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BBA BMC 262/BBM BMC 262

**Credit Based Fourth Semester B.B.A./B.B.M. Degree
Examination, April/May 2018
(2012 Scheme)
CORPORATE ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 120

- Instructions :** 1) Provide working notes *wherever necessary*.
2) Follow the instructions **strictly**.

**SECTION –A
(2 Marks each)**

1. Answer **any ten** questions :

(2×10=20)

- a) Who appoints the liquidator in case of compulsory winding up of companies ?
- b) How purchase consideration is calculated under net asset method ?
- c) State any two contingent liabilities of a bank.
- d) Which are the accounts prepared under double account system ?
- e) What is meant by Inter-office adjustments in banking companies ?
- f) Write any two differences between amalgamation and absorption.
- g) What do you mean by disclosure of accounting policies ?
- h) Under which schedule following items will be shown in the final accounts of a banking company.
 - i) Bills payable.
 - ii) Commission, exchange and brokerage.
- i) How do you treat insurance fund in vendor company's balance sheet during absorption ?
- j) What do you mean by Non-Performing Assets (NPA) in a banking company. ?
- k) What do you mean by winding up of companies ?
- l) How do you treat interim dividends in the final accounts of electricity company ?

P.T.O.



SECTION -B
(8 Marks each)

Answer **any five** questions :

(8×5=40)

2. Distinguish between internal reconstruction and external reconstruction.
3. Describe the objectives and functions of accounting standards.
4. The following is an extract from the trial balance of U.P. Bank Ltd. as on 31-3-2018.

Particulars	Dr. (₹)	Cr. (₹)
Bills discounted	6,32,000	—
Discount received	—	52,854
Rebate on bills discounted not due on 31-3-2017	—	11,080

The bills discounted is as follows :

S.N.	Amount	Due Date	Rate of discount (%)
1	70,000	5-6-2018	14
2	2,18,000	12-6-2018	14
3	1,41,000	25-6-2018	14
4	2,03,000	6-7-2018	16

Calculate Rebate on bills discounted and show the necessary journal entries.

5. The following are the Balance Sheet of 'A' Ltd. and 'B' Ltd.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	₹	₹		₹	₹
Share capital :			Buildings	15,000	—
Shares of ₹ 10 each	50,000	30,000	Machinery	55,000	25,000
6% debentures of ₹ 100 each	10,000	—	Stock	8,000	4,000
Reserve fund	17,000	—	Debtors	7,000	4,500
Employees PF	3,500	—	Cash	1,500	500
Creditors	5,000	4,000			
P and L A/c	1,000	—			
	86,500	34,000		86,500	34,000



They agreed to amalgamate and form a new company called 'C' Ltd., which takes over the assets and liabilities of both the companies :

- 1) The assets of 'A' Ltd. are taken over at a reduced valuation of 10 % with the exception of buildings which is accepted at book value.
- 2) Both the companies are to receive 5% of the net valuation of their respective business as Goodwill.

Calculate purchase consideration payable to 'A' Ltd. and 'B' Ltd.

6. Due to continuous Loss-Weak Ltd., got the following scheme of reconstruction duly approved by the court.

Balance Sheet as on 31-3-2018

Liabilities	₹	Assets	₹
3,000 equity shares of ₹ 50 each	1,50,000	Fixed assets	2,60,000
5,000 preference shares of ₹ 25 each	1,25,000	Current assets	1,00,000
Creditors	1,50,000	Preliminary expenses	15,000
		P and L A/c	50,000
	4,25,000		4,25,000

The reconstruction scheme provided :

- 1) Equity shares to be reduced to the same number to ₹ 30 fully paid.
- 2) Preference shares to be reduced to ₹ 15.
- 3) Creditors to forego 10% of their claim.

The amount so available was utilised to write off P and L A/c, fixed assets by 20%, current assets by 15% and balance to be applied to bring down Preliminary expenses.

Pass necessary journal entries in the books of Weak Ltd.

7. The following balances appeared in the books of Universal Electric Corporation Ltd. as on 31-3-2018.

Particulars	Debit (₹)	Credit (₹)
Cost of generation of electricity	30,000	-
Cost of distribution of electricity	9,000	-
Sale of current	-	1,50,000



Meter rent	-	5,000
Rent, Rates and taxes	12,000	-
Establishment expenses	21,000	-
Interest on debentures	10,000	-
Interim dividend	20,000	-
Depreciation	20,000	-
Net revenue A/c. balance on March 31, 2017	-	28,500

From the above balance prepare Revenue A/c and Net Revenue A/c.

8. Unfortunate Ltd. went into voluntary liquidation on 1-1-2018 on which date dividends on preference shares were in arrears for two years.

The subscribed capital of the company consists of :

a) 80,000 6% preference shares of ₹ 10 each fully paid.

b) 1,00,000 equity shares of ₹ 10 each, ₹ 6 paid.

The assets realised ₹ 7,00,000. The liquidation expenses amounted to ₹ 19,600. The liquidator is entitled to remuneration of ₹ 22,000 and commission of 2.5% on the amount paid to the preference share holders as capital and dividend. The liabilities amounted to ₹ 40,000.

Show liquidator's final statement of account.

SECTION -C
(20 Marks each)

Answer **any three** questions :

(20×3=60)

9. From the following Trial Balance and Adjustments, prepare profit and loss A/c of World Bank for the year ended 31-3-2018.

Particulars	Debit (₹)	Credit (₹)
Interest received	-	4,00,000
Interest paid on fixed deposits	2,10,000	-
Payment to employees	2,68,000	-
Commission received	-	3,00,000
Brokerage	-	1,50,000

Advertising	15,000	—
Printing and stationary	48,000	—
Postage and telegrams	29,000	—
Interest on borrowings	2,50,000	—
Directors fees	30,000	—
Rent	40,000	—
Taxes	30,000	—
Discount	—	2,10,000
Exchange	—	1,80,000
Locker rent	—	1,10,000
Transfer fees	—	1,50,000
Depreciation on bank property	30,000	—
Audit fees	20,000	—
Loss on sale of Government securities	5,000	—
Miscellaneous expenses	25,000	—
Interest paid on SB and current deposits	5,00,000	—
	15,00,000	15,00,000

Adjustment :

1) The management decides to make a provision of ₹ 1,00,000 for bad and doubtful debts.

10. From the following trial balance of Sharavathy Electric Power 'Co' Ltd, as at 31-12-2017.

Prepare Revenue A/c, Net Revenue A/c, Capital A/c and General Balance Sheet.

Particulars	Dr. (₹)	Cr. (₹)
Ordinary shares	—	54,90,000
Debentures	—	20,00,000
Lands to 31-12-2016	15,00,000	—
Lands expended during 2017	50,000	—
Machinery to 31-12-2016	60,00,000	—
Machinery expended during 2017	50,000	—



Mains, including cost of laying	20,00,000	—
Mains expended during 2017	5,10,000	—
Sundry creditors on open A/c	—	10,000
Depreciation A/c	—	25,00,000
Sundry debtors for current supplied	4,00,000	—
Other debtors	5,000	—
Stores on hand	50,000	—
Cash	50,000	—
Cost of generation of Electricity	3,00,000	—
Cost of distribution of electricity	50,000	—
Rent, rates and taxes	50,000	—
Management expenses	1,20,000	—
Depreciation	2,00,000	—
Sale of current	—	13,00,000
Rent of meters	—	50,000
Interest on debentures	1,00,000	—
Interim dividend	2,00,000	—
Balance of Net Revenue A/c on 31-12-2016	—	2,85,000
	1,16,35,000	1,16,35,000

11. 'Venus' Ltd. agreed to absorb the business of 'Mars' Ltd. The Balance Sheet of Mars Ltd. on that date stood as follows :

Liabilities	₹	Assets	₹
Share capital :		Goodwill	2,50,000
60,000 shares of		Land and buildings	7,65,000
₹ 50 each	30,00,000	Plant and machinery	22,00,000
5% debentures	15,00,000	Patents	50,000
Creditors	2,00,000	Patterns	25,000
Workmen's profit sharing fund	1,00,000	Investments	50,000
Accident compensation fund	50,000	Debtors	4,50,000
General reserve	3,20,000	Stock	10,60,000
P and L A/c	30,000	Bank	3,50,000
	52,00,000		52,00,000



The consideration being :

- 1) The assumption of liabilities.
- 2) The discharge of debentures at a premium of 5% by the issue of 5% debentures in Venus Ltd.
- 3) Payment in cash of ₹ 30 per share.
- 4) Exchange of 3, ₹ 10 shares in Venus Ltd. at an agreed value of ₹ 15 per share for every share in Mars Ltd.

Prepare Ledger Accounts in the books of "Mars" Ltd. and opening entries in the books of Venus Ltd. Assume that absorption is in the nature of purchase.

12. Following is the Balance Sheet of Delta Co. Ltd. as on 31-12-2017.

Liabilities	₹	Assets	₹
Share capital:		Goodwill	30,000
20,000 shares of ₹ 10 each	2,00,000	Buildings	25,000
Bank overdraft (unsecured)	1,100	Plant and machinery	37,400
Partly secured creditors	29,180	Stock	58,000
Preferential creditors	7,100	Debtors	46,000
Trade creditors	97,600	Cash	500
		P and L A/c	1,38,080
	3,34,980		3,34,980

The assets realised as follows :

Buildings which were used in the first instance to pay partly secured creditors	₹ 18,000
Plant and machinery	25,000
Stock	31,000
Debtors	43,500

Liquidation expenses ₹ 1,100. The liquidator's commission was agreed at 3% on the assets realised except cash and 2% on the amount payable to unsecured creditors other than preferential.

Prepare liquidator's final statement of account.