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BBABMC 236

**Choice Based Credit System III Semester B.B.A. Degree
Examination, April/May 2022
(2020 – 21 Batch Onwards)
CORPORATE ACCOUNTING – I (Group – 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 are calls-in arrears and calls in advance ?
2. What are divisible profits ? Name any four items of divisible profits.
3. What do you mean by pre and post incorporation profits ? How do you treat them in the books of accounts ?
4. Major Ltd. issued 30,000 shares of Rs. 100 each whole issue was underwritten by Kalyan brothers. Applications for 20,000 shares were received. Determine the liability of Kalyan Brothers.
5. How do you allocate following items in pre and post incorporation period profit and loss account ?
 - a) Printing and stationery
 - b) Advertisement
 - c) Debenture interest
 - d) Directors fees.
6. How do you deal with the following items in final accounts of joint stock companies ?
 - a) Wages
 - b) Sales
 - c) General reserve
 - d) Land and building.

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7. Usha Ltd. issued 7% debentures of Rs. 3,00,000 with a condition that they should be redeemed by setting aside at the end of each year Rs. 10,000 out of profits and investing the amount in 6% Government securities. The interest received at the end of every year should be similarly invested.

Prepare the sinking fund account for the first two years in the books of the company.

SECTION – B

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

- (4×8=32)**
8. What is Book Building ? Explain the advantages and limitations of Book Building.
9. Give the meaning of preference shares ? Explain in brief different types of preference shares.
10. What is redemption of debentures ? Explain the different methods for redemption.
11. Star Ltd. issued 20,000 equity shares of Rs. 100 each, 80% of the issue was underwritten by Amar and Raja in the ratio of 3:1.
Applications for 15000 equity shares were received in all out of which applications for 10,000 equity shares were marked (Amar 6000 and Raja 4000).
Determine the liability of the underwriters.
12. On 1-01-2021 the following balances appeared in the books of sharp Co. Ltd.
15% debentures Rs. 25,000. Debenture Redemption fund Rs. 20,000.
Debenture Redemption fund investment Rs. 20,000 (representing 10% Govt. bonds).
The annual installment to the redemption fund was Rs. 4,125.
On 31-12-2021 the bank balance was Rs. 6,500 (after interest on investment).
Investment realised at 90% net and debentures were redeemed.
Show necessary ledger accounts in the books of the company.



13. Akash Ltd. was incorporated on 1-04-2019 taking over the business of Ramesh as from 1-01-2019. The following was the Profit and Loss Account for the year ended 31-12-2019

	Rs.		Rs.
To Salaries	72,000	By Gross profit	1,40,000
To Advertisement	4,000		
To Sundry expenses	20,000		
To Rent and rates	3,000		
To Bad debt	1,000		
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		
	1,40,000		1,40,000

Additional Information :

Sales upto 1-04-2019 Amounted to Rs. 1,60,000 and there after Rs. 2,40,000.

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

14. Ananya Ltd has 5000 7% 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 4000 equity shares of Rs. 100 each at 10% premium. company has profit and loss account credit balance of Rs. 3,00,000. The redemption was carried out as per the statute. Pass Journal Entries.

SECTION – C

Answer **any two** questions of the following. **Each** question carries **sixteen** marks. **(2×16=32)**

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

Ms. Sita – 25,000 shares

Ms. Geeta – 12,000 shares

The underwriting commission is at 4% on the issue price.

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



16. Following is the Balance Sheet of Sonal Ltd. as on 31-03-2019.

Liabilities	Rs.	Assets	Rs.
Share capital :		Plant	25,00,000
4,00,000 equity		Furniture	9,20,000
Shares of Rs. 10 each	40,00,000	Stock	15,00,000
70,000 9% redeemable		Debtors	20,00,000
preference shares of Rs. 20 each	14,00,000	Investment	3,50,000
Cash at bank	6,00,000		
Profit and Loss account	9,20,000		
General reserve	4,00,000		
Creditors	11,50,000		
	78,70,000		78,70,000

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

- Sell the investment for Rs. 3,00,000.
- Issue 60,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. 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 the redemption.

17. Blue Star Ltd. was incorporated on 1-05-2019 to take over Mangal Ltd. from 1-01-2019. Profit and Loss Account showed the following results.

Profit and Loss Account for the year ending 31-12-2019

	Rs.		Rs.
To Salaries	40,000	By Gross profit b/d	4,80,000
To Wages	20,000	By bad debts	
To Rent and rates	24,000	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 to purchase Consideration upto 1-10-2019	22,500	
To Preliminary expenses	25,000	
To Carriage outwards	6,000	
To Net profit	2,20,000	
	4,82,000	4,82,000

Additional Informations :

- 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 2018.
 - 4) Rent upto 30-04-2019 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. 28,000.
- Apportion the profits into pre-incorporation and post-incorporation profits.



18. Auto India Ltd. Bangalore has a nominal capital of Rs. 6,00,000. In equity shares of Rs. 10 each. The following is the list of balances. Extracted from its books on 31st March 2019.

	Rs.
Furniture	7,200
Calls in arrears	7,500
Plant and machinery	3,30,000
Business premises	3,00,000
Interim dividend paid	37,500
Stock on 1-04-2018	75,000
Debtors	87,000
Goodwill	25,000
Cash in hand	750
Cash at bank	39,900
Purchases	1,85,000
Preliminary expenses	5,000
Wages	84,865
General expenses	6,835
Advertising	10,000
Freight and carriage	13,115
Salaries	14,500
Directors fees	5,725
Bad debts	2,110
Debenture interest paid	9,000
Called up capital	4,00,000
6% Debentures	3,00,000



Profit and loss account (cr.)	14,500
Bills payable	38,000
Creditors	50,000
Sales	4,15,000
General reserve	25,000
Bad debt reserve	3,500

Adjustments :

- 1) Depreciate plant and machinery by 5%, Business premises by 2% and write of Rs. 1,200 on furniture.
- 2) Write off Rs. 1,000 from preliminary expenses.
- 3) Provide for half years debenture interest.
- 4) The reserve for bad debts on 31st March 2019 was 1% on sales.
- 5) The stock on 31-03-2019 was valued at Rs. 95,000.

Prepare Final Accounts of the company for the year ended 31-03-2019.