

E 9280

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Reg. No.....

Name.....

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2014

Third Semester

Core Course—CORPORATE ACCOUNTING

(2013 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

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

Short Answer Questions :

1. What is a share ?
2. What is Reserve Capital ?
3. What is Super profit ?
4. What is contingent liability ?
5. What are Bonus shares ?
6. What is Interim dividend ?
7. What is money at call and short notice ?
8. Goodwill in case of a Joint Stock Company is shown on the assets side of the Balance Sheet under which heading ?
9. What is meant by redemption by conversion ?
10. Define a debenture.

(10 × 1 = 10 marks)

Part B

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

Brief Answer Questions :

11. What do you mean by pro-rata allotment of shares ?
12. Distinguish between "forfeiture of shares" and "surrender of shares".
13. What is meant by "rebate on bills discounted" ?
14. Under what circumstances valuation of shares will be resorted to ?

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15. Clearly distinguish between ex-interest price and cum-interest price.
16. For what purpose the share premium can be utilised ?
17. A Ltd., issues its 10% debentures at a discount of 5% as consideration for the cost of machinery bought Rs. 95,000. Give journal entries.
18. What is Profit and Loss Appropriation Account ?
19. How is interest on doubtful debts treated in Bank Accounts ?
20. Explain the term "sub-standard Assets".
21. Write a short note on intrinsic value of shares.
22. Give the items covered under the heading "miscellaneous expenditure" in the Balance Sheet of a company.

(8 × 2 = 16 marks)

Part C

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

Descriptive/Short Essay Questions :

23. What are the conditions under which a company can issue shares at a discount ?
24. From the following information, calculate the value of an equity share :
 - (a) 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.
 - (b) 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%.
 - (c) The normal return expected by investors on equity shares from this type of business carried on by the company is 20%.
25. Define "preference shares". What are the different kinds of preference shares ?
26. What are the different ways in which debentures may be redeemed ?
27. The directors of HK Ltd., forfeited 200 shares of Rs. 10 each, Rs. 8 per share called, for the default of allotment money Rs. 4 (including premium Rs. 2) and first call Rs. 3. Of these 100 shares were re-issued as fully paid at Rs. 9 per share.

Journalise the above forfeiture and re-issue.

28. PK Ltd., issued 1,000, 12% debentures of Rs. 100 each. Give journal entries if the debentures are
 (a) issued at par and redeemable at par, (b) issued at a discount of 10% and redeemable at par,
 (c) issued at a premium of 10% and redeemable at par, (d) issued at par and redeemable at a
 premium of 10% and (e) issued at a discount of 10% and redeemable at a premium of 10%.
29. A company has 8,000 redeemable preference shares of Rs. 100 each fully paid. The Company
 decides to redeem the shares on September 30, 2014, at a premium of 7%. The Company has
 sufficient profits but in order to augment liquid funds the following issues are made :
 (a) 3,000, 6% debentures of Rs. 100 at Rs. 106.
 (b) 2,000, equity shares of Rs. 100 each at Rs.111.
- The issues were fully subscribed and all the amounts were received. The redemption was duly
 carried out. Give Journal entries.
30. X Ltd., has resolved to utilise Rs. 3,00,000 out of the General Reserve Balance to declare a bonus
 to the shareholders by paying the final call of Rs. 3 per share on 1,00,000 equity shares of Rs. 10
 each. Along with this, the Company further decided to utilise the balance of the share Premium
 Account to issue fully paid-up bonus shares in the ratio of one equity share for every five equity
 shares held. Show Journal entries in the books of X Ltd.
31. Explain the special features of Bank Accounting.

(6 × 4 = 24 marks)

Part D

*Answer any two questions.
 Each question carries 15 marks.*

Essay :

32. Following balance are extracted on 31st March, 2013 from the books of HK Ltd :

	Rs.		Rs.
Factory premises at cost	... 4,50,000	Share Capital :	
Plant and machinery at cost	... 3,49,160	30,000, 7% preference	
Motor Lorries at cost	... 73,000	shares of Rs. 10 each	... 3,00,000
Sundry Debtors	... 1,21,780	60,000 equity shares of	
Bad debts written off	... 2,850	Rs. 10 each	... 6,00,000
Rent, Rates and Taxes	... 28,400	Profit and Loss Account	... 16,240
Advertisement	... 19,500	Gross Profit for the year	... 2,46,640

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	Rs.		Rs.
Cash in hand and at Bank ...	68,500	Provision for doubtful debts ...	9,000
Director's fees ...	3,600	Sundry creditors ...	1,29,640
Audit Fees ...	10,000	Transfer fees ...	110
Stock on 31-3-2013 ...	1,14,600	Accrued Wages ...	12,840
Rent, and Taxes paid in advance ...	7,980	Staff benevolent fund ...	17,900
Salaries and Wages ...	32,000		
Dividend paid on :			
Preference share ...	21,000		
Equity shares (Interim) ...	15,000		
Discount on issue of shares ...	15,000		
	<hr/>		<hr/>
	13,32,370		13,32,370
	<hr/>		<hr/>

The provision for doubtful debts is to be made up to Rs. 10,200. The factory premises, plant and machinery and Motor Lorries are to be depreciated by 3%, 15% and 20% respectively. The authorised capital of the company is Rs.10,00,000 divided into 1,00,000 shares of Rs.10 each. You are required to prepare :

- A profit and Loss Account for the year ended 31st March, 2013.
- A Balance Sheet as at 31st March, 2013 in the form prescribed under the Companies Act, 1956, Previous year's figures are not required and also ignore taxation.

33. The balances extracted from the books of Bharat Bank Ltd., on 31st March, 2013 were as follows :

	Rs.
Paid up capital ...	10,00,000
Local Bills discounted ...	9,00,000
Statutory Reserve ...	3,85,000
Cash Credit and Overdraft ...	14,00,000
Unclaimed dividends ...	5,000
Loans ...	23,00,000
Current and savings deposits ...	25,00,000
Furniture ...	20,000

	Rs.
Fixed Deposits	...
Profit and Loss account (cr)	20,00,000
Stamps and Stationary (in hand)	1,10,000
Cash in hand	5,000
Cash at Bank	2,50,000
Investment at cost	6,50,000
	4,75,000

Out of the total debts, debts for Rs. 3,00,000 were doubtful and rest were considered good. Out of the debts considered good, Rs. 23,00,000 were fully secured and for Rs. 4,50,000 (including Rs. 1,75,000 due by a director) the Bank held personal securities of one or more persons in addition to the personal security of the debtor and for the rest the Bank held no securities other than the debtors personal security.

The authorised capital of the bank is Rs. 12,00,000. The Bank has Rs. 50,000 bills for collection and has accepted bills for customers for Rs. 4,00,000.

Prepare the balance Sheet of the Bank as on 31-03-2013 in the form prescribed under the banking Companies Act.

34. AH Ltd issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable as follows :

On application Rs. 4 per share.

On allotment Rs. 5 per share (including premium).

On first and final call Rs. 4 per share.

Subscriptions were received for 13,000 shares. The excess money was refunded and the allotment money was received in full. The first and final call was made in due course and the amount due was received with the exception of 100 shares. These shares were forfeited and subsequently reissued as fully paid for a consideration of Rs. 8 per share. Show journal entries for recording the above transactions in the books of AH Ltd.

35. The following particulars are available in respect of the business carried on by. Hari

(a) Profits earned

	Rs.
2011	...
	50,000
2012	...
	60,000
2013	...
	55,000

Turn over

- (b) Normal rate of profits 10%.
- (c) Capital Employed Rs. 3,00,000.
- (d) Present value of an annuity of one rupee for five years at 10% is Rs. 3.78.
- (e) The profits included non-recurring profits on an average basis of Rs. 4,000 out of which it was deemed that even-non-recurring profits had a tendency of appearing at the rate of Rs.1,000 p.a.

You are required to compute the value of Good will :

- (i) As per five years purchase of super profits.
- (ii) As per capitalisation of super-profits method, and
- (iii) As per Annuity method.

(2 × 15 = 30 marks)