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Reg. No.....

Name.....

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2017

Third Semester

Core Course—CORPORATE ACCOUNTING

(2013 Admission onwards)

Time : Three Hours

Maximum Marks : 80

Part A (Short Answer Questions)

Answer all questions.

Each question carries 1 mark.

1. What is Preference Share ?
2. What is Depository system ?
3. What is Debentures ?
4. What is Convertible Debenture ?
5. What is Goodwill ?
6. What is Net worth ?
7. What is Profit and Loss Appropriation Account ?
8. What is Balance Sheet ?
9. What is meant by Non-Performing Assets ?
10. What is Rebate on bills discounted ?

(10 × 1 = 10)

Part B (Brief Answer Questions)

Answer any eight questions.

Each question carries 2 marks.

11. What is buy-back equity shares ?
12. State the procedure to redemption of preference shares.
13. What is Book building ?
14. What are the rules for Bonus issue ?
15. What is annual drawing in redemption of debenture ?

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16. State any *four* differences between shares and debentures.
17. What is proposed dividend ?
18. What is Nominal capital ?
19. What are the factors determining the value of goodwill of a company ?
20. State the need for valuation of shares.
21. State the importance of Schedule 1 and 2 of the bank's balance sheet.
22. Mention the various Classifications of investments by a banking company.

(8 × 2 = 16)

Part C (Descriptive)

Answer any six questions.

Each question carries 4 marks.

23. What are the benefits of availing depository services ?
24. What are the various method of redemption of debentures ?
25. Explain various methods of valuation of shares.
26. Explain in brief the classification of assets in banks.
27. Muthu Ltd., has part of its share capital as 5,000 Redeemable Preference Shares of Rs.100 each. When the shares become due for redemption, the company decided that the whole amount will be redeemed out of fresh issues of equal amount of equity shares of Rs. 10 each. Show the journal entries in the books of the company.
28. Lakshimi Company Ltd., proposes to issue 10,000, 14% debentures of Rs. 100 each to its shareholders on right basis. They give you the following terms of issue and ask you to pass the journal entries in every case separately :
 - (i) The debentures were issued at premium of 10% and redeemable at par.
 - (ii) The debentures were issued at discount of 5% and redeemable at premium of 10%.
 - (iii) The debentures were issued at par but redeemable at premium of 10%.
 - (iv) The debentures were issued at premium of 5% but repayable at premium of 10%.
 - (v) The debentures were issued at discount of 5% but redeemable at par.

29. From the following information, calculate the value of Goodwill by Super profit method and Capitalisation method :

	Rs.
Average capital employed in the business	: 7,00,000
Net trading profit of the firm for the past three years	: 1,47,600 ; 1, 48, 100 and 1, 52,500
Rate of interest expected from capital having regard to the risk involved is 18 %	}
Fair remuneration to the partners for their services	: 12,000 per annum
Sundry assets excluding goodwill of the firm	: 7,54,762
Sundry liabilities	: 31,329

30. Determine the maximum remuneration payable to the part time directors and Manager of Magila Ltd. (a manufacturing company) under Sections 309 and 387 of the Companies Act 1956 from the following particulars :

Before charging any such remuneration, the Profit and Loss account showed a credit balance of Rs. 23,05,000 for the year ended 31st March 2015 after taking into account the following matters :

	Rs.
Profit on sale of investments	: 2,05,000
Subsidy received from Government	: 4,10,000
Loss on sale of fixed assets	: 65,000
Ex-gratia to an employee	: 30,000
Compensation paid to injured workman	: 75,000
Provision for taxation	: 2,79,000
Bonus to foreign technicians	: 3,12,000
Multiple shift allowance	: 1,00,000
Special depreciation	: 75,000
Capital expenditure	: 5,10,000

Company is providing depreciation as per Section 350 of the Companies Act, 1956.

Turn over

31. From the following particulars, prepare a Profit and Loss A/c of Sri Bank Ltd., for the year ended 31.12.2015 with all Schedules :

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
Interest on loan	2,60,000	Interest on cash credits	2,25,000
Interest on fixed deposits	2,80,000	Rent and taxes	20,000
Rebate on bills discounted	50,000	Interest on overdrafts	56,000
Commission charged to customers	9,000	Director's and auditor's fees	4,000
Establishment charges	56,000	Interest on savings bank accounts	70,000
Discount on bills discounted	2,00,000	Postage and telegrams	2,000
Interest on current accounts	45,000	Sundry charges	2,000
Printing and advertisements	3,000		

(6 × 4 = 24)

Part D (Essays)

Answer any two questions.

Each question carries 15 marks.

32. The Deivam Ltd., issued for public subscription 1,00,000 equity shares of Rs. 100 each at a premium of Rs. 20 per share, payable as under :

On application Rs. 20 per share : On allotment Rs. 50 per share (including premium) ; On first call Rs. 20 per share an final call Rs. 30 per share. Applications were received for 1,50,000 shares. The shares were allotted pro rata to the applicants for 1,20,000 shares, the remaining applications being rejected. Money over-paid on application was utilizes towards sums due on allotment.

Banu to whom 4,000 shares were allotted,, failed to pay allotment and call money and Niju, to whom 5,000 shares were allotted failed to pay the two calls. These were subsequently forfeited after the second call was made. All the forfeited shares were sold to Aarthu as fully paid at Rs. 80 per share. Pass the necessary journal entries and prepare the balance sheet after the transactions are complete.

33. A company issued Rs. 2,00,000 in debentures of Rs. 100 each at par, repayable at the end of 5 years at a premium of 6%. A sinking fund at 4% compound interest is created for the redemption of debentures. You are required to prepare sinking fund investment account for 5 years. [Re. 1 per year at 4% compound interest amounts to Rs. 5.4163 in 5 years].

34. The Velu Manufacturing Company Limited was registered with a nominal capital of Rs. 60,00,000 Equity Shares of Rs. 10 each. The following is the list of balances extracted from its books on 31st March 2015 :

	Rs.
Calls-in-arrear	75,000
Premises	30,00,000
Plant and Machinery	33,00,000
Interim Dividend paid on 1 st November 2014	3,92,500
Stock, 1 st April, 2014	7,50,000
Fixtures	72,000
Sundry Debtors	8,70,000
Goodwill	2,50,000
Cash in hand	7,500
Cash at Bank	3,99,000
Purchases	18,50,000
Preliminary Expenses	50,000
Wages	8,48,650
General Expenses	68,350
Freight and Carriage	1,31,150
Salaries	1,45,000
Directors' Fees	57,250
Bad Debts	21,100
Debenture Interest paid	1,80,000
Share Capital	40,00,000
12 % Debentures	30,00,000
Profit and Loss Account (Credit Balance)	2,62,500
Bills Payable	3,70,000
Sundry Creditors	4,00,000
Sales	41,50,000
General Reserve	2,50,000
Bad Debts Provision 1 st April, 2014	35,000

Turn over

Prepare Trading and Profit and Loss Account and Balance Sheet in proper form after making the following adjustments :

- (i) Depreciate Plant and Machinery by 15%.
- (ii) Write off Rs. 5,000 from Preliminary Expenses.
- (iii) Provide for half year's debenture interest due.
- (iv) Leave Bad and Doubtful Debts Provision at 5% on Sundry Debtors.
- (v) Provide for Income Tax @ 50%.
- (vi) Stock on 31st March, 2015 was Rs. 9,50,000.

35. Following is the balance sheet of Aarthi Manufacturing Co. Ltd. as at 31st March, 2015 :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
3,00,000 Equity Shares of Rs. 10 each, fully paid	30,00,000	Goodwill at cost	2,50,000
Capital Reserve	1,00,000	Plant and Machinery	8,50,000
		Less Depreciation	
Profit and Loss A/c	15,000	Furniture at cost Less	3,00,000
		Depreciation	
Sundry Creditors	12,85,000	Stock	16,00,000
General Reserve	6,95,000	Debtors	10,00,000
Provision for Taxation	7,50,000	Cash at bank	24,55,000
Proposed Dividend	6,60,000	Preliminary expenses	50,000
	65,05,000		65,05,000

The following additional information is provided to you :—

- (i) The reasonable return on capital employed in the industry in which Aarthi Manufacturing Co. Ltd, is engaged is 18%.
 - (ii) The rate of tax is 50%. The balance in Provision for Taxation Account is in respect of profit for the year ended 31st March, 2007.
 - (iii) The year 2006—07 was a normal year and the prospects for 2007—08 are equally good.
- Calculate value of goodwill at three years' purchase of the super profits of the company.

$$(2 \times 15 = 30)$$