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(Pages : 4)

Reg. No.....1172.....

Name.....MAHARAJ.....

**B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2018**

**Third Semester**

**Core Course—CORPORATE ACCOUNTING**

(2013—2016 Admissions)

Time : Three Hours

Maximum Marks : 80

**Part A (Short Answer Questions)**

*Answer all questions.*

*Each question carries 1 mark.*

Define the following :—

- |                          |                            |
|--------------------------|----------------------------|
| 1. Authorised Capital.   | 2. Forfeiture of shares.   |
| 3. Bonus Share.          | 4. Reserve Capital.        |
| 5. Debenture.            | 6. Rights Issue of Shares. |
| 7. Contingent Liability. | 8. Super profit.           |
| 9. Standard Assets.      | 10. Fair value of a share. |

(10 × 1 = 10)

**Part B (Brief Answer Questions)**

*Answer any eight questions.*

*Each question carries 2 marks.*

11. What is underwriting ?
12. What do you mean by “ex-interest” price and “cum-interest” price ?
13. What do you mean by “Redemption by Conversion” ?
14. Write a short note on intrinsic value of shares.
15. What is “Rebate of bills discounted” ?
16. What is statutory reserve ?
17. What is Non-Performing Asset ?
18. Explain the term Capital Employed.
19. Under what heads will you classify the following items on the liabilities side of the Balance Sheet of a company :
  - (a) Proposed Dividend.
  - (b) Unclaimed Dividend.
  - (c) Provision for taxation.
  - (d) Share Premium.
20. What is Profit and Loss Appropriation Account ?

Turn over

21. What do you understand by 'depository system' of transfer and settlement of scripts ?
22. 500 shares of Rs. 20 each issued at 5 % discount are forfeited for non-payment of allotment and final call money at Rs. 9 and Rs. 5 respectively. Pass Journal Entries. (8 × 2 = 16)

### Part C (Short Essays)

Answer any **six** questions.  
Each question carries 4 marks.

23. What is a 'share' ? Discuss their different classes.
24. The following particulars relate to a company :

	Rs.
Total Assets	... 18,50,000
External Liabilities	... 2,50,000
Share Capital :	

- 14 % Preference shares of Rs. 10 each fully paid—5,00,000  
40,000 Equity shares of Rs. 10 each, fully paid—4,00,000  
60,000 Equity shares of Rs. 10 each, Rs. 7.50 paid—4,50,000

Calculate the value of each category of equity shares of the company based on a deemed liquidation.

25. What are the legal provisions regarding the redemption of preference shares ?
26. Write short notes on :
- Debenture issued as collateral security.
  - Issue of debentures at discount.
27. 'A' Ltd. gave notice of its intention to redeem its outstanding Rs.40,00,000, 4½ % debenture stock at 102 % and offered the holders the following option to apply for redemption money to subscribe for :
- 6 % cumulative preference shares of Rs. 20 each at Rs. 22.50 per share ;
  - 6 % debentures stock at 96 per cent ;
  - to have their holdings redeemable for cash.
- Holders of Rs. 17,10,000 stock accepted the proposal (a).  
Holders of Rs. 14,40,000 stock accepted the proposal (b).  
And the remaining stock holders accepted the proposal (c).

Pass Journal Entries to record the above transactions.

28. A company offers 10,000 shares to the public. The amount payable is as follows :
- |                |                 |
|----------------|-----------------|
| On Application | Rs. 3 per share |
| On Allotment   | Rs. 2 per share |
| On 1st call    | Rs. 3 per share |
| On Final call  | Rs. 2 per share |

Applications are received for 15,000 shares. The directors make the allotment as follows :

- (a) No allotment to applicants for 3,000 shares.
- (b) Rest allotted on a pro-rata basis.

All call were duly made and paid except :

- (i) A, a holder of 100 shares paid the two calls with allotment.
- (ii) B, a holder of 200 shares fails to pay the 1st and 2nd calls.
- (iii) C, a holder of 100 shares fails to pay the 2nd call.

Pass the necessary journal entries to record the above transactions in the company's books.

- 29. HK Ltd. was incorporated with a share capital of Rs.10,00,000 in Rs. 10 shares. The company purchased Plant and Machinery from Hindustan & Co. for Rs. 3,00,000 payable in fully paid shares of the company. The directors also decided to allot 1,500 shares credited as fully paid to the promoters for their services. The rest of the shares were issued for cash and were taken up by the public and fully paid for. Give Journal Entries and show the Balance Sheet.
- 30. What is Bonus Share ? What is the purpose of issue of bonus shares ? What are the conditions which have to be fulfilled while making such an issue ?
- 31. While closing the books of a bank on March 31st 1997, you find, in the loan ledger, an unsecured balance of Rs. 2 lakhs, in the account of a merchant whose financial condition is reported to you as bad and doubtful. Interest on the same account amounted to Rs. 20,000 during the year. In 1998 the bank accepted 75 paise in the rupee on account of the total debt upto March 31, 1997. Pass the Journal Entries and Ledger Accounts to record the transactions.

(6 × 4 = 24)

#### Part D (Essays)

Answer any two questions.

Each question carries 15 marks.

- 32. On January 1, 1994, G Ltd. issued 1,000, 6 % debentures of Rs. 100 each repayable at the end of four years at a premium of 10 %. It has been decided to institute a sinking fund for the purpose, the investments being expected to realise 5 % net. Sinking Fund table show that Re. 0.232012 invested annually amounts to Re. 1 at 5 % in four years. Investments were made in multiples of hundred only.  
On December 31, 1997, the balance at the Bank was Rs. 40,000 and the investment realised Rs. 82,000. The debentures were paid off. Give Journal entries and show Ledger Accounts except for debenture interest.
- 33. Give the 'proforma' of the Balance Sheet of a Banking Company and the Schedule to be appended there to with imaginary figures.
- 34. Define Goodwill and explain the factors to be considered for valuing the Goodwill. Explain with the help of suitable illustrations the various methods of valuation of Goodwill.

Turn over



35. The following is the Trial Balance of Haritha Manufacturing Co. Ltd. as at 31st March, 2017 :

	Dr. Rs.	Cr. Rs.
Stock 1st April 2016	7,50,000	
Sales		35,00,000
Purchases	24,50,000	
Productive wages	5,00,000	
Discounts	70,000	50,000
Salaries	75,000	
Rent	49,500	
General Expenses including Insurance	1,70,500	
Profit and Loss Account 1st April 2016		1,50,300
Dividend Paid	90,000	
Capital 1,00,000 shares of Rs. 10 each		10,00,000
Sundry Debtors and Creditors	3,75,000	1,75,000
Plant and Machinery	2,90,000	
Cash in hand and at Bank	1,62,000	
General Reserve		1,55,000
Bad debts	48,300	
	<u>50,30,300</u>	<u>50,30,300</u>

You are required to prepare Trading Account and Profit and Loss Account for the year ended 31st March 2017 and the Balance Sheet at that date. You are also to make provision in respect of the following :

- Stock on 31st March, 2017 Rs. 8,20,000.
- Depreciate machinery at 15 % per annum.
- Provide 5 % discount on Debtors.
- Allow 2.5 % discount on Creditors.
- Provide Managing Director's Commission at 5 % on the net profits before deducting his commission.
- One month's rent at Rs. 54,000 per annum was due on 31st March, 2017.
- Six month's insurance was unexpired at Rs. 7,500 per annum.
- Make a provision for income tax at 50 %.

(2 × 15 = 30)