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BBMBMC 212



**Credit Based III Semester B.B.M. Degree
Examination, November/December 2015
(2012 Scheme)
CORPORATE ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

SECTION – A

(10×2=20)

(2 marks each)

Answer **any ten** questions :

1. a) What is a 'Share' ?
- b) What is Under subscription of shares ?
- c) What is Calls in arrears ?
- d) Give the meaning of 'Underwriting'.
- e) What do you mean by 'Capital Redemption Reserve' ?
- f) What is Open Underwriting ?
- g) Define 'Convertible debenture'.
- h) How do you treat pre-incorporation profit in the books of accounts ?
- i) Mention the different methods of valuing goodwill.
- j) A company offers to its existing shareholders the right to buy one share of Rs. 10 each at Rs. 12 for every three shares held. The market value of the share is Rs. 18. Calculate the value of right.
- k) What do you mean by Cumulative preference share ?
- l) What are marked applications ?

P.T.O.



SECTION - B

(8x5=40)

(8 marks each)

Answer any five :

2. Following is the Balance Sheet of Best Ltd. as on 31-12-2014.

Liabilities	Rs.	Assets	Rs.
Share capital 40000		Goodwill	1,20,000
shares of Rs. 10 each	4,00,000	Fixed Assets	4,50,000
Reserve fund	1,00,000	Current assets	1,95,000
P and L A/c	35,000		
9% debentures	1,00,000		
Current Liabilities	1,30,000		
	7,65,000		7,65,000

On the above date company decided to capitalise its Reserve Profit by declaring bonus to be utilised as follows :

- i) To issue 3 fully paid bonus shares of Rs. 10 each for every 10 shares held.
- ii) For the above purpose company decided to utilise the entire amount of Reserve fund and the balance from Profit and Loss a/c.

Pass necessary journal entries and prepare the Revised Balance Sheet.

3. Moon Ltd. issued 20000 debentures of Rs. 100 each. 80% of the issue was underwritten by Bright Brothers.

Applications for 15000 debentures were received, out of which applications for 10000 debentures were marked.

Determine the liability of Bright Brothers.



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

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	7,70,000
60000 shares of Rs. 10 each	6,00,000	Current Assets	4,00,000
General Reserve	1,40,000	Preliminary Expenses	20,000
6% debentures	2,00,000		
Creditors	2,50,000		
	11,90,000		11,90,000

Fixed assets are worth ₹ 8,30,000 and goodwill is valued at Rs. 1,20,000.

Compute the intrinsic value of share.

5. A company issues 10000 equity shares of Rs. 100 each at par and 500 debentures of Rs. 1,000 each at Rs. 950. The whole of the issue has been under written by Krishna and Co. for a commission of 4% on shares and 2% on debentures. (Nominal value). The whole of the shares were applied for, but applications for 400 debentures were received. All the applications were accepted.

Pass Journal entries assuming that all amounts have been duly received.

6. The Balance Sheet of Rohan Ltd. as on 31-3-2014 was as follows :

Liabilities	Rs.	Assets	Rs.
15000 Equity shares		Goodwill	10,000
of Rs. 10 each	1,50,000	Fixed Assets	1,80,000
General Reserve	95,000	Investments :	
Provision for tax	10,000	5% Govt. bonds	20,000
8% debentures	50,000	Current assets	1,00,000
Creditors	20,000	Preliminary expenses	10,000
		Discount on debentures	5,000
	3,25,000		3,25,000

The average profit of the company after interest and taxes ₹ 31,000. Expected rate of return is 10%.

Compute the value of goodwill of the company at five times of super profit.

7. Briefly explain the advantages and limitations of book building.

8. Explain the different methods of redeeming debentures.



SECTION – C
(20 marks each)

(20×3=60)

Answer any three questions :

9. The Balance Sheet of Nithin Ltd. as on 31-3-2014 was as under :

Liabilities	Rs.	Assets	Rs.
Share capital : 15000, 5% Redeemable preference shares of Rs.10 each	1,50,000	Plant and machinery	4,00,000
30000 Equity shares of Rs. 10 each	3,00,000	Furniture	42,000
General Reserve	1,60,000	Vehicles	48,000
Profit and Loss A/c	55,000	Investments	1,00,000
Securities premium	1,35,000	Stock	2,10,000
Creditors	2,00,000	Debtors	1,10,000
		Bank	90,000
	10,00,000		10,00,000

On 31-3-2014 the company decided to redeem the preference shares at a premium of 5%, for this purpose it decided to utilise the general reserve. All the investments were sold for Rs. 97,500.

Give the journal entries and redraft the Balance Sheet.

10. A Ltd. was incorporated on 1-7-2014 taking over the business of Ashok as from 1-4-2014. Following was the Profit and Loss Account for the year ended 31-3-2015.

	Rs.		Rs.
To Salaries	72,000	By Gross Profit b/d	1,40,000
To Rent and Rates	3,600	By Net Loss	6,000
To Office expenses	24,000		
To Commission	16,000		
To Free samples	4,000		



To Depreciation	8,000	
To Lighting	2,000	
To Interest on debentures	6,000	
To Directors' fees	2,000	
To Formation expenses written off	2,000	
To Printing and Stationery	4,000	
To Secondary Expenses	800	
To Bad debt	1,600	
	1,46,000	1,46,000

Additional information :

- a) Sales upto 1-7-2014 amounted to Rs. 1,60,000 and thereafter Rs. 2,40,000.
- b) Rent was paid at Rs. 300 per month.
- c) Bad debt upto 30-6-2014 was Rs. 400.

Prepare a statement showing profit or loss prior to incorporation and after incorporation.

11. Following is the summarised Balance Sheet of Chethak Ltd. as on 31-12-2014.

Liabilities	Rs.	Assets	Rs.
40000 Shares of		Goodwill	1,00,000
Rs. 10 each	4,00,000	Fixed Assets	4,50,000
Reserve fund	1,00,000	Current Assets	1,90,000
Profit and Loss A/c	35,000	Preliminary Expenses	25,000

