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**BBMBMC 262**

**Credit Based IV Semester B.B.M. Degree Examination, Nov./Dec. 2015**  
**(2012 Scheme)**  
**CORPORATE ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 120

- Instructions :** 1) *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)**

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Answer **any ten** questions :

**(2×10=20)**

1. a) What do you mean by amalgamation of companies ?
- b) How purchase consideration is calculated under net payment method ?
- c) How do you treat Employees Savings Bank A/c in the books of vendor company during amalgamation ?
- d) Write any two points of distinction between absorption and external reconstruction.
- e) Who are preferential creditors ?
- f) What do you mean by money at call and short notice ?
- g) What do you mean by Double Account System ?
- h) How do you treat interest on debentures in final a/cs of electricity company ?
- i) What is rebate on bills discounted ?
- j) State any two forms of capital reduction.
- k) What do you mean by compulsory winding up ?
- l) Pass journal entry in the books of purchasing company when absorption expenses are paid by vendor company on behalf 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 ABC Ltd. as on 31-12-2014.

Liabilities		Assets	
2000 shares of Rs. 100 each	2,00,000	Goodwill	35,000
Reserve	20,000	Building	85,000
Debentures	1,40,000	Plant	1,60,000
Creditors	80,000	Stock	55,000
		Debtors	65,000
		Cash	40,000
	<b>4,40,000</b>		<b>4,40,000</b>

The business was taken over by XYZ Ltd. on the following terms :

- To take over all assets except Cash and Goodwill at 10% less than the book value.
  - To pay Rs. 65,000 for Goodwill.
  - To take trade liabilities subject to 5% discount.
- Calculate the Purchase consideration.

3. Following is the Balance Sheet of Unlucky Ltd. as on 31-3-2014.

Liabilities		Assets	
300000 shares of Rs. 10 each	30,00,000	Fixed Assets	19,50,000
Liabilities	60,000	Current Assets	5,70,000
		Cash	60,000
		P & L A/c	4,80,000
	<b>30,60,000</b>		<b>30,60,000</b>

The following scheme of reconstruction was agreed upon on 1-04-2014.

- A new company called Lucky Ltd. to be formed with a capital of 30,00,000 in equity shares of 10 each.
- Lucky Ltd. to purchase all assets and liabilities of the old company.
- The purchase price to be paid in fully paid equity shares of the new company.
- Reconstruction expenses amounted to Rs. 5,000 to be met by the new company.

You are required to pass journal entries in the books of Lucky Ltd.



4. A Ltd. went into voluntary liquidation on 1-1-2010 on which date dividend on preference shares were in arrears for two years. The subscribed capital of the company consisted of :

- a) 40000, 6% preference shares of Rs. 10 each
- b) 50000, equity shares of Rs. 10, Rs. 6 paid.

The assets realised Rs. 3,50,000 liquidation expenses amounted to Rs. 9,800. The liquidator is entitled to a remuneration of Rs. 11,000 and a commission of

$2\frac{1}{2}\%$  on the amount paid to the preference shareholders as capital and dividend.

The liabilities amounted to Rs. 20,000.

Show liquidator's Final Statement of Account.

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5. On 31<sup>st</sup> March, 2014 the books of Indian 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 & L A/c under discount earned for the year 2013-14. Also, give journal entries required to adjust the above mentioned amounts.

6. Prepare a Revenue Account and Net Revenue Account under the Double Account system, from the following balance as on 31<sup>st</sup> March 2014, of the Rural Electric Supply Company Ltd.

A call of Ru. 1 per share was payable on September 30, 2013, and arrears are subject to interest at 10% per annum. Depreciation to be provided for on opening balances, on Building  $2\frac{1}{2}\%$ , Machinery  $7\frac{1}{2}\%$ , Main 5%, transformers 10%, meters and electrical instruments 15%. Advertising has been prepaid by Rs. 5,000, provision of Rs. 4,500 to be made for doubtful debts and provide interest on debentures for the full year.





### Ledger Balances as on 31<sup>st</sup> March 2014

As on 31-03-2013	Particulars	Debit	Credit
4,50,000	6% Debentures		4,50,000
	Calls in arrears		30,000
1,20,000	Buildings	1,50,000	
1,80,000	Machinery	3,00,000	
1,50,000	Mains	2,40,000	
30,000	Transformers	60,000	
15,000	Meters	45,000	
9,000	Electrical instruments	12,000	
	Coal and fuel	49,500	
	Oil, waste and Engine Stores	30,000	
	Wages at station	75,000	
	Repairs and replacement	30,000	
	Rates and taxes	9,000	
	Salaries of secretary	60,000	
	Directors fees	15,000	
	Stationery and Advertising	18,000	
	Incidental expenses	3,000	
	Law charges	6,000	
	Sales by meters		2,62,500
	Sales by contacts		1,50,000
	Meter rent		9,000

7. Explain the advantages of accounting standards.

8. Explain the two forms of internal reconstruction of companies.





SECTION – C  
(20 marks each)

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Answer any three questions :

(20×3=60)

9. A Company Ltd. is absorbed by B Company Ltd., the consideration being :
- a) Assumption of liabilities.
  - b) Discharge of debentures at a premium of 5% by the issue of 5% debentures in B Company Ltd.
  - c) A payment of cash of Rs. 30 per shares.
  - d) An exchange of 3 shares of Rs. 10 each in B Company Ltd. at an agreed value of Rs. 15 per share for every share in A Company Ltd.

**Balance Sheet of A CO. Ltd. on 31-12-2014**

Liabilities		Assets	
Share Capital 60000 shares		Goodwill	2,50,000
of Rs. 50 each fully paid	30,00,000	Land and Buildings	7,65,000
General Reserve	3,20,000	Plant	22,00,000
Profit and Loss A/c	1,80,000	Patents	50,000
5% Debentures	15,00,000	Patterns	25,000
Creditors	2,00,000	Investments	50,000
		Stock	10,60,000
		Debtors	4,50,000
		Bank	3,50,000
	<b>52,00,000</b>		<b>52,00,000</b>

Prepare ledger accounts in the books of A Ltd. and pass opening entries in the books of B Ltd. assuming that absorption is in the nature of purchase.





10. The following was the Balance Sheet of Unsound Ltd. as at 31<sup>st</sup> December 2014 when it was wound up voluntarily.

<b>Liabilities</b>		<b>Assets</b>	
50000 Equity shares of Rs. 10 each	5,00,000	Plant and Machinery	4,00,000
2000, 6% Cumulative Preference shares of Rs. 100 each	2,00,000	Furniture	1,000
10% Debentures	1,00,000	Investments	50,000
Sundry Creditors		Stock	50,000
Trade	3,00,000	Debtors	2,00,000
Cash	48,000	Cash	1,200
Outstanding	2,000	Profit and Loss A/c	4,47,800
	<b>11,50,000</b>		<b>11,50,000</b>

Preferential dividends are in arrears for one year. Debenture interest is also due for one year. All the outstanding creditors are preferential. The assets realised as follows :

Plant and Machinery	2,80,000
Furniture	400
Debtors	1,50,000

The stock and investments realise nothing. The expenses of liquidation amounted to Rs. 2,000. The liquidator is entitled to a commission of 4% on the assets realised and 2% on the amount paid to unsecured creditors.

Prepare liquidators statement of account.

11. From the following information relating to Adarsh Bank Ltd. Prepare Profit and Loss Account for the year ended 31<sup>st</sup> March 2014 along with necessary schedules :

Interest and discount on advances and bills	3,16,28,000
Income on Investments	1,18,10,000
Interest on balances with the Reserve Bank of India	42,43,000
Commission, exchange and brokerage	29,07,000
Profit on sale of investments	1,14,000





Interest on deposits	3,14,04,000
Interest on R.B.I. Borrowings	3,62,000
Payments to and provision for employees	97,17,000
Rent, taxes and lighting	9,55,500
Printing and stationery	2,13,000
Advertisement and publicity	87,000
Depreciation on bank's property	2,92,000
Directors fees, allowances and expenses	7,000
Law charges	22,000
Audit fees and expenses	41,000
Postage, telegram, telephones etc.	3,12,000
Repairs and maintenance	91,000
Insurance	9,15,000
Other expenses	8,84,000
Balance of Profit & Loss A/c (Cr.)	15,24,000

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The following adjustments are to be made :

- i) Make a provision for income tax at 50%.
- ii) Every year, the bank transfers 20% of profits to statutory reserves and 5% of profit to other reserves.
- iii) Dividend amounting to Rs. 2,00,000 for the year ended 31<sup>st</sup> March 2014 is proposed by the Board of Directors.

12. From the following Trial Balance of Bhadra Electricity Supply Company as on 31-3-2014. Prepare Revenue Account, Net Revenue Account, Capital Account and the Balance Sheet of the Company :

Ordinary shares	54,900
Debentures	20,000
Land as on 31-3-2013	15,000
Land expended during the year	500





Machinery as on 31-3-2013	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 on hand	500	
Cash	500	
Cost of generation of 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	
Balances of Net Revenue A/c 31-3-2013		2,850
	<b>1,16,350</b>	<b>1,16,350</b>