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BBMBMC 262

**Credit Based IV Semester B.B.M. Degree Examination, April/May 2017
(2012 Scheme)
CORPORATE ACCOUNTING – II**

Time : 3 Hours

Max. Marks : 120

Note : A **single** answer booklet containing **40** pages will be **issued**.
No additional sheets will be issued.

Instructions: 1) Provide working notes **wherever** necessary.
2) Follow the instructions **strictly**.

**SECTION – A
(2 marks each)**

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Answer **any ten** questions.

(2×10=20)

1. a) Name the different methods of calculating purchase consideration.
- b) How do you treat Insurance Fund in Vendor Company's balance sheet during absorption ?
- c) What is Absorption ?
- d) State any two forms of alteration of share capital.
- e) Give a difference between external reconstruction and internal reconstruction.
- f) What do you mean by Sub-division of Shares ?
- g) Who appoints a liquidator in the case of creditors voluntary winding up ?
- h) What are the modes of liquidation ?
- i) What are non-banking assets ?

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- j) Under which schedule following items will be shown in the final accounts of a banking company
- Investment
 - Interest earned.
- k) State any two special features of Double Account System.
- l) What do you mean by Disclosure of Accounting Policies ?

SECTION – B

(8 marks each)

Answer any five of the following questions.

(8×5=40)

2. Due to continuous loss, Poor Ltd., got the following scheme of reconstruction duly approved by the court. The Balance Sheet as on 31-03-2017 stood as under :

Liabilities	₹	Assets	₹
3,000 Equity Shares of ₹ 50 each	1,50,000	Fixed Assets	2,60,000
5,000 Preference Shares of ₹ 25	1,25,000	Current Assets	1,00,000
Creditors	1,50,000	Preliminary Expenses	15,000
	4,25,000	Profit & Loss Account	50,000
			4,25,000

The reconstruction scheme provided :

- Equity shares to be reduced to the same number at ₹ 30 fully paid
- Preference Shares to be reduced at ₹ 15
- Creditors to forego 10% of their claim.

The amount so available was used to write off Profit & Loss Account, fixed assets by 20%, current assets by 15% and balance to be applied to bring down preliminary expenses.

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



3. On 31st March, 2017 the books of Apna Bank had the following account balances :

Rebate on bills discounted as on 1st April, 2016 ₹ 8,00,000

Discount received ₹ 1,90,000

On closing the books, it was found that the discount received included unexpired discount to be carried to the next year amounting to ₹ 10,98,000.

Show the amount to be credited to Profit and Loss Account under discount earned for the year 2016 – 17. Also, give journal entries required to adjust the above mentioned amounts.

4. Describe the objectives and functions of accounting standards.

5. Distinguish between internal & external reconstruction of a company.

6. Following is the Balance Sheet of Suhas Ltd., as on 31-03-2017 :

Liabilities		₹	Assets		₹
Share Capital		6,00,000	Goodwill		1,00,000
General Reserve		3,00,000	Plant & Machinery		5,00,000
Profit & Loss Account		1,00,000	Furniture		1,00,000
6% Debentures		3,00,000	Stock		6,00,000
Sundry Creditors		3,20,000	Sundry Debtors		2,00,000
			Bank		1,00,000
			Preliminary Expenses		20,000
		16,20,000			16,20,000

Bharan Ltd. takes over the business of Suhas Ltd., on the following terms :

- Goodwill is valued at ₹ 2,00,000 and other assets are considered worth their book values.
- Bharan Ltd. does not take over the balance at bank.
- Purchase consideration is to be discharged by issuing 90,000 Equity Shares of ₹ 10 each valued Rs. 15 per share.

Calculate the Purchase Consideration and show the mode of payment.



7. The following balance appeared in the books of Bhopal Electric Supply Corporation Ltd. as on 31-03-2017 :

Particulars	Debit (₹)	Credit (₹)
Cost of generation of electricity	3,00,000	
Cost of distribution of electricity	90,000	
Sale of current		15,00,000
Meter rent		50,000
Rent, rates and taxes	1,20,000	
Establishment expenses	2,10,000	
Interest on debentures	1,00,000	
Interim dividend	2,00,000	
Depreciation	2,00,000	
Net Revenue Account Balance on March 31, 2016		2,85,000

From the above balance prepare the Revenue Account and Net Revenue Account.

8. Write a note on liquidator's remuneration during the winding up of a company.

SECTION - C

(20 marks each)

Answer **any three** of the following questions.

(20×3=60)

9. The following are the Balance Sheet of A Ltd. and B Ltd. as on 31st March 2017 :

Balance Sheet of A Ltd. and B Ltd.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Shares of ₹ 10 each	5,00,000	3,00,000	Buildings	1,50,000	—
General Reserve	1,70,000	—	Machinery	5,50,000	2,50,000
Profit & Loss Account	45,000	—	Stock	80,000	40,000
12% Debentures	1,00,000	—	Debtors	70,000	45,000
Creditors	50,000	40,000	Bank	15,000	5,000
	8,65,000	3,40,000		8,65,000	3,40,000



The two companies amalgamate on 1st April, 2017 and form a new company C Ltd. Which takes over all assets and liabilities of both companies. The purchase consideration is agreed ₹ 6,61,500 and ₹ 3,15,000 for A Ltd. and B Ltd. respectively. The purchase consideration is paid fully in Equity Shares of ₹ 10 each. Prepare closing ledger accounts in the books of A Ltd. and B Ltd.

10. The Insolvent Ltd. went into voluntary liquidation on December 31, 2016, when the following Balance Sheet was prepared :

Liabilities	₹	Assets	₹
Paid-up Capital :		Goodwill	30,000
14,520 Shares of		Land	25,000
₹ 10 each fully paid	1,45,200	Plant and Machinery	37,400
Sundry Creditors :		Stock	58,550
Preferential	4,050	Sundry Debtors	46,220
Partly secured	29,180	Cash	500
Unsecured	77,160	Profit and loss Account	59,080
Bank Overdraft (Unsecured)	1,160		
	2,56,750		2,56,750

The Liquidator realised the assets as follows :

	₹
Land which was used in the first instance, to pay the partly secured creditors	18,000
Plant and Machinery	25,000
Stock	31,000
Sundry Debtors	43,500
Cash	500

The expenses of the liquidation amounted to ₹ 500, and the liquidator's remuneration was agreed at 2½% on the amount realised and 2% on the amount paid to unsecured creditors.

You are required to prepare the Liquidator's Final Account.

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11. From the following particulars, prepare profit and loss account of General Bank Ltd.
For the year ending 31st March, 2017 :

Particulars	₹
Interest on loans	34,90,000
Office expenses	15,50,000
Interest on fixed deposits	36,50,000
Interest on overdrafts	12,80,000
Rent and taxes	1,80,000
Commission charged to customer	94,000
Rebate on bills discounted (1 st April, 2016)	4,80,000
Purchases and bills discounted	19,40,000
Interest on cash credit	22,40,000
Amount charged against current accounts	1,20,000
Director's remuneration	42,000
Interest on SB accounts	6,90,000
Postal expenses	15,000
Printing and Stationery	39,000
Other expenses	18,000

Adjustments to be made :

- i) Rebate on bills discounted ₹ 5,20,000
- ii) Provide for taxation @ 50% of the profits.



12. From the following Trial Balance of Bharathi Electric Light and Power Co. Ltd. as at 31-12-2016, prepare Capital Account, General Balance Sheet, Revenue Account and Net Revenue Account.

Particulars	₹	₹
Ordinary shares		27,45,000
Debentures		10,00,000
Lands to 31-12-2015	7,50,000	
Lands expended during 2016	25,000	
Machinery to 31-12-2015	40,00,000	
Machinery expended during 2016	2,80,000	
Sundry creditors on open accounts		5,000
Depreciation Account		12,50,000
Sundry Debtors for current supplied	2,00,000	
Other Debtors	27,500	
Cash	25,000	
Cost of generation of electricity	1,50,000	
Cost of distribution of electricity	25,000	
Rent, Rates and Taxes	25,000	
Management expenses	60,000	
Depreciation	1,00,000	
Sale of current		6,50,000
Rent of meters		25,000
Interest on Debentures	50,000	
Interim Dividend	1,00,000	
Balance of Net Revenue Account 31-12-2016		1,42,500
	58,17,500	58,17,500