

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2019**Third Semester****Core Course—CORPORATE ACCOUNTING**

(2013—2016 Admissions)

Maximum Marks : 80

Time : Three Hours

Part A (Short Answer Questions)*Answer all questions.**Each question carries 1 mark.*

Define the following :

1. Share.
2. Preference share.
3. Debenture.
4. Goodwill.
5. Interim Dividend.
6. Sub-standard Assets.
7. Underwriting.
8. Subscribed Capital.
9. Surrender of shares.
10. Depository.

(10 × 1 = 10)

Part B (Brief Answer Questions)*Answer any eight questions.**Each question carries 2 marks.*

11. What are the facilities offered by depository system ?
12. What is meant by book building ?
13. For what purposes the share premium can be utilised ?

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14. Explain : (i) Calls in Advance ; and (ii) Calls in Arrear.
15. Distinguish between ex-interest price and cum-interest price.
16. What do you understand by 'pro-rata' allotment ?
17. What is meant by money at call and short notice ?
18. What is meant by 'Rebate on bills discounted' ? How is it treated in books of account of a bank ?
19. What is Super Profits method of evaluating goodwill of a Joint Stock Company ?
20. Give the items covered under the heading "miscellaneous expenditure" in the Balance Sheet of a company.
21. 100 shares of Rs. 100 each issued at 5 % discount are forfeited for non-payment of allotment money at Rs. 20 per share and first call money at Rs. 20 per share. Second and final call payable at Rs. 20 per share has not been made till the forfeiture of shares. Journalise the above forfeiture.
22. Explain : (i) Doubtful Assets ; and (ii) Loss Assets.

(8 × 2 = 16)

Part C (Descriptive/Short Essay Questions)

Answer any six questions.

Each question carries 4 marks.

23. Explain the different kinds of preference shares.
24. Discuss the main factors affecting the value of goodwill of a Joint Stock Company.
25. What is bonus share ? What are the circumstances in which bonus shares are generally issued ? What profits can be used for such an issue ?
26. Write notes on :
 - (a) Profit and Loss Appropriation A/c.
 - (b) Vertical Form of Balance Sheet of a Joint Stock Company.
27. Active Limited made the following issues of debentures ?
 - (a) For cash at 90 % 6,000 debentures of Rs. 100 each.
 - (b) To a creditor who supplied machinery costing Rs. 1,00,000, 1,100 Debentures of Rs. 100 each.
 - (c) To Bank for a loan of Rs. 7,00,000 as collateral security 10,000 Debentures of Rs. 100 each.

Journalise the transactions.

28. From the following information, calculate the value of goodwill :
- Average capital employed in the business Rs. 7,00,000.
 - Net Trading Profit of the firm for the past three years Rs. 1,47,600, Rs. 1,48,100 and Rs. 1,52,500.
 - Rate of interest expected from capital having regard to the risk involved 18 per cent.
 - Fair remuneration to the partners for their services Rs. 12,000 per annum.
 - Sundry Assets excluding goodwill of the firm Rs. 7,54,762. Sundry Liabilities Rs. 31,329

29. A Company has 4,000 12 % redeemable preference shares of Rs. 100 each, fully paid. The Company decides to redeem the shares on December 31, 2016 at a premium of 5 per cent. The Company makes the following issue :

- 1,000 equity shares of Rs. 100 each at a premium of 10 per cent.
- 1,000 14 % debentures of Rs. 100 each.

The issue was fully subscribed and all amounts were received. The redemption was duly carried out. The Company has sufficient profits. Give journal entries.

30. On 31st March, 2007, X Bank Ltd. had a balance of Rs. 9 Crores in "rebate on bills discounted" account. During the year ended 31st March, 2008 X Bank Ltd discounted bills of Exchange of Rs. 4,000 crores charging interest at 18 % per annum, the average period of discount being for 73 days. Of these, bills of exchange of Rs. 600 crores were due for realisation from the acceptors/customers after 31st March, 2008, the average period outstanding after 31st March, 2008 being 365 days. X Bank Ltd asks you to pass journal entries and show ledger accounts pertaining to :

- Discounting of bills of exchange ; and
- Rebate on bills discounted.

31. X Ltd., invited applications for 10,000 shares of Rs. 10 each at a discount of 10% payable as follows :

On application Rs. 3 ; on allotment Rs. 3 ; and on first and final call Rs. 3. Applications received were for 10,000 shares and all these were accepted. All money due was received except the allotment money and first and final call on 500 shares. These shares were subsequently forfeited and reissued at Rs. 8 per share as fully paid up. Pass necessary entries in the journal of the company.

(6 × 4 = 24)

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Part D (Essays)

Answer any two questions.

Each question carries 15 marks.

1. The following details are ascertained in relation to prosperous Co.Ltd.,

	Rs.
Capital :	
10,000 'A' Equity Shares of Rs. 100 each fully paid	... 1,00,000
10,000 'B' Equity Shares of Rs. 10 each, Rs. 7.50 per share paid	... 75,000
10,000 'C' Equity Shares of Rs. 10 each, Rs. 5 per share paid	... 50,000
General Reserve	... 1,20,000
External Liabilities	... 55,000
	<u>4,00,000</u>
Tangible Assets	... <u>4,00,000</u>

The normal average profits (less tax) of the company are estimated to be Rs. 36,000 and the estimated rate for capitalisation purposes is 8 %.

Calculate the value of each type of shares by :

- (i) The Asset Backing Method.
- (ii) The Earning Capacity Method.

3. From the following figures taken from the books of HP Bank Ltd., you are required to draft as on 31st March, 1998 :

- (a) A Balance Sheet ; and
- (b) A Profit and Loss Account.

	Rs.
Share Capital (Authorised and Issued)	
10,000 shares of Rs. 100 each, Rs. 50 paid	... 5,00,000
Reserve Fund	... 3,50,000
Fixed Deposit Accounts	... 9,50,000
Savings Bank Deposits	... 30,00,000
Current Accounts	... 80,00,000
Money at call and short notice	... 3,00,000
Investments (at cost)	... 30,00,000

Rs.

Interest accrued and paid	...	2,00,000
Salaries (including salary of General Manager Rs. 24,000 and director's fees Rs. 5,000)	...	80,000
Rent	...	20,000
General Expenses (including stationery Rs. 5,000 and Auditor's fees Rs. 2,000)	...	10,000
Profit and Loss Account (Cr) on April 1, 1997	...	2,10,000
Dividend for 1996-97	...	50,000
Premises (after depreciation upto June 30, 1997, Rs. 1,00,000)	...	12,00,000
Cash in hand	...	60,000
Cash with RBI	...	15,00,000
Cash with other Banks	...	13,00,000
Borrowed from Bank	...	7,00,000
Interest and Discount	...	7,50,000
Bills Discounted and purchased	...	6,00,000
Bills payable	...	8,00,000
Loans, overdraft and Cash Credit	...	70,00,000
Unclaimed Dividend	...	30,000
Sundry Creditors	...	30,000
Bills for collection	...	1,40,000
Acceptance and endorsement on behalf of customers	...	2,00,000

Rebate on bills discounted and purchased for unexpired term amounted to Rs. 5,000.

Allow 5 % depreciation on premises on original cost. A Provision for doubtful debts amounting to Rs. 30,000 is required. The bank has no business outside India.

Create a provision of Rs. 1,00,000 for taxation.

Turn over

34. The Balance Sheet of HK Ltd., as at 31-03-2017 is given below :

	Rs.		Rs.
Issued and Paid-up share capital	2,00,000	Freehold property	2,00,000
Profit and Loss A/c	1,80,000	Stock in Trade	1,20,000
12 % Debentures	1,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Cash and Bank Balance	1,80,000
	6,00,000		6,00,000

It is resolved at the Annual Meeting :—

- (a) To pay a dividend of 10%.
- (b) To issue one bonus share for every four shares held.
- (c) To give existing shareholders the option to buy one Rs. 10 shares at Rs. 14 for every four shares held prior to bonus distribution.
- (d) To repay the debentures at a premium of 4 %.

All the shareholders took up the option in

- (c) above.

Pass Journal entries and draw up the Balance Sheet after the above transactions have been given effect to (Ignore taxation).

35. What is meant by redemption of debentures ? Describe the various methods for redemption of debentures. Give illustrations.

(2 × 15 = 30)