

**E 1336**

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Reg. No.....

Name.....

**B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2015**

**Third Semester**

**Core Course—CORPORATE ACCOUNTING**

(2013 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

**Part A**

*Answer all questions.  
Each question carries 1 mark.*

Short answer questions. Write the meaning of the following :—

1. Preference shares.
2. Calls in arrears.
3. Debenture.
4. Goodwill.
5. Standard Assets.
6. Interim Dividend.
7. Forfeiture of shares.
8. Bonus Shares.
9. Fair value of a share.
10. Right shares.

(10 × 1 = 10)

**Part B**

*Answer any eight questions.  
Each question carries 2 marks.*

Brief answer questions :

11. What do you mean by issue of a shares at a discount ?
12. What is Table A ?
13. What is Capital Redemption Reserve ?
14. Distinguish between Reserve Capital and Capital Reserve.
15. Janatha Ltd. converts its 1200, 10% debentures of Rs.100 each into 12% preference shares of Rs. 10 each at a premium of Rs. 2 per share. Pass journal entry to convert the debentures.

**Turn over**

16. Explain the term "Money at call and short notice".
17. Differentiate between shares and stocks.
18. What are the items included under the heading 'Current Liabilities and Provisions' in the Balance Sheet of a company ?
19. What is a sinking fund for redemption of debentures ?
20. Write a short note on 'Contingent liabilities in banks' ?
21. State the circumstances under which the need for valuation of goodwill arise in case of a Joint Stock Company.
22. State the sources from which Bonus Shares are issued.

(8 × 2 = 16)

### Part C

*Answer any six questions.  
Each question carries 4 marks.*

#### Descriptive/Short Essay Type Questions :

23. What is meant by issue of shares at a premium ? State the purposes for which the amount received on account of share premium can be used.
24. Discuss briefly the kinds of debentures.
25. What is share capital ? How is share capital classified ?
26. Explain with the help of suitable illustration super profits method of evaluating goodwill of a Joint Stock Company.
27. What is meant by 'rebate on bills discounted' ? How is it calculated and treated in the books of accounts of a bank ?
28. Green Limited purchased a property from White Limited., for Rs. 23,20,000 payable Rs. 1,96,000 in 15% debentures and the balance in cash.

Write journal entries in the books of the company if :

- (a) Debentures are issued at par ;
- (b) Debentures are issued at 10% premium ; and
- (c) Debentures are issued at a discount of 10%.

29. HK Limited forfeited 150 equity of Rs. 20 each, issued at a discount of Rs. 2 per share, for the non-payment of final call Rs. 6 per share. Subsequently 100 of these shares were re-issued as fully paid at Rs. 15 per share.

Show the journal entries relating to the forfeiture and re-issue.

30. X. Limited has 5,60,000 in Equity share capital comprising 40,000 shares of Rs. 10 each fully paid and 20,000 shares of Rs. 10 each. Rs. 8 paid up per share. It has Rs. 20,000 in Capital Reserve Rs. 20,000 in Share Premium Account, Rs. 70,000 in Capital Redemption Reserve Account, Rs. 1,50,000 in General Reserve. By way of Bonus Dividend, the partly paid up shares are converted into fully paid-up shares, and the holder of fully paid-up share are allotted fully paid-up Bonus shares in the same ratio. Pass Journal entries showing separately the two types of bonus issues stated above. It is desired that there should be minimum reduction in General Reserve.
31. The following balances were extracted from the books of Redemption Limited as on 31<sup>st</sup> March, 2013 :—

	Rs.
2,000, 14% redeemable preference shares .	
of Rs. 100 each, fully called up	... 2,00,000
Less : Calls in arrear at Rs. 20 per share	
on 300 shares	... 6,000
	<hr/> 1,94,000
Capital Reserve	... 10,000
General Reserve	... 50,000

The preference shares were redeemed on 1<sup>st</sup> April 2013 at a premium of Rs. 5 per share. The company issued 13,000 equity shares of Rs. 10 each, at par, for the purpose of redeeming the preference shares, which were fully subscribed and duly allotted.

You are required to show the journal entries showing the transactions relating to the redemption of shares and the relevant extracts on the liabilities side of the balance sheet after such redemption.

(6 × 4 = 24)

**Turn over**

## Part D

Answer any two questions.

Each question carries 15 marks.

32. From the following Trial Balance and additional information provided prepare final accounts of SS Company Limited for the year ending 31<sup>st</sup> December, 2013.

*Trial Balance as at 31.12.2013*

	Rs.	Rs.
Capital 30,000 Equity Shares of Rs. 10 each	...	3,00,000
Stock (1.1.2013)	2,25,000	...
Purchases and sales	7,35,000	10,50,000
Productive Wages	1,50,000	...
Discount	21,000	15,000
Salaries	22,500	...
Rent	14,850	...
General Expenses	51,150	...
Profit and Loss account (31.12.2012)	...	45,000
Dividend Paid – March 2013	15,000	...
Interim Dividend Paid – August 2013	12,000	...
Debtors and creditors	1,12,500	52,500
Plant and Machinery	87,000	...
Cash at Bank	48,600	...
Reserve	...	46,500
Loan to Managing Director	9,750	...
Bad debts	4,650	...
	<u>15,09,000</u>	<u>15,09,000</u>

*Additional information :*

- Stock on 31<sup>st</sup> December, 2013 Rs. 2,46,000.
- Depreciate Machinery at 10% p.a.
- Reserve 5% on debtors for doubtful debts.
- Provide 2% for discount on creditors.
- One month's Rent (Rs. 1,350 per mensem) was due on 31<sup>st</sup> December, 2013.



(f) Six months insurance was unexpired at Rs. 2,250 per annum.

(g) Provide Managing Director's Commission at 5% on the net profit, before deducting his commission.

33. Mahalakshmi Bank Limited with an authorised and subscribed capital of Rs. 10,00,000 in Rs. 10 shares presents you the following balances as on 31<sup>st</sup> March 2013 from which you are asked to prepare its Balance Sheet in the prescribed form :

	Rs.
Subscribed and called up share capital	... 10,00,000
Profit balance on 1 <sup>st</sup> April 2012	... 1,10,000
Cash credit and overdraft	... 40,00,000
Term Loans	... 50,00,000
Bills purchased and discounted	... 10,00,000
Current Deposits	... 30,00,000
Savings Bank Deposit	... 32,00,000
Fixed Deposit	... 48,00,000
Cash in hand	... 3,00,000
Calls in arrear	... 10,000
Cash with RBI	... 5,00,000
Money at call and short notice	... 8,00,000
Investment in Government securities	... 12,00,000
Land and Buildings	... 10,30,000
Furniture	... 50,000
Interest accrued on loans	... 1,50,000
Stamps and stationery	... 3,000
Rebate on bills discounted	... 12,000
General Reserve	... 60,000
Statutory Reserve	... 7,00,000
Profit of current year before appropriation under Section 17	... 6,00,000
Borrowings from banks	... 4,53,000
Unclaimed dividend	... 8,000
Balance with banks	... 5,00,000
Bills payable	... 6,00,000

Claims against the bank not acknowledged as debt amount to Rs. 80,000. The bank's acceptance on behalf of customers amounts to Rs. 3,00,000. Bills for collection amounts to Rs. 1,30,000.

Turn over

34. On December 31, 2013, the Balance Sheet of a limited company reveals the following position :

<i>Liabilities</i>		<i>Rs.</i>	<i>Assets</i>		<i>Rs.</i>
Issued capital					
in Rs. 10 shares	...	4,00,000	Fixed Assets	...	5,00,000
Reserves	...	90,000	Current Assets	...	2,00,000
Profit and loss account...		20,000	Good will	...	40,000
5% debentures	...	1,00,000			
Current liabilities	...	1,30,000			
		<u>7,40,000</u>			<u>7,40,000</u>

On December 31, 2013 the fixed assets were independently valued at Rs. 3,50,000 and the goodwill at Rs. 50,000. The Net Profits for the three years were : 2011 – Rs. 51,600 ; 2012 – Rs. 52,000 ; 2013 – Rs. 51,650 of which 20% was placed under reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%. Compute the value of the company share by :

- The Net Assets method ;
  - The yield value method ; and
  - The Earning Capacity method.
35. On January 1, 2001, HK Limited issued 1,000 6 % debentures of Rs. 100 each repayable at end of four years at a premium of 10%. It has been decided to institute a sinking fund for the purpose, the investments being expected to realise 5% net. Sinking fund tables show that Re. 0.232012 invested annually amounts to Re.1 at 5% in four years. Investments were made in multiples of hundreds only.
- On December 31, 2004 the balance at the Bank was Rs. 40,000 and the investments realised Rs. 82,000. The debentures were paid off. Give journal entries and show Ledger accounts except for debenture interest.

(2 × 15 = 30)