

Reg. No.

--	--	--	--	--	--	--	--	--	--

BBMBMC 212

Credit Based III Semester B.B.M. Degree Examination, Oct./Nov. 2014
(New Syllabus) (2012 Scheme)
CORPORATE ACCOUNTING – I

Time : 3 Hours

Max. Marks : 120

- Instructions :**
- 1) Provide working notes **wherever necessary**.
 - 2) Answer questions in Section A in **2 or 3 sentences each**.
 - 3) Answer theory questions in Section B in **not more than 2 pages each**.

SECTION – A

(Two marks each)

(2×10=20)

1. Answer **any ten** questions.

- a) Name any four items of divisible profits.
- b) Who is an underwriter ?
- c) What is under-subscription of shares ?
- d) State any two benefits of rights issue.
- e) What do you mean by valuation of share ?
- f) How you deal with the following items in final accounts of joint stock companies ?
 - i) Bank overdraft
 - ii) Interest on sinking fund investment.
- g) What is cash bonus ?
- h) What do you mean by post-incorporation profits ?
- i) What is firm underwriting ?
- j) State the various methods of valuing goodwill.
- k) What do you mean by 'Redemption of preference shares' ?
- l) What are contingent liabilities ?

P.T.O.



SECTION - B

(Eight marks each)

(8×5=40)

Answer **any five** questions.

2. What are the conditions which must be fulfilled for the issue of shares at discount ?
3. Briefly explain the different methods of redemption of debentures.
4. Sunrise Ltd. incorporated on 1st January, 2012 issued a prospectus inviting applications for 20000 Equity shares of ₹ 10 each. The whole issue was fully underwritten by A, B and C as follows :

A – 10000 shares

B – 6000 shares and

C – 4000 shares

Applications were received for 16000 shares of which marked applications were as follows :

A – 8000 shares

B – 2850 shares and

C – 4150 shares

You are required to find out the liabilities of the individual underwriters.

5. A company has decided to increase its existing share capital by making a rights issue to the existing shareholders in the proportion of one new share for every two old shares held. You are required to calculate the value of the right, if the market value of the share at the time of announcement of right issue is ₹. 20. The company has decided to give one share of ₹. 100 each at a premium of ₹. 20 each.

6. The following is the Balance Sheet of a company as on 31-3-2013.

Liabilities	Rs.	Assets	Rs.
Share capital		Goodwill	25,000
(1000 Equity shares		Buildings	40,000
of Rs. 100 each)	1,00,000	Machinery	20,000



Security premium	10,000	Furniture	12,000
General reserve	15,000	Stock	28,000
Profit & Loss A/c	25,000	Debtors	30,000
Sy. Creditors	10,000	Cash at Bank	5,000
	1,60,000		1,60,000

On the above date they decided to capitalise its reserve profits by declaring bonus to be utilised as follows :

- i) To issue 3 fully paid bonus shares of Rs. 100 each for every 10 shares already held in the company.
- ii) For the above purpose the company decided to utilise the entire amount of security premium and general reserve and the balance out of Profit and Loss Account.

Pass necessary journal entries and prepare the revised Balance Sheet of the company.

7. From the following information, find out the intrinsic value of each share.

Balance Sheet of X Company Ltd.

Liabilities	₹	Assets	₹
Share capital		<u>Fixed Assets</u>	
20000 Equity shares		Goodwill	1,90,000
of 10 each	2,00,000	Investments	3,00,000
<u>Reserves and Surplus</u>		<u>Current Assets</u>	
Reserve	2,50,000	Loans and Advances	
Profit and Loss A/c	30,000	a) Current assets	50,000
Unsecured Loans	80,000	b) Loans and advances	30,000
Current Liabilities	20,000	<u>Miscellaneous Expenditure</u>	10,000
	5,80,000		5,80,000

For the purpose of valuation of shares goodwill shall be taken at two years purchase of the average profit of the last five years.

The profit for the last five years are : ₹ 60,000, ₹ 70,000; ₹. 40,000, ₹ 50,000 and ₹ 50,000.



10. Following is the Balance Sheet of Sunrise Ltd. as on 31st March, 2013.

Liabilities	₹	Assets	₹
Share capital :		Fixed Assets	3,45,000
650, 7% Redeemable		Investments	18,500
Preference shares of ₹ 100		Cash at Bank	31,000
each fully paid	65,000		
4500 Equity shares of			
₹. 50 each fully paid	2,25,000		
Profit and Loss A/c	48,000		
Creditors	56,500		
	3,94,500		3,94,500

In order to facilitate the redemption of the Preference shares, the company decided :

- To sell the investments for ₹ 16,000.
- To finance part of the redemption from company's funds, subject to leaving a balance of ₹ 12,000 in the Profit and Loss Account.
- To issue sufficient Equity shares of ₹ 50 each at a premium of ₹ 13 per share to raise the balance of funds required.

The Preference shares were redeemed on the due date and the issue of Equity shares was fully subscribed.

You are required to pass the necessary journal entries to record the above transactions and the Balance Sheet as on completion.

11. Sun Ltd. was incorporated on 1st April 2013 to take over the running business of Moon Ltd. from 1st January 2013. Prepare Profit and Loss Account dividing the profit & loss between pre-and post incorporation periods, considering the following details:

- Stock at close ₹ 14,000
- Bad debts ₹ 200 (₹ 50 belongs to pre-incorporation period)
- Sales upto 1st April ₹ 7,500
- Provision for doubtful debts ₹ 250
- Depreciate buildings by 5% and plant by 20%



The company's trial balance as on 31st December 2013 was :

	Dr.	Cr.
	₹	₹
Share capital		22,500
Electricity	4,860	
Advertising	8,000	
Office Expenses	750	
Salaries	1,200	
Purchases and Sales	48,500	45,000
Printing	1,000	
Debtors and Creditors	4,500	3,000
Rent received		600
Rent paid	450	
Director's fees	720	
Sundry charges	120	
Interest to vendors		
paid upto 01-7-2013	1,000	
	71,100	71,100

12. National Company Ltd. was registered with a nominal capital of ₹ 6,00,000 in Equity shares of ₹ 10 each. The following is the list of balances extracted from its books on 31st March 2013.

	₹	₹
Furniture	7,200	Freight 13,115
Calls in arrears	7,500	Salaries 14,500
Plant	3,30,000	Directors fees 5,725
Buildings	3,00,000	Bad debts 2,110
Interim dividend paid	37,500	Debenture interest paid 9,000
Stock 1-4-2012	75,000	Subscribed, called up
Debtors	87,000	and paid up capital 4,00,000



Goodwill	25,000	6% Debentures	3,00,000
Cash in hand	750	Profit and Loss A/c (Cr.)	14,500
Cash at Bank	39,900	Bills payable	38,000
Purchases	1,85,000	Creditors	50,000
Preliminary expenses	5,000	Sales	4,15,000
Wages	84,865	General Reserve	25,000
General Expenses	6,835	Bad debts Reserve	3,500
Advertising	10,000	(1-4-2012)	

The following adjustments have to be made :

- 1) Depreciate Plant by 5%, Buildings by 2% and write off ₹ 1,200 on Furniture.
- 2) Write off ₹ 1,000 from preliminary expenses.
- 3) Provide for half year's debenture interest.
- 4) The Reserve for Bad Debts on 31st March, 2013 should be equal to 1% on sales.
- 5) Directors' fees are outstanding to the extent of ₹ 275 and salaries ₹ 500.
- 6) The stock on 31st March, 2013 was valued at ₹ 95,000.

You are required to prepare the Profit and Loss Account for the year ended 31st March 2013 and the Balance Sheet as on that date in vertical form.