

E 6140

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Reg. No.....

Name.....

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2013

Third Semester

Core Course—CORPORATE ACCOUNTING

Time : Three Hours

Maximum Weight : 25

Part A

Answer all questions.

Each bunch of four questions carries a weight of 1.

- I. 1 Share premium received by issuing shares can be used for :
- (a) Payment of dividend.
 - (b) Issue of bonus shares.
 - (c) Remuneration to management.
- 2 Unclaimed dividend is shown on the liability side of the Balance Sheet under the heading :
- (a) Current Liabilities.
 - (b) Reserves and Surplus.
 - (c) Provisions.
- 3 Redeemable preference shares can be redeemed :
- (a) Only if they are fully paid.
 - (b) Even if they are partly paid.
 - (c) If they are paid not less than 50 % of the nominal value of shares.
- 4 Which of the following conditions must be fulfilled to issue shares at discount :
- (a) Issue must be sanctioned by the Company Law Board.
 - (b) One year must have passed since the date on which the company was allowed to commence business.
 - (c) All of the above.
- II. 5 Form A in the third schedule of the Banking Regulation Act 1949 is used for preparing :
- (a) Balance Sheet.
 - (b) Trading Account.
 - (c) Profit and Loss Account.
- 6 Balance in share forfeiture account is shown in the Balance Sheet under the heading :
- (a) Current Liabilities and provisions.
 - (b) Reserves and Surplus.
 - (c) Share Capital Account.

Turn over

- 7 The company is having 40,000 equity shares of Rs. 12 paid. If the dividend per share is Re. 1 and the expected rate of return is 12 % the market value of share will be :
- Rs. 12.
 - Rs. 8.33.
 - Rs. 10.
- 8 The most important consideration in the valuation of goodwill is _____ of the business.
- Claiming capacity.
 - Earning capacity.
 - Bargaining capacity.

III. Fill in the blanks :

- Fair value of a share is the simple average of _____ value and _____ value of a share.
- The portion of the authorised capital which can be called up on the liquidation of the company is called _____.
- A certificate issued by a company under its common seal as acknowledgement of debt with or without a charge on company's asset is called _____.
- No banking company can carry on business in India unless its subscribed capital is not less than _____ of the authorised capital.

IV. State whether the following statements are True or False :

- The preference share is that part of share capital which only enjoys a preferential right regarding payment of dividend.
- Capital redemption reserve account cannot be utilised for issuing fully paid bonus shares.
- Super profit is the increase in current year profits over the average profits of the preceding three years.
- Rebate on bills discounted for a banking company is an income.

(4 × 1 = 4)

Part B

Answer any five questions.

Each question carries a weight of 1.

- What is Capital reserve ?
- What is bonus share ?
- What is Contingent liability ?
- What is underwriting ?
- What do you mean by intrinsic value of a share ?
- Define Goodwill.
- What is meant by money at call and short notice ?
- What do you mean by issue of shares at a premium ?

(5 × 1 = 5)

Part C

*Answer any four questions.
Each question carries a weight of 2.*

- 25 The Directors of Bright Ltd., forfeited 160 shares of Rs. 10 each issued at par, held by Mr. Hari on his failure to pay the first call and the final call money of Rs. 3 and Rs. 4 per share respectively. Later on 100 of the above shares were reissued as fully paid at Rs. 9 per share.

Draft the journal entries to record the forfeiture and reissue.

- 26 S.K. Limited made the following issue of Debentures :

- (i) 200 debentures of Rs. 100 each repayable at Rs. 110 to the vendors in satisfaction of the purchase price of certain assets worth Rs. 19,000.
- (ii) 300 debentures of Rs. 100 each as collateral security for obtaining a Development Loan of Rs. 25,000.

Make out the necessary entries to record the above.

- 27 From the following information, calculate the value of an equity share :

- (i) The subscribed share capital of a company consists of 10,000, 14 % preference shares of Rs. 100 each and 2,00,000 equity shares of Rs. 10 each. All the shares are fully paid up.
- (ii) The average annual profits of the company after providing depreciation but before taxation are Rs. 25,00,000. It is considered necessary to transfer Rs. 1,25,000 to General Reserve before declaring any dividend. Rate of taxation is 50 %.
- (iii) The normal return expected by investors on equity shares from the type of business on by the company is 20 %.

- 28 Explain the slip system of book-keeping in Bank. What are its advantages and disadvantages ?

- 29 What are the different methods of redeeming debentures ?

- 30 A Limited Company has resolved to utilise Rs. 5,00,000 out of its Reserve Fund in declaration of a bonus to the shareholders. The bonus, however is to be applied to the extent of Rs.2,00,000 in payment of final call of Rs. 40 per share on 5,000 equity shares of Rs. 100 each and to the extent of Rs. 3,00,000 in the issue of 3000 fully paid equity shares of Rs. 100 each to the existing shareholders.

Give the journal entries necessary to give effect to the above resolution.

(4 × 2 = 8)

Turn over

Part D*Answer any two questions.**Each question carries a weight of 4.*

- 31 The following are the figures extracted from the books City Bank Ltd. as on 31st March 2010 :—

	Rs.
Interest and discount received	... 12,50,000
Interest paid on deposits	... 6,50,000
Commission, Exchange and Brokerage	... 2,40,000
Rent received	... 40,000
Profit on sale of investments	... 20,000
Loss on sale of investments	... 5,000
Salaries and allowance	... 3,60,000
Directors fee and allowances	... 30,000
Rent and Taxes paid	... 24,000
Printing and Stationery	... 12,000
Postage and Telegram	... 5,000
Other expenses	... 4,000
Audit Fee	... 3,000
Depreciation on bank's property	... 15,000
Balance of profits as on 1st April 2009	... 2,40,000

Other information :

- (i) Provide Rs. 15,000 for doubtful debts.
- (ii) Provide Rs. 60,000 for taxation.
- (iii) Rebate on bills discounted on 31-03-2010 Rs. 40,000.
- (iv) Provide 10 % dividend proposed on the paid up capital of Rs. 10,00,000.

Prepare Profit and Loss Account of the Bank, in accordance with law, for the year ending on 31st March 2010.

- 32 Explain with the help of suitable illustrations the different methods of evaluating goodwill of a joint stock company.
- 33 Give a specimen form of Balance Sheet and Profit and Loss Account of a company according to Companies Act.

(2 × 4 = 8)