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**BBMBMC 262**

**Credit Based Fourth Semester B.B.M. Degree Examination,  
April/May 2015  
(2012 Scheme)**

*Sri Dharmasthala Manjunatheshwara  
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**CORPORATE ACCOUNTING – MANGALORE - 575 003**

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 note wherever necessary.*

**SECTION – A (2 marks each)**

**(2×10=20)**

Answer **any ten** questions :

1. a) How do you calculate purchase consideration under Net Assets method ?
- b) Write any two points of distinction between internal reconstruction and external reconstruction.
- c) How do you treat Staff Pension Fund in the books of vendor company during absorption ?
- d) State any two forms of capital reduction.
- e) What do you mean by secured creditors ?
- f) What is rebate on bills discounted ?
- g) What do you mean by double account system ?
- h) How do you treat interim dividends in the final accounts of electricity company ?
  - i) State any two items shown under "Schedule -16" of banking companies.
  - j) What do you mean by absorption ?
- k) What do you mean by compulsory winding up ?
  - l) Pass a journal entry for incorporation of assets and liabilities in the books of purchasing company.

P.T.O.



## SECTION – B (8 marks each)

(8×5=40)

Answer any five questions :

2. Following is the Balance Sheet of Ashok Ltd. as on 31.03.2014.

Liabilities		Assets	
Share capital	6,00,000	Goodwill	1,00,000
General Reserve	3,00,000	Plant	5,00,000
P/L A/c	1,00,000	Furniture	1,00,000
6% Debentures	3,00,000	Stock	6,00,000
Sundry creditors	3,20,000	Sundry Debtors	2,00,000
		Bank	1,00,000
		Preliminary	
		Expenses	20,000
	<b>16,20,000</b>		<b>16,20,000</b>

Bharath Ltd. takes over the business of Ashok Ltd. on the following terms :

- Goodwill is valued at Rs. 2,00,000 and other assets are considered worth their book values.
- Bharath Ltd. does not take over the balance at bank.
- Purchase consideration is to be discharged by issuing 90000 Equity shares of 10 each valued at par and the balance in cash.

Calculate purchase consideration and show the mode of payment.

3. Following is the Balance Sheet of Upset Company Ltd. as on 31.3.2014.

Liabilities		Assets	
Share capital :		Goodwill	15,000
4000 Equity shares		Land	2,00,000
of Rs. 100 each	4,00,000	Machinery	3,00,000
2000, 5% Preference		Stock	50,000
shares of Rs. 100 each	2,00,000	Debtors	40,000
6% Debentures	50,000	Cash	5,000
Bank Overdraft	1,00,000	P and L A/c	2,40,000
Creditors	1,00,000		
	<b>8,50,000</b>		<b>8,50,000</b>





The company adopted the following scheme of reconstruction :

- i) The preference shares are to be reduced to fully paid shares of Rs. 60 each.
- ii) Equity shares are to be reduced to fully paid shares of Rs. 30 each.
- iii) The fictitious assets to be eliminated.
- iv) Land and Buildings to be appreciated by 30%.
- v) Machinery to be depreciated by  $33\frac{1}{3}\%$ .
- vi) The expenses of reconstruction amounted to Rs. 3,000.

You are required to pass necessary journal entries in the books of upset Company Ltd.

4. Megha Ltd. went into liquidation on 31.12.2014, when its state of affairs was as follows :

Preferential creditors	40,000
Debentures	40,000
Unsecured creditors	1,28,000
The assets realised as follows :	
Land and Buildings	80,000
Plant and Machinery	74,600
Furniture	4,000

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The liquidation expense amounted to Rs. 4,000. The liquidator is entitled to a commission of 2% on the amount realised and 2% on amounts distributed among unsecured creditors excluding preferential creditors.

Prepare the liquidation final statement of account.

5. On 31<sup>st</sup> March 2014 the books of Vijaya Bank had the following account balances :

Rebate on bills discounted as on 1<sup>st</sup> April 2013 was Rs. 4,00,000. Discount received Rs 95,00,000. On closing the books, it was found that the discount received included unexpired discount to be carried to the next year amounting to Rs. 5,49,000.

Show the amount to be credited to P and L A/c under discount earned for the year 2013-14. Also give journal entries required to adjust the above mentioned amounts.



6. The following balances appeared in the books of Global Electric Company Ltd. as on 31.3.2014.

Particulars	Debit	Credit
Equity shares	-	6,00,000
Debentures	-	2,00,000
Land on March 31 <sup>st</sup> 2013	1,50,000	-
Land purchased during the year	60,000	-
Mains including cost of laying to 31 <sup>st</sup> March 2013	1,60,000	-
Mains expended during the year	76,000	-
Machinery on 31 <sup>st</sup> March 2013	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 book debts	500	-
Stores on hand	6,000	-
Cash in hand	4,000	-
Net revenue account balance on 31 <sup>st</sup> March 2014	-	61,500

From the above balance prepare capital A/c and General Balance Sheet.

7. Explain the scope of Accounting standards.

8. Write a note on Preferential creditors.





SECTION – C (20 marks each)

(20×3=60)

Answer any three questions :

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9. The Balance Sheet of Z Ltd. on 31-03-2014 was as follows :

<b>Liabilities</b>		<b>Assets</b>	
Share capital :		Goodwill	80,000
50000 shares of		Building	1,80,000
Rs. 10 each	5,00,000	Plant	2,00,000
Contingency Reserve	10,000	Stock	1,20,000
5% Debentures	2,00,000	Debtors	90,000
Staff Provident Fund	30,000	Bank	10,000
Creditors	1,00,000	Profit and Loss A/c	1,60,000
	<b>8,40,000</b>		<b>8,40,000</b>

The share holders and creditors have decided as follows :

- 1) A new company named A Ltd. be formed with a capital of Rs. 10,00,000 divided into shares of Rs. 10 each.
  - 2) The new company is to take over all the assets (except cash at Bank) at 25% less than book value. The goodwill is valueless.
  - 3) The debenture holders of Z Ltd. are to be satisfied by issuing 8% debentures in A Ltd. of Rs. 1,50,000 at par.
  - 4) The creditors have agreed to accept 75% of their claims in full settlement.
  - 5) The shareholders are to be issued 30000 equity shares in A Ltd. fully paid.
  - 6) The liquidation expenses paid by Z Ltd. Rs. 10,000.
  - 7) A Ltd. issued 20000 shares to public at par and received the amount. Underwriting commission and brokerage amounted to Rs. 10,000. Prepare necessary ledger A/cs and draw Balance Sheet.
10. XYZ Ltd. went into voluntary liquidation on 1 January 2015, when its Balance Sheet was as follows :

<b>Liabilities</b>		<b>Assets</b>	
Share capital issued		Plant and Machinery	2,80,000
20,000 5% preference		Stock	1,30,000
shares of Rs. 10 each	2,00,000	Debtors	1,20,000





20000 equity shares of Rs. 10 each		Cash in hand	2,000
6% Debentures	2,00,000	Profit and Loss A/c	23,000
Unsecured creditors	50,000		
	1,05,000		
	<b>5,55,000</b>		<b>5,55,000</b>

The liquidator realised the assets as follows : Plant and Machinery Rs. 2,00,000, Stock 80,000, Sundry Debtors Rs. 1,00,000. Expenses of liquidation amounted to Rs.3,900 and the liquidator is to get 2% on assets realised excluding cash in hand and 2% on the amount distributed to equity shareholders as his remuneration. Preference dividend is paid upto 31-12-2012 and arrears is payable on liquidation. Debenture holders are paid their dues on 30-6-2015. Prepare liquidator's statement.

- 11/ From the following particulars prepare Profit and Loss Account of Vijaya Bank Ltd. for the year ending 31-03-2014.

Interest on fixed deposit	27,30,000
Interest on loans	24,75,000
Rebate on bills discounted	5,00,000
Commission received	75,000
Salaries	5,60,000
Discount on bills discounted	15,00,000
Interest on cash credit	25,00,000
Depreciation	4,50,000
Rent and Rates	1,40,000
Interest on overdraft	16,00,000
Directors fees	15,000
Audit fees	10,000
Interest on Savings Bank A/c	6,50,000
Postage	8,000
Printing and stationery	30,000
Sundry charges	18,000

**Additional information :**

Bad debts written off Rs. 4,00,000 provide for tax at 55%, transfer 20% of profits to statutory reserve and provide Rs. 3,50,000 for dividends.



12. From the following Trial Balance of Urban Electricity Company Ltd. as at 31-03-2014 prepare Revenue Account, Net Revenue Account, Capital Account and the Balance Sheet of the company.

Ordinary Shares		54,900
Debentures		20,000
Lands as on 31-03-2013	15,000	
Land expended during the year	500	
Machinery as on 31-03-2013	60,000	
Machinery expended during the year	500	
Mains including cost of laying	20,000	
Mains expended during the year	5,100	
Sundry creditors on open Accounts		100
Depreciation Account		25,000
Sundry debtors for current supplied	4,000	
Other debtors	50	
Stores in hand	500	
Cash	500	
Cost of generation electricity	3,000	
Cost of distribution of electricity	500	
Rent, Rates and Taxes	500	
Management Expenses	1,200	
Depreciation	2,000	
Sale of current		13,000
Rent of meters		500
Interest on debentures	1,000	
Interim dividend	2,000	
Balance of Net Revenue		2,850
A/c on 31-03-2013		
	<b>1,16,350</b>	<b>1,16,350</b>

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