

**E 3969**

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Reg. No.....

Name.....

**B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016**

**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 :**

1. What is a Depository ?
2. What is meant by forfeiture of share ?
3. What is collateral security ?
4. What is Naked debenture ?
5. What is goodwill ?
6. What is intrinsic value of share ?
7. What is Authorised share Capital ?
8. What is Profit and Loss appropriation account ?
9. What is Non-banking assets ?
10. What is Statutory Reserve ?

(10 × 1 = 10)

**Part B**

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

**Brief Answer Questions :**

11. What is buy back equity shares ?
12. What is Book building ?
13. What are the rules for Bonus issue ?
14. What is Redeemable debentures ?
15. What is the treatment for Loss on Issue of Debentures ?
16. What is Super profit ?

**Turn over**

17. What is Capitalisation method ?
18. What is Provision for taxation ?
19. State the features of Reserve.
20. What is Profit and Loss Account ?
21. What is Balance sheet ?
22. What is Non-banking assets ?

(8 × 2 = 16)

### Part C

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

#### Descriptive :

23. What are the services provided by a Depository ?
24. Describe the Sinking Fund method of redemption of debentures.
25. Explain various methods of valuation of shares and goodwill.
26. Explain various Classification of investments by a banking company.
27. The directors of Mukila Company Ltd., forfeit 10 shares of Rs. 50 each belonging to Murugan who has paid Rs. 5 per share on application, Rs. 10 on allotment and Rs. 15 on first call but failed to pay the final call of Rs. 20. The same shares are then reissued to Nijan as fully paid on receipt of Rs. 400. Pass necessary journal entries to record the above transactions.
28. Strong Ltd. Issued 10,000 14 % debentures of Rs. 100 each on 1<sup>st</sup> April, 2006 at a discount of 5 % repayable at a premium of 10 % after 5 years out of the profits of the company. On 1<sup>st</sup> April, 2011, balance in the Debenture Redemption Reserve Account stood at Rs. 3,40,000. You are required to give journal entries in the books of the company both at the time of issue and redemption of debentures.
29. The profits of Nikhila Ltd. for the last 5 year were as follows :

	Rs.
2010	... 15,000
2011	... 18,000
2012	... 22,000
2013	... 25,000
2014	... 27,000

Compute the value of goodwill of Nikhila Ltd. on the basis of 4 years purchase of weighted average profit after assigning weights 1, 2, 3, 4 and 5 serially to the profits.

30. From the following information, prepare Profit and Loss Appropriation A/C of Logu Ltd. for the year ended 31<sup>st</sup> March, 2015 :

	Rs.
Profit and Loss A/C Credit balance on 1 <sup>st</sup> April, 2014	... 3,00,000
Profit earned during the year ended 31-3-2015 (After tax)	... 15,00,000
Transfer to General reserve	... 3,50,000
Investment allowance reserve	... 3,50,000
Dividend equalisation reserve	... 2,00,000
Proposed dividend 15 % on 3,00,000 equity shares of Rs. 10 each fully paid. Corporation dividend tax 10 % on proposed dividend.	

31. On 31<sup>st</sup> March, 2015 a bank held the following bills, discounted by it earlier :

Date of bill-2015	Term of bill (months)	Discounted @ % p.a.	Amount of bill Rs.
January, 17	... 4	17	7,30,000
February, 7	... 3	18	14,60,000
March, 9	... 3	17.5	3,64,000

You are required calculate the rebate on bills discounted. Also show the necessary entry for the rebate.

(6 × 4 = 24)

#### Part D

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

32. Following is the balance sheet of Murugan Ltd., on 31-3-2015.

Liabilities	Rs.	Assets	Rs.
Equity share capital: shares of 100 each	... 5,00,000	Sundry assets	... 6,00,000
2,000 6 % Red. pref. share capital : shares of Rs. 100 each	... 2,00,000	Cash	... 4,00,000
Sundry creditors	... 50,000		
Profit and Loss Account	... 2,50,000		
Total	10,00,000		10,00,000

On the above date, preference shares are redeemed at Rs. 105. Journalise and give amended balance sheet.

Turn over

33. Shoona Ltd. started its business on 1<sup>st</sup> April 2012. On 31<sup>st</sup> March, 2015, its balance sheet in a summarized form was as follows :—

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital : 10,000 14 % preference Shares of Rs. 100 each, fully paid	.. 10,00,000	Fixed Assets (Cost less Depreciation)	.. 30,00,000
3,00,000 Equity Shares of Rs. 10 each, fully paid	.. 30,00,000	Current Assets	.. 40,00,000
Profit Prior to Incorporation	.. 25,000	Preliminary Expenses	.. 50,000
Profit and Loss Account	.. 5,50,000		
13 % Debentures	.. 5,00,000		
Provision for Income Tax	.. 1,75,000		
Sundry Creditors	.. 18,00,000		
	<u>70,50,000</u>		<u>70,50,000</u>

The company is yet to declare its maiden dividend. A revaluation reveals that the fixed assets as on 31<sup>st</sup> March, 2015 are really worth Rs. 32,00,000. Calculate the intrinsic worth of the two classes of shares.

34. The following is the Trial Balance of Santhiya Manufacturing Co. Ltd. as at 31<sup>st</sup> March, 2015.

	<i>Dr. Rs.</i>	<i>Cr. Rs.</i>
Stock 1 <sup>st</sup> April, 2014	... 7,50,000	
Sales		35,00,000
Purchases	... 24,50,000	
Productive Wages	... 5,00,000	
Discounts	... 70,000	50,000
Salaries	... 75,000	
Rent	... 49,500	
General expenses including Insurance	... 1,70,500	
Profit and Loss Account, 1 <sup>st</sup> April, 2014	...	1,50,300
Dividends Paid	... 90,000	
Capital 1,00,000 shares of Rs. 10 each	...	10,00,000
Sundry Debtors and Creditors	... 3,75,000	1,75,000
Plant and Machinery	... 2,90,000	
Cash in hand and at Bank	... 1,62,000	
General Reserve	...	1,55,000
Bad Debts	... 48,300	
	<u>50,30,300</u>	<u>50,30,300</u>



You are required to prepare Trading Account, and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2015 and the Balance Sheet at that date. You are also to make provision in respect of the following :—

- (a) Stock on 31<sup>st</sup> March, 2008 Rs. 8,20,000.
- (b) Depreciate Machinery @ 15 % per annum.
- (c) Provide 5 % discount on Debtors.
- (d) Allow 2.5 % discount on Creditors.
- (e) Provide Managing Director's Commission @ 5 % on the net profit before deducting his commission.
- (f) One month's rent @ Rs. 54,000 per annum was due on 31<sup>st</sup> March, 2015.
- (g) Six month's Insurance was unexpired at Rs. 7,500 per annum.
- (h) Make a provision for Income Tax @ 50 %.

35. The following is the Trial Balance extracted from the books of Nikhila Bank Ltd.

<i>Debit balances</i>		<i>Rs.</i>	<i>Credit Balances</i>		<i>Rs.</i>
Balances with banks	...	46,350	Share capital	...	3,00,000
Investment in Government bonds	...	1,94,370	Security deposit of employees	...	15,000
Other investments	...	1,55,630	SB Accounts	...	7,420
Gold Bullion	...	15,130	Current accounts	...	97,000
Interest accrued on investments	...	24,620	Fixed deposits	...	1,13,050
Silver	...	2,000	Reserve fund	...	1,40,000
Constituent's liability for acceptances	...	56,500	Borrowings from banks	...	77,230
Building	...	65,000	Bills for collection	...	43,500
Furniture	...	5,000	Acceptances and Endorsements...	...	56,500
Money at call	...	26,000	Interest	...	72,000
Loans	...	2,00,000	Commission	...	25,300
Bills Discounted	...	12,500	Discounts	...	42,000
Interest	...	7,950	Rent	...	600
Bills for collection	...	43,500	Profit on Bullion	...	1,200
Audit fees	...	5,000	Miscellaneous Income	...	2,700
Loss on sale of furniture	...	1,000	Accumulated depreciation on		
Directors' fees	...	1,200	building	...	20,000
Salaries	...	21,200	Profit and Loss Account	...	6,500

Turn over

<i>Debit balances</i>	Rs.	<i>Credit Balances</i>	Rs.
Postage ...	50		
Managing Director's remuneration ...	12,000		
Loss on sale of investments ...	30,000		
Cash in hand ...	25,000		
Cash with RBI ...	50,000		
Branch adjustment Account ...	20,000		
<b>Total</b>	<b>10,20,000</b>		<b>10,20,000</b>

You are required to prepare the Profit and Loss Account and Balance Sheet after taking into consideration the following :—

- (i) Bad debts Rs. 500.
- (ii) Rebate on bills 1,000.
- (iii) Current year's depreciation on building Rs. 2,000.
- (iv) Some current accounts are over drawn to the extent of Rs. 25,000 and total of credit balances is Rs. 1,22,000.

(2 × 15 = 30)