

Reg. No. 

--	--	--	--	--	--	--	--

**BBABMC 212/BBMBMC 212**

**Credit Based Third Semester B.B.A./B.B.M. Degree  
Examination, Nov./Dec. 2018  
(2012 Scheme)  
CORPORATE ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

**Instruction :** Provide working notes *wherever* necessary.

**SECTION – A  
(2 Marks Each)**

1. Answer **any ten** questions : **(2×10=20)**
- a) What is a share ?
  - b) Give the meaning of 'Underwriting'.
  - c) What is calls-in-arrears ?
  - d) What are debentures ?
  - e) X Ltd. offers to its shareholders the right to buy one share of Rs. 100. Each at Rs. 120 for every three shares held. The market value of the share is Rs. 180. Calculate the value of right.
  - f) State any two advantages of book building.
  - g) How do you treat pre-incorporation profit in the books of accounts ?
  - h) State any two differences between 'Equity Share' and 'Preference Share'.
  - i) How fair value of share is calculated ?
  - j) What are marked applications ?
  - k) Mention the different methods of valuing goodwill.
  - l) How do you deal with the following items in final accounts of Joint Stock Companies ?
    - i) Interest on sinking fund investment
    - ii) Loans to employees.

P.T.O.



SECTION – B  
(8 Marks Each)

Answer any five :

(8×5=40)

2. State the provisions for the redemption of preference shares.
3. Explain the various methods of redemption of debentures.
4. Following is the Balance Sheet of Hard Ltd. as on 31-3-2018 :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Buildings	80,000
Shares of Rs. 10 each	2,00,000	Plant	40,000
Profit and Loss A/c	30,000	Investments	1,00,000
General reserve	19,000	Debtors	40,000
Debentures	30,000	Stock	30,000
Creditors	15,000	Bank	14,000
Bills payable	10,000		
	<b>3,04,000</b>		<b>3,04,000</b>

Fixed assets are valued at Rs. 1,40,000,

Market value of investments Rs. 1,02,000.

Find the intrinsic value of a share.

5. The Balance Sheet of Bright Ltd. as on 31-12-2017 was as follows :

Liabilities	Rs.	Assets	Rs.
15,000 Equity shares of		Goodwill	30,000
Rs. 10 each	1,50,000	Fixed assets	1,80,000
General Reserve	90,000	Current assets	1,00,000



Provision for tax	10,000	Preliminary expenses	15,000
8% Debentures	50,000		
Creditors	25,000		
	<b>3,25,000</b>		<b>3,25,000</b>

The average profit of the company is Rs. 30,000. After interest on debentures and taxes. The market value of machinery included in fixed assets is Rs. 5,000 more. Expected rate of return is 10%.

Compute the value of Goodwill of the company at five times in super profit.

6. Following is the Balance Sheet of Best Ltd. as on 31-3-2018 :

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital :		Goodwill	60,000
20,000 Equity		Fixed assets	2,00,000
shares of Rs. 10 each	2,00,000	Current assets	90,000
Reserve fund	50,000		
Profit and Loss A/c	20,000		
9% Debentures	60,000		
Creditors	20,000		
	<b>3,50,000</b>		<b>3,50,000</b>

On the above date company decided to capitalise its Reserve/Profit by declaring bonus to be utilised as follows :

- i) To issue 3 fully paid bonus shares of Rs. 10 each for every 10 shares held.
- ii) For the above purpose company decided to utilise the entire amount of Reserve fund and the balance from Profit and Loss Account.

Pass necessary Journal Entries and prepare the Revised Balance Sheet.



7. Sun Ltd. issued 40,000 shares of Rs. 10 each, 80% of the issue was underwritten by two underwriters as follows :

Agents – 24,000 shares

Brokers – 8,000 shares.

Applications for 30,000 shares were received out of which applications marked were as follows ;

Agents – 16,000 shares

Brokers – 10,000 shares

Determine the liability of each underwriter.

8. Ahuja Ltd. has 1,00,000 equity shares of Rs. 10 each and 80,000, 10% preference shares of Rs. 10 each. The company transfers 10% of divisible profits to reserve every year. The expected profit before tax is Rs. 4,00,000. The rate of tax is 30%. Normal rate of return is 12%. Find out the market value of each equity share.

**SECTION – C**  
**(20 Marks Each)**

Answer any three :

(20×3=60)

9. The Balance Sheet of Smart Ltd. as on 31-3-2018 was as follows :

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
6% Preference		Land and building	2,30,000
Shares of Rs. 10 each	1,50,000	Plant	90,000
Equity shares of		Furniture	60,000
Rs. 10 each	2,70,000	Investments	84,000
Securities premium	30,000	Stock	90,000
General Reserve	60,000	Debtors	45,000
Profit and Loss A/c	75,000	Bank	70,000
Current liabilities	84,000		
	<b>6,69,000</b>		<b>6,69,000</b>



The company decided to redeem its preference shares at a premium of 10% on the following terms :

- 1) A fresh issue of equity shares of Rs. 10 each to the extent required was made at 20% premium.
- 2) All the investments were sold at Rs. 81,000.
- 3) The directors wish that Profit and Loss Account be fully utilised and Rs. 10,000 be left in general reserve.

Pass Journal Entries. Show the Balance Sheet after redemption.

10. Prosperous Ltd. issued 2,00,000 shares of Rs. 10 each at Rs. 13 per share. Sixty percent of the issue was underwritten by Mr. Ashok and Mr. Bhaskar in the ratio of 3 : 2. Applications for 1,60,000 shares were received out of which the marked applications were

Mr. Ashok – 50,000 shares

Mr. Bhaskar – 24,000 shares

The underwriting commission is 4% on the issue price.

Determine the liability of each underwriter and also pass the Journal Entries.

11. Akbar Ltd. was incorporated on 31-7-2017 taking over the business of Birbala as from 1-4-2017. The following was the Profit and Loss Account for the year ended 31-3-2018 :

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
To Salaries	24,000	By Gross Profit B/d	1,68,000
" Rent and taxes	9,600		
" Director's fees	6,000		
" Salesmen commission	4,800		
" Office expenses	24,000		



" Bad debts	1,000	
" Discount	7,200	
" Audit fees	1,200	
" Depreciation	3,600	
" Debenture int.	2,000	
" Interest on purchase consideration upto 30 <sup>th</sup> Nov. 2017	9,000	
" Formation expenses written off	10,000	
" Carriage outward	2,400	
" General expenses	4,200	
" Advertising	3,600	
" Printing and stationery	6,000	
" Net profit	49,400	
	<b>1,68,000</b>	<b>1,68,000</b>

**Additional Information :**

- 1) The total sales for the year Rs. 4,80,000.
  - 2) It is ascertained that sales for April were one and half times of the average sales, which for July, November and March were only half the average sales and those for June twice the average.
  - 3) Out of bad debts Rs. 400 relate to debts created prior to incorporation.
- Apportion the Year's profit between pre and post incorporation periods.



12. National Company Ltd. was registered with a normal capital of Rs. 5,00,000 in Equity shares of Rs. 10 each. The following is the Trial Balance as on 31-3-2018 :

Particulars	Dr (Rs.)	Cr (Rs.)
Equity share capital	—	1,00,000
Calls in arrears	6,400	—
Land	10,000	—
Building	25,000	—
Machinery	15,000	—
Furniture	3,200	—
Carriage	2,300	—
Wages	21,400	—
Salaries	4,600	—
Bad debts reserve	—	1,400
Sales	—	80,000
Return inwards	1,700	—
Bank charges	100	—
Coal, gas and water	700	—
Rent and rates	800	—
Purchases	50,000	—
Purchases returns	—	3,400
Bills receivable	1,200	—
General expenses	1,900	—
Debtors and Creditors	42,800	13,200
Stock	25,000	—



Insurance	400	—
Cash at bank	13,000	—
Cash in hand	2,500	—
Securities premium	—	6,000
General reserve	—	24,000
	<b>2,28,000</b>	<b>2,28,000</b>

### Adjustments :

- 1) Charge depreciation on buildings at 2% on machinery at 10%, and furniture at 10%.
- 2) Make a reserve of 5% on debtors for bad debts.
- 3) Insurance prepaid Rs. 120.
- 4) Provide for the following outstanding liabilities :
  - \* Wages – Rs. 3,000
  - Salaries – Rs. 2,000
  - Rent and rates – Rs. 600
- 5) The value of stock as on 31-3-2018 Rs. 30,000.

Prepare necessary Ledger Accounts and Balance Sheet.