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**BBABMC 236**

**III Semester B.B.A. Degree Examination, April 2021  
(2020 – 21 Batch Onwards) (Choice Based Credit System)  
CORPORATE ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 80

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

**SECTION – A**

Answer **any four** questions of the following. **Each** carries 4 marks. **(4×4=16)**

1. What is meant by issue of shares at par, premium and discount ?
2. Bring out any two differences between preference shares and equity shares.
3. How are pre and post incorporation losses treated in the books of accounts ?

4. Moon Ltd. issued 20,000 shares of Rs. 100 each.  
Whole issue was underwritten by Bright Brothers.  
Applications for 15,000 shares were received.  
Determine the liability of Bright Brothers.

5. On 1<sup>st</sup> January 2013, Raja Ltd. issued 2000 5% debentures of Rs. 100 each repayable at the end of 4 years at a premium of 5%. It has been decided to set up a Sinking Fund for the purpose. The annual amount to be invested is Rs. 49,453.

Show the Sinking Fund Account for the first two years. Assuming rate of interest on investment is 4% p.a.

6. How do you allocate following items under Profit Prior to Incorporation Account ?
  - a) Advertisement
  - b) Audit fees.

P.T.O.



7. How do you deal with the following items in Final Accounts of Joint Stock Companies ?
- Salaries.
  - Plant and Machinery.

## SECTION – B

Answer **any four** questions of the following. **Each** question carries **eight** marks.

(4×8=32)

8. What do you mean by share capital ? Explain the different types of share capital.
9. Explain the process of book building.
10. What is redemption of debentures ? Explain the different methods for the redemption.
11. Mahesh Ltd. issued 2,00,000 shares of Rs. 10 each. The whole issue was underwritten as follows :

Varun	–	1,00,000 shares
		(Firm underwriting 20,000 shares)
Bharath	–	60,000 shares
		(Firm underwriting 10,000 shares)
Uday	–	40,000 shares
		(Firm underwriting 10,000 shares)

Shares applied for were 1,80,000. The following being the marked forms :

Varun	–	70,000 shares
Bharath	–	28,000 shares
Uday	–	12,000 shares

Calculate the liability of each underwriter.



12. On 1-01-2015, Aditya Ltd. issued 5,000 10% debentures of Rs. 100 each redeemable at the end of 3 years at a premium of 10%. It has been decided to institute a sinking fund for the purpose, the investments being expected to earn 5% net.

Sinking fund table shows that Re.0. 31720856 at 5% compound interest in 3 years will be Re. 1.

At the end of 3 years the investments are sold at book value.

Show the Sinking Fund Account and Sinking Fund Investment Account for 3 years.

13. A Ltd. was incorporated on 1-07-2014 taking over the business of Ashok as from 1-04-2014. The following was the Profit and Loss Account for the year ended 31-03-2015.

	Rs.		Rs.
To Salaries	72,000	By Gross profit	1,40,000
To Free samples	4,000		
To Office expenses	24,000		
To Audit fees	2,000		
To Interest on debentures	6,000		
To Directors fees	2,000		
To Preliminary expenses			
written off	2,000		
To Net profit	28,000		
	<b>1,40,000</b>		<b>1,40,000</b>

**Additional information :**

Sales upto 1-07-2014 amounted to Rs. 1,60,000 and thereafter Rs. 2,40,000.

Prepare a statement showing Profit or Loss prior to incorporation and after incorporation.



14. A Ram Ltd. has 5,000 6% redeemable preference shares of Rs. 100 each fully paid up. The company decided to redeem it at par. For this purpose it made a fresh issue of 4,000 equity shares of Rs. 100 each at 10% premium. Company has Profit and Loss Account credit balance of Rs. 2,00,000. The redemption was carried out as per the statute.

Pass the journal entries.

### SECTION – C

Answer **any two** questions of the following. **Each** question carries **sixteen** marks.

(2×16=32)

15. Perfect Ltd. issued 1,00,000 equity shares of Rs. 10 each at Rs. 12 per share. 60% of the issue was underwritten by Mr. A and Mr. B in the ratio of 3 : 2. Applications for 80,000 shares were received out of which the marked applications were :

Mr. A – 25,000 shares

Mr. B – 12,000 shares

The underwriting commission is 4% on the issue price.

Determine the liability of each underwriter and also pass the journal entries.

16. Following is the Balance Sheet of Sunrise Ltd. as on 31-12-2016.

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital :		Plant	25,00,000
4,50,000 equity		Furniture	9,20,000
shares of		Stock	15,00,000
Rs. 10 each	45,00,000	Debtors	20,00,000
65,000 9% redeemable		Investments	3,50,000
preference shares of		Cash at Bank	6,00,000
Rs. 20 each	13,00,000		
Profit and Loss A/c	9,20,000		
Creditors	11,50,000		
	<b>78,70,000</b>		<b>78,70,000</b>



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

- a) Sell the investments for Rs. 3,00,000.
- b) Issue 63,000 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.

17. Star Ltd. was incorporated on 1-05-2018 to take over a business from 1-01-2018. Profit and Loss Account showed the following results.

**Profit and Loss Account for the year ending 31-12-2018**

	Rs.		Rs.
To Salaries	60,000	By Gross Profit b/d	4,80,000
To Rent	24,000	By Bad debts recovered	2,000
To Directors fees	15,000		
To Commission on sales	12,000		
To Office expenses	60,000		
To Bad debts	2,500		
To Discounts	18,000		
To Audit fees	3,000		
To Depreciation	9,000		
To Debenture interest	5,000		
To Interest on purchase consideration upto 1-10-2018	22,500		
To Preliminary expenses	25,000		
To Carriage outwards	6,000		
To Net profit	2,20,000		
	<b>4,82,000</b>		<b>4,82,000</b>




### Additional Information :

- 1) Out of total sales Rs. 24,00,000, sales for the pre-incorporation period was Rs. 10,00,000.
- 2) Out of bad debts Rs. 1,000 relates to debts created prior to incorporation.
- 3) Recovery of bad debts was in respect of debts written off in 2017.
- 4) Rent upto 30-04-2018 was Rs. 500 per month and thereafter it was increased to Rs. 2,750 per month.
- 5) Salaries for the post incorporation period was Rs. 48,000.

Apportion the profits into pre-incorporation and post-incorporation profits.

18. The Trial Balance of Akash Ltd. as on 31-03-2019 is given below :

	Rs.		Rs.
Opening stock	3,26,000	2,00,000 equity shares	
Purchases	24,80,000	of Rs. 10 each	20,00,000
Wages	2,64,000	Sales	37,60,000
Salaries	2,48,000	Interest	40,000
Rent	96,000	Profit and Loss A/c	4,48,000
Commission	12,000	Reserve Fund	3,60,000
Interim dividend	2,00,000	Creditors	5,48,000
Cash	2,68,000	Bills Payable	76,000
Debtors	3,60,000	Discount	92,000
Bills Receivable	1,64,000	6% debentures	8,00,000
Bad debts	18,000	Purchase returns	1,00,000
Preliminary expenses	1,20,000	Transfer fee	6,000
Investment	3,46,000		



Discount	60,000	
Goodwill	2,40,000	
Interest on debentures	24,000	
Furniture	2,12,000	
Plant and Machinery	9,60,000	
Land and Buildings	17,40,000	
Sales return	92,000	
	<b>82,30,000</b>	<b>82,30,000</b>

**Adjustments :**

- 1) Provision for bad debts on debtors is to be made at 5%.
  - 2) Closing stock Rs. 16,50,000.
  - 3) O/S salary Rs. 20,000.
  - 4) Transfer to reserve fund Rs. 1,50,000.
  - 5) Write off preliminary expenses by 50%.
  - 6) Provide for taxation Rs. 50,000.
- Prepare Final Accounts in the vertical form.
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