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## BBABMC 212/BBMBMC 212

**Credit Based III Semester B.B.A./B.B.M. Examination, Oct./Nov. 2017**  
**(2012 Scheme)**  
**CORPORATE ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

### SECTION – A (2 marks each)

Answer any ten questions : (2×10=20)

1. a) What do you mean by issued capital ?
- b) Who is an underwriter ?
- c) What is pro-rata allotment of shares ?
- d) What do you mean by firm underwriting ?
- e) What are marked applications ?
- f) Mention any two methods of valuation of goodwill.
- g) A company offers to its existing shareholders the right to buy one share of Rs. 10 each at Rs. 15 for every three shares held. The market value of share is Rs. 20. Calculate the value of right.
- h) How fair value of share is calculated ?
  - i) What do you mean by preliminary expenses ?
  - j) State any two features of preference shares.
- k) What do you mean by redemption of debentures ?
  - l) What do you mean by unclaimed dividend ?

P.T.O.



## SECTION – B (8 marks each)

Answer any five questions :

(8×5=40)

2. Following is the Balance Sheet of A Ltd. as on 31-3-2016.

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed assets	60,000
Shares of Re. 1 each	1,00,000	Investment	60,000
Profit and Loss A/c	24,500	Current asset	32,000
Debentures	20,000		
Creditors	7,500		
	<b>1,52,000</b>		<b>1,52,000</b>

Fixed assets are valued at Rs. 71,000. Find the intrinsic value of a share.

3. Given below is the Balance Sheet of Apsara Ltd. as on 31-12-2016.

Liabilities	Rs.	Assets	Rs.
Equity share capital 10000		Goodwill	15,000
shares of Rs. 10 each	1,00,000	Land	40,000
Reserve	45,000	Plant	50,000
P and L A/c on 1-1-16	6,000	Investments	60,000
Profit for current year	24,000	Stock	50,000
	30,000	Debtors	60,000
8% Debentures	50,000	Cash	20,000
Creditors	30,000	Preliminary expenses	5,000
Provision for tax	20,000		
Depreciation Fund (plant)	25,000		
	<b>3,00,000</b>		<b>3,00,000</b>

Profit for the year includes Rs. 3,000 income from investment. Land and plant are valued at Rs. 1,00,000 and Rs. 20,000 respectively. Investments are all in government securities.

Compute the value of goodwill on the basis of 3 years purchase of super profit. Normal return in this type of business is 10%.

4. The Balance Sheet of Anjali Ltd. discloses the following position as on 31-3-2016.

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share capital		Land and Building	3,00,000
50000 shares of Rs. 10 each	5,00,000	Plant and Machinery	5,00,000
General reserve	2,10,000	Stock	5,00,000
Profit and Loss A/c	40,000	Debtors	3,00,000
5% debentures	5,00,000	Bank	1,00,000
Creditors	4,50,000		
	<b>17,00,000</b>		<b>17,00,000</b>

On the above data the company decided to issue 2 fully paid bonus shares of Rs. 10 each for every 5 shares held in the company.

For the above purpose the company decided to utilise general reserve.

Pass the necessary journal entries and prepare the Balance Sheet of the company.

5. Amith Ltd. has 50,000 equity shares of Rs. 10 each and 40,000, 12% preference shares of Rs. 10 each. The company transfers 10% of divisible profits to general-reserve every year. The expected profit before tax is Rs. 8,00,000 and the rate of tax is 50%. Normal rate of return is 16%.

Find out the market value of each equity share.

6. Arun Ltd. issued 200000 shares of Rs. 10 each. The entire issue was underwritten as follows:

Varun – 100000 shares (Firm underwriting 20000 shares)

Bharath – 60000 shares (Firm underwriting 10000 shares)

Uday – 40000 shares (Firm underwriting 10000 shares)

Shares applied for were 180000, the following being the marked forms including firm underwriting.

Varun 70000 shares

Bharath 28000 shares

Uday 32000 shares

Calculate the liability of each underwriter.

7. State the provisions for the redemption of preference shares.

8. Explain the various methods of redemption of debentures.



## SECTION – C (20 marks each)

Answer any three questions :

(20×3=60)

9. Following is the Balance Sheet of Sunlight Ltd. as on 31-12-2016.

Liabilities	Rs.	Assets	Rs.
Share capital 450000 equity shares of Rs. 10 each	45,00,000	Plant	25,00,000
65000, 8% redeemable pref. shares of Rs. 20	13,00,000	Furniture	9,20,000
Profit and Loss A/c	9,20,000	Stock	15,00,000
Creditors	11,50,000	Debtors	20,00,000
		Investments	3,50,000
		Cash at Bank	6,00,000
	<b>78,70,000</b>		<b>78,70,000</b>

On the above data, the company decided to redeem its pref. shares at a premium of 5%. For this purpose the company decided

- To sell the investments for Rs. 3,00,000.
- To issue 63000 equity shares of Rs. 10 each at a premium of Rs. 2.50 per share and the balance is met out of company's funds.

The shares were fully subscribed and the preference shares were redeemed. Pass journal entries to record the above transactions and prepare the Balance Sheet after redemption.

10. Perfect Ltd. issued 100000 equity shares of Rs. 10 each at Rs. 12 per share.

The whole of the issue was underwritten as follows :

M – 35000 shares

N – 30000 shares

O – 20000 shares

P – 10000 shares

Q – 3000 shares

R – 2000 shares



Application were received for 85000 shares out of which marked applications were as follows :

M – 10000 shares

N – 22500 shares

O – 20000 shares

P – 7500 shares

Q – 5000 shares

R – Nil

The underwriters agreed for a commission of 5% on the issue price of shares.

Draw up a statement showing the liability of each underwriter and also pass journal entries.

11. B Ltd. was incorporated on 1-5-2016 to take over a business from 1-1-2016.

The profit and Loss A/c as on 31-12-2016 was as follows :

	Dr.		Cr.
	Rs.		Rs.
To Salaries	12,000	By Gross profit b/d	84,000
To Rent and rates	4,800		
To Directors fees	3,000		
To Travellers commission	2,400		
To Office expenses	12,000		
To Bad debts	500		
To Discount	3,600		
To Audit fee	600		
To Depreciation	1,800		
To Debenture interest	1,000		



To interest on purchase		
Consideration upto 1 <sup>st</sup> Oct. 2016	4,500	
To Formation expenses	5,000	
To Carriage outward	1,200	
To General expenses	2,100	
To Advertising	1,800	
To Printing and stationery	3,000	
To Net profit	24,700	
	<b>84,000</b>	<b>84,000</b>

**Additional information :**

- 1) The total sales for the year was Rs. 2,40,000.
- 2) It is ascertained that sales for January were one and half times of the average sales, which for April, August and December were only half the average and those for March twice the average.
- 3) Out of bad debts Rs. 200 relate to debts created prior to incorporation.  
Apportion the year's profit between pre and post incorporation periods.

12. From the following Trial Balance of Guru Ltd. as on 31-3-2015, prepare Final Accounts in vertical form with relevant notes.

	Dr		Cr.
	Rs.		Rs.
Calls in arrears	6,400	Share capital	1,00,000
Land	10,000	R.B.D.	1,400
Building	25,000	Sales	80,000
Machinery	15,000	Purchase returns	3,400
Furniture	3,200	Creditors	13,200
Carriage	2,300	Share premium	6,000
Wages	11,400	General Reserve	26,000



Salaries	14,600	
Sales returns	1,700	
Bank charges	100	
Coal, gas and water	700	
Rent and rates	800	
Purchases	50,000	
Bills receivable	1,200	
General expenses	1,900	
Debtors	42,800	
Stock on 1-4-2014	25,000	
Insurance	400	
Cash at Bank	13,000	
Cash in hand	4,500	
	<b>2,30,000</b>	<b>2,30,000</b>

**Additional information :**

- 1) Charge depreciation on building at 2%, machinery at 10% and furniture at 10%.
  - 2) Make new RBD of 5% on debtors.
  - 3) Carry forward unexpired insurance Rs. 100
  - 4) Provide for  
Outstanding wages Rs. 500  
Outstanding salaries Rs. 2,000  
Outstanding rent Rs. 400
  - 5) Stock as on 31-3-2015 was Rs. 30,000.
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