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BBMBMC 262

**Credit Based Fourth Semester B.B.M. Degree Examination, April/May 2014
(2012 Scheme)
CORPORATE ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 120

- Instructions :** 1) A single answer booklet containing 40 pages will be issued.
No additional sheets will be issued.
2) Provide working notes **wherever** necessary.

SECTION – A

(2 marks each)

(2×10=20)

1. Answer **any ten** questions :

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- What is Amalgamation of companies ?
- How purchase consideration is calculated under net assets method ?
- Who is a liquidator ?
- What is capital reduction account ?
- What is meant by External Reconstruction ?
- What is meant by inter-office adjustments in banking companies ?
- What do you mean by money at call and short notice ?
- What is reasonable return in the case of electricity company ?
- State any two contingent liabilities of a bank.
- What is surplus in the case of an electricity company ?
- How do you treat dividend equalisation fund balance of Vendor Company when it is absorbed by another company ?
- Who are preferential creditors ?

P.T.O.



SECTION – B
(8 marks each)

(5×8=40)

Answer **any five** questions. Answer should **not** exceed **two** pages **each** for theory questions.

2. Following is the Balance Sheet of Amar Ltd. as on 31-12-2012.

Liabilities	Rs.	Assets	Rs.
Share capital	6,00,000	Goodwill	1,00,000
General Reserve	3,00,000	Plant and Machinery	5,00,000
Profit and Loss A/c	1,00,000	Furniture	1,00,000
6% debentures	3,00,000	Stock	6,00,000
Sundry Creditors	3,20,000	Debtors	2,00,000
		Bank	1,00,000
		Preliminary Expenses	20,000
	16,20,000		16,20,000

Bhushan Ltd. takesover the business of Amar Ltd. on the following terms :

- 1) Goodwill is valued at Rs. 2,00,000 and other assets are considered worth their book values.
 - 2) Bhushan Ltd. does not takeover the balance at bank.
 - 3) Liabilities are taken over at their book values.
- Calculate purchase consideration.

3. A company after a series of trading losses, resolved to reduce its capital of 8000 shares of Rs. 10 each fully paid up to 8000 shares of Rs. 4 each fully paid. The Balance Sheet of the company prior to reduction of capital was as follows :

Liabilities	Rs.	Assets	Rs.
8000 shares of Rs. 10 each fully paid	80,000	Goodwill	15,000
Security premium	4,000	Freehold property	8,000
Sundry creditors	17,000	Plant and Machinery	14,000
		Stock	21,000
		Debtors	17,000
		Cash	3,000
		Profit and Loss a/c	23,000
	1,01,000		1,01,000

It was resolved that the amount so available is utilised as follows :

- a) To write off the debit balance of P and L a/c and goodwill entirely.
- b) To reduce the value of plant and machinery by Rs. 2,000, stock by Rs. 2,400
- c) Balance is used to reduce the value of freehold property. Pass necessary journal entries.



4. Megha Ltd. went into liquidation with the following liabilities :

	Rs.
Secured creditors (securities realised Rs. 5,00,000)	4,00,000
Other assets realised	6,20,000
Preferential creditors	12,000
Unsecured creditors	6,10,000
Liquidation expenses	5,000
Equity share capital	1,00,000

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The liquidator is entitled to a commission of 3% on all assets realised including securities in the hands of secured creditors and 5% on the amounts distributed among unsecured creditors excluding preferential creditors.

Prepare liquidator's final statement of account.

5. Given below is an extract from the Trial Balance of a bank as on 31-3-2013.

Particulars	Debit (Rs.)	Credit (Rs.)
Bills discounted	12,64,000	
Rebate on bills discounted on 1-4-2012		8,000
Discount received		85,000

An analysis of the bills discounted as shown above shows the following :

Amount	Due date (2013)	Rate of discount (% p.a.)
1,40,000	June 04	5
4,36,000	June 10	4.5
2,82,000	June 24	6
3,80,000	July 05	4

Find out the amount of discount to be credited to Profit and Loss a/c and appropriate journal entries for the same.

6. The following balances appeared in the books of Global Electric Company Ltd. as on 31-3-2013.

Particulars	Debit (Rs.)	Credit (Rs.)
Equity shares		6,00,000
Debentures		2,00,000



Land on March 31-2012	1,50,000	
Land purchased during the year	60,000	
Mains including cost of laying to March 31-2012	1,60,000	
Mains expended during the year	76,000	
Machinery on March 31, 2012	5,50,000	
Machinery purchased during the year	66,000	
Sundry creditors		1,000
Depreciation Fund account		2,50,000
Sundry Debtors for current supplied	40,000	
Other books debts	500	
Stores on hand	6,000	
Cash in hand	4,000	
Net Revenue Account balance on March 31, 2013		61,500

From the above balance prepare Capital a/c and General Balance Sheet.

7. Discuss the scope of accounting standard.
8. Distinguish between internal and external reconstruction of a company.

SECTION – C

(20 marks each)

(20×3=60)

Answer any three questions.

9. Following are the Balance Sheets of A Ltd. and B Ltd. as on 31-12-2013.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	Rs.	Rs.		Rs.	Rs.
Share capital			Land and Building	3,00,000	–
Rs. 100 per share	10,00,000	6,00,000	Plant and Machinery	11,00,000	5,00,000
Reserve fund	3,40,000	–	Stock	1,60,000	80,000
Dividend			Debtors	1,40,000	90,000
equalisation fund	40,000	–	Cash	30,000	10,000
Employees					
providend fund	30,000	–			



6% debentures	2,00,000	—	
Trade creditors	1,00,000	80,000	
P and L a/c	20,000	—	
	17,30,000	6,80,000	17,30,000 6,80,000

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The two companies agreed to amalgamate and a new company AB Ltd. is formed to take over the assets and liabilities of both the companies.

The assets of A Ltd. are taken over at a reduced valuation of 10% with the exception of land and buildings which are accepted at book value.

The assets of B Ltd. are to be taken over at a reduced valuation of 15% with the exception of stock which was accepted at book value.

Both the companies are to receive 8% of their net value as goodwill.

The entire purchase price is to be paid by AB Ltd. is its fully paid shares of Rs. 10 each. In return for debentures of A Ltd. debentures of same denomination and amount are issued by AB Ltd.

You are required to show Ledger accounts in the books of A Ltd. and B Ltd.

10. The Depressed Ltd. went into voluntary liquidation with the following liabilities.

Particulars		Rs.
Trade creditors		1,20,000
Bank overdraft		2,00,000
Capital :		
1,00,000 preference shares of Rs. 10 each		
Rs. 7 called up		7,00,000
1,00,000 equity shares of Rs. 10 each		
Rs. 9 called up	9,00,000	
Less : Calls in arrears	<u>20,000</u>	8,80,000
Calls in advance received on :		
Preference shares	2,40,000	
Equity shares	<u>40,000</u>	2,80,000

The assets realised Rs. 20,00,000. Prepare a liquidator's final statement of account allowing Rs. 20,000 as expenses of liquidation. The preference shares have no prior rights as to refund of capital.



11. From the following information, prepare the Profit and Loss Account of AMC Bank for the year ended 31-3-2013 as per the prescribed form :

	Rs.
Interest on loan	2,59,000
Interest on fixed deposits	2,75,000
Commission	7,200
Rebate on bills discounted	49,000
Exchange and brokerage	1,000
Establishment expenses	54,000
Discount on bills discounted (gross)	1,95,000
Interest on cash credit	2,23,000
Interest on bank borrowings	42,000
Rent and taxes	18,000
Interest on overdraft	1,54,000
Directors fees	8,000
Auditors fees	12,000
Interest on savings bank deposits	68,000
Law charges	14,000
Postage	1,200
Printing and Stationery	3,000
Depreciation on bank property	4,200

Bad debts to be written off amounts to Rs. 40,000. Provision for taxation may be made at 50%. Balance of profit from last year was Rs. 1,20,000. Transfer 20% of profit to statutory reserve and the directors have recommended a dividend of Rs. 20,000 for the shareholders.

12. The following are the balances extracted from Bhadra Electricity Supply Company as on 31-3-2013.

Particulars	Rs.
Power purchased	56,66,140
Distribution expenses	9,33,160
Rates and taxes	300



Establishment charges	6,08,140
Management expenses	3,54,600
Sale of electricity	83,88,680
Meter rent	5,50,920
Depreciation	3,75,160
Income tax	3,64,880
Repairs	10,520
Contribution towards contingency reserve	62,860
Interest paid and accrued	1,21,780
Plant and Machinery	1,11,99,360
Public lighting	16,33,300
General equipment	3,07,340
Capital paid up	71,00,000
Bills payable	17,920
Sundry creditors - consumers	52,720
Sundry creditors - others	2,380
Consumers security deposit	37,51,320
Depreciation reserve balance as on 1-4-2012	25,75,700
Contingency reserve balance as on 1-4-2012	1,38,040
Service advance	3,57,340
Unpaid wages	360
Income tax reserve	3,64,880
Interest payable	2,38,100
Stores in hand	9,77,040
Sundry debtors for supply of electricity	7,84,380
Advances to staff	2,00,900
Cash at bank	1,46,680
Cash in hand	29,840

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Prepare Revenue account, Net Revenue account, Capital account and the Balance Sheet of the company.