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BBMBMC 212

**Credit Based III Semester B.B.M. Degree
Examination, October/November 2016
(2012 Scheme)
CORPORATE ACCOUNTING – I**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A
(2 marks each)

(2×10=20)

Answer **any ten** questions.

1. a) What do you mean by Issued Capital ?
- b) Give the meaning of open underwriting.
- c) What do you mean by pro-rata allotment ?
- d) What is interim dividend ?
- e) What do you mean by forfeiture of shares ?
- f) What do you mean by Capitalisation of profits ?
- g) What is calls-in-advance ?
- h) Give the meaning of convertible debentures.
- i) What is minimum subscription ?
- j) What are marked applications ?
- k) 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.
- l) Mention any two methods of valuation of goodwill.

P.T.O.

SECTION - B
(8 marks each)

(8x5=40)

Answer any five questions.

2. Following is the Balance Sheet of Sindhur Ltd. as on 31-3-2015.

Liabilities		Rs.	Assets		Rs.
Share Capital			Fixed Assets		1,70,000
30,000 Shares of					
Rs. 10 each		3,00,000	Stock		3,10,000
General Reserve		1,60,000	Debtors		2,03,000
Profit and Loss A/c		1,20,000	Cash		1,17,000
Creditors		1,00,000			
Provision for tax		1,20,000			
		8,00,000			8,00,000

The fixed assets were valued at Rs. 3,00,000 and there is a necessity to provide R.B.D. at 10%. Compute the value of each share under net assets method.

3. Following is the Balance Sheet of Amar Ltd. as on 31-12-2015.

Liabilities		Rs.	Assets		Rs.
Shares Capital			Goodwill		1,00,000
6,000 Shares of					
Rs. 100 each		6,00,000	Machinery		5,00,000
General Reserve		3,00,000	Furniture		1,00,000
Profit and Loss A/c		1,00,000	Stock		6,00,000
6% debentures		3,00,000	Debtors		2,00,000
Sundry Creditors		3,20,000	Bank		1,00,000
			Preliminary Expenses		20,000
		16,20,000			16,20,000



On the above date the Company decided to issue one fully paid bonus share of Rs. 100 each for every three shares held in the Company. For this purpose the Company decided to utilise the entire amount of Profit and Loss A/c and the balance out of General Reserve.

Pass journal entries and prepare the Balance Sheet.

4. Aruna Ltd. issued 2,00,000 shares of Rs. 10 each. The entire issue was underwritten as follows :

- Varun 1,00,000 shares (Firm underwriting 20,000 Shares)
- Karan 60,000 shares (Firm underwriting 10,000 Shares)
- Sharan 40,000 shares (Firm underwriting 10,000 Shares)

Applications for 1,80,000 shares were received and the marked forms including firm underwriting were

- Varun 70,000 shares
- Karan 28,000 shares
- Sharan 32,000 shares

Calculate the liability of each underwriter.

5. The Balance Sheet of Rhea Ltd. as on 31-3-2015 was as follows :

Liabilities	Rs.	Assets	Rs.
15,000 equity		Goodwill	30,000
Shares of Rs. 10 each	1,50,000	Fixed Assets	1,80,000
General Reserve	90,000	Current assets	1,00,000
Provision for tax	10,000	Preliminary Expenses	15,000
8% debentures	50,000		
Creditors	25,000		
	3,25,000		3,25,000

The average profit of the Company is Rs. 30,000 after interest on debentures and taxes. The market value of machinery included in fixed assets is Rs. 5,000 more. Expected rate of return is 10%.

Compute the value of goodwill of the Company at five times in Super profit.



6. Ambuja Ltd. has 50,000 equity shares of Rs. 10 each and 40,000, 12% preference Shares of Rs. 10 each. The Company transfers 10% of divisible profits to reserve every year. The expected profit before tax is Rs. 2,00,000. The rate of tax is 30%. Normal rate of return is 12%.

Compute the value of each equity share under yield method.

7. Explain the process 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 Sannidhi Ltd. as on 31-3-2015 was as follows :

Liabilities	Rs.	Assets	Rs.
6% preference shares of Rs. 10 each	15,00,000	Land and Building	23,00,000
Equity shares of Rs. 10 each	27,00,000	Plant	9,00,000
Share Premium	3,00,000	Furniture	6,00,000
General Reserve	6,00,000	Investments	8,40,000
Profit and Loss A/c	7,50,000	Stock	9,00,000
Current liabilities	8,40,000	Debtors	4,50,000
		Bank	7,00,000
	66,90,000		66,90,000

The Company decided to redeem its preference shares at a premium of 10% on the following terms :

- 1) A fresh issue of equity shares to the extent required was made at 20% premium.
- 2) All the investments were sold at Rs. 8,10,000.



3) The directors wish that Profit and Loss A/c be fully utilised and Rs. 1,00,000 be left in General Reserve.
Pass the journal entries. Show the Balance Sheet after redemption.

10. From the following trial Balance and additional information of Deccan Ltd. Prepare the Profit and Loss A/c and the Balance Sheet as on 31-3-2015.

	Rs.		Rs.
Investment	50,000	Creditors	87,800
Purchases	5,31,000	6% Preference	
Stock (1-4-2014)	1,45,200	Capital (Shares of	
Packing Charges	18,000	Rs. 100 each)	2,00,000
Delivery Charges	35,400	Equity Capital	
		(Shares of Rs. 10 each)	2,00,000
Wages	30,000	5% debentures	1,50,000
Salaries	18,000	Interest	44,800
Directors fees	4,000	Profit and Loss A/c (1-4-2014)	28,500
Rates and taxes	15,500	Sales	6,80,500
Carriage	8,200	Bank Loan	1,50,000
Dividend for 2014	12,000		
Preference dividend for half year upto 30-9-2014	6,000		
Machinery	25,000		
Discount on issue of debentures	2,000		
Preliminary Expenses	1,000		
Bills Receivable	41,500		
Interest on Bank Loan	5,800		



Debenture interest (Upto 30-9-2014)	3,750	
Debtors	50,100	
Building	3,50,000	
Furniture (Cost ₹ 50,000)	35,000	
Technical Know-how	1,50,000	
Cash	4,150	
	15,41,600	15,41,600

Additional information :

- 1) Closing stock Rs. 1,42,500.
 - 2) Depreciate furniture at 10% on original cost.
 - 3) Write off half of discount on issue of debentures.
 - 4) Provide for taxation Rs. 10,000
 - 5) Technical know-how is to be written down over 15 years.
11. Perfect Ltd. issued 1,00,000 equity shares of Rs. 10 each at Rs. 12 per share sixty percent of the issue was underwritten by Mr. A and Mr. B in the ratio of 3:2. Applications for 80,000 shares were received out of which the marked applications were.
- Mr. A – 25,000 shares
Mr. B – 12,000 shares
- The underwriting commission is 4% on the issue price.
- Determine the liability of each underwriter and also pass the journal entries.
12. A Ltd. was incorporated on 1-7-2014 taking over the business of Ashok as from 1-4-2014. The following was the Profit and Loss Account for the year ended 31-3-2015.

	Rs.		Rs.
To Salaries	72,000	By Gross Profit	1,40,000
To Rent and Rates	3,600	By Loss	6,000



To Office Expenses	24,000	
To Commission on sale	16,000	
To Free Samples	4,000	
To Audit fees	2,000	
To Depreciation	8,000	
To interest on debentures	6,000	
To directors fees	2,000	
To Preliminary Expenses Written off	2,000	
To Printing and Stationery	4,000	
To Sundry expenses	800	
To Bad debts	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 debts upto 30-6-2014 was Rs. 400.

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