9,000	Stock	2,65,500	60,000
S Creditors			Debtors	2,21,200	46,000
Provident Fund	58,567	30,456	Prepaid Insurance	-	700
Prov. for Tax	10,200	4,000	Income Tax Refund	-	6,000
	12,300	5,000	Cash in Hand	869	356
	11,93,569	4,11,356	Cash at Bank	14,000	8,300
				11,93,569	4,11,356

Amalgamation expenses amounted to Rs. 1,000 were paid by A Ltd. You are required to prepare the Balance Sheet after amalgamation and pass the necessary journal entries in the books of the Companies. Prepare necessary accounts. [CO3, Unit III, BTL – HOT, Evaluate]

40. Evaluate the different methods of valuing goodwill. Which method would you recommend for a

newly established business and why? [CO4, Unit IV, BTL – HOT, Evaluate]

41. On 31st Dec 1998, the Balance Sheet of Ganesh Ltd. was as follows:

Liabilities	Rs.	Assets	Rs.
<i>Share Capital</i>		Land and Buildings	6,60,000
15,000 equity shares of Rs.100		Plant & Machinery	2,85,000
each fully paid	15,00,000	Stock	10,50,000
Profit & Loss A/c	3,09,000	Sundry Debtors	4,65,000
Sundry Creditors	2,31,000		
Bank Overdraft	60,000		
Provision for taxation	1,35,000		
Dividend equalisation fund	2,25,000		
	24,60,000		24,60,000

The net profit of the company, after deducting all working charges and providing for depreciation and taxation were as under:

1994 – Rs. 2,25,000; 1995 – Rs. 2,88,000; 1996 – Rs. 2,70,000; 1997 – Rs. 3,00,000; and 1998 – Rs. 2,85,000

On 31st Dec. 1998, Land & buildings were valued at Rs. 7,50,000 and Plant & Machinery at Rs.4,50,000.

In view of the nature of the business, it is considered that 10% is a reasonable return on capital.

Calculate the value of the company's share after taking into account the revised values on fixed assets and your own valuation of goodwill based on four years purchase of the annual super profits.

[CO4, Unit IV, BTL – HOT, Evaluate]

Summary:**CO Wise:**

CO	Ques. No	Marks
CO1	1,2,3,4,5,21,22,23,24,35,36	105
CO2	6,7,8,9,10,25,26,27,28,37	85
CO3	11,12,13,14,15,29,30,31,32,38,39	105
CO4	16,17,18,19,20,33,34,40,41	85

Unit Wise:

Unit	Ques No	Marks
I	1,2,3,4,5,21,22,23,24,35,36	105
II	6,7,8,9,10,25,26,27,28,37	85
III	11,12,13,14,15,29,30,31,32,38,39	105
IV	16,17,18,19,20,33,34,40,41	85

Blooms Taxonomy Level (BTL) Wise

BTL	Ques No	Marks
LOT	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,25,26,29,30	160
HOT	23,24,27,28,31,32,33,34,35,36,37,38,39,40,41	220

Prepared By: Neeraj Kumar Poddar

Disclaimer: - This is a Practice Set. The Question in End term examination will differ from the Practice set. This Practice set is meant for practice only.