



SN – 408

**III Semester B.B.M. Examination, Nov./Dec. 2014  
(Repeaters) (Prior to 2013-14)**

**(100 – 2012-13 Only)**

**(90 – Prior to 2012-13)**

**BUSINESS MANAGEMENT**

**3.4 : Corporate Accounting**

Time : 3 Hours

Max. Marks : 100/90

**Instructions:** 1) Answers should be written in **English only**.

2) Section **D** should be answered by Students of **2012-13** only (**100** marks).

3) Section **A, B and C** to be answered by **all repeaters** (**90** marks).

**SECTION – A**

Answer **any ten** sub questions. Each carries **two** marks.

(10×2=20)

1. a) What is Profit and Loss Appropriation A/c ? Why it is prepared ?
- b) What is meant by contingent liability ? Give two examples.
- c) State different kinds of shares.
- d) What do you mean by issue of shares at premium ?
- e) State the methods of calculating purchase consideration.
- f) What do you mean by dividend ?
- g) What is calls in advance ?
- h) State any four types of debentures.
- i) Under which heading the following items are shown in the Balance Sheet ?
  - i) 8% Debentures
  - ii) Discount on issue of shares
  - iii) Share premium
  - iv) Underwriting commission.
- j) State any two objectives of Amalgamation.
- k) What do you mean by Internal Reconstruction ?
- l) Distinguish between Naked and Secured Debentures.

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## SECTION - B

Answer any 5 questions. Each question carries 5 marks.

(5×5=25)

2. State the differences between External and Internal Reconstruction.
3. Bring out the differences between amalgamation in the nature of purchase and in the nature of merger.
4. Hindustan Co. Ltd. issued 2000 shares of Rs. 50 each payable Rs. 15 on application, Rs. 10 on allotment, Rs. 10 on first call and Rs. 15 on final call. All the money was duly received except the final call on 100 shares from Venya.  
Pass necessary journal entries.
5. ABC, Company Ltd., issued 50000, 5% debentures of Rs. 100 each at a discount of Rs. 5 per debenture. The amount was payable as follows :  
Rs. 20 on application  
Rs. 30 on allotment  
Rs. 45 on first and final call (Excluding discount)  
All debentures were subscribed and the amount were duly received. Give the necessary journal entries in the books of Co.
6. From the following prepare Profit and Loss A/c for the year ending 31-3-2013 :
 

Gross profit for the year	6,40,000
Profit on sale of fixed assets	33,000
Interest accrued on Investment	26,000
Office and administrative expenses	95,000
Selling expenses	30,000
Loss of stock due to fire	10,000
Income Tax provision	20,000
Commission received	4,000



7. From the following particulars, prepare Profit and Loss Appropriation A/c, for the year ended 31<sup>st</sup> March 2014 :

	Rs.
a) P and L A/c balance brought forward	1,00,000
b) Net profit before tax	8,75,000
(Provision for taxation 40%)	
c) Transfer to Reserve Fund	1,25,000
d) The share capital consists of the following :	
i) 10000, 12% Preference shares of Rs. 100 each fully paid.	
ii) 10000, Equity shares of Rs. 100 each Rs. 80 paid.	
e) The Directors propose a dividend of 20% on Equity shares.	

8. 'X' Ltd. and 'Y' Ltd. decided to amalgamate on 31-12-2011, on that date, the position was :

'X' Ltd. :	Net Assets	–	77,400
	Net Liabilities	–	25,800
'Y' Ltd. :	Net Assets	–	56,880
	Net Liabilities	–	14,880

The Share Capital of combined company is to be 4800 Preference shares of Rs. 10 each and the balance in Equity shares of Rs. 5 each, fully paid. The allocation of the shares between 'X' Ltd. and 'Y' Ltd. is equal except that the surplus capital of any Co. to be discharged in Preference shares.

Calculate the Purchase Consideration and show the details of distributions of shares.

SECTION – C

Answer any three questions. Each carries 15 marks. (15x3=45)

9. The U.B. Co. Ltd. issued for public subscription 20000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows :

- On application Rs. 2 per share
- On allotment Rs. 5 per share (including premium)
- On first call Rs. 2 per share
- On final call Rs. 3 per share



Applications were received for 30000 shares. 20000 shares were allotted and excess application money received is returned.

The Co., made all the calls and the money due were duly received except the final call on 1000 shares. These shares were forfeited and later re-issued as fully paid at Rs. 8 per share.

Pass the journal entries and also show how share capital appears in the Balance Sheet.

10. Following is the Trial Balance of Sunrise Co., Ltd. as on 31-12-13 :

Particulars	Debit	Credit
	Rs.	Rs.
Share Capital (Shares of Rs. 10 each)	—	80,000
Stock on 1-1-2013	51,000	—
Purchases and Sales	2,20,000	3,30,000
Returns	3,800	—
General Expenses	1,800	—
Wages	12,000	—
Salaries	18,700	—
Travelling Expenses	3,200	—
Advertisement	1,550	—
Rent and Taxes	4,900	—
Discount	850	2,200
Bad Debts	2,500	—
Buildings	95,000	—
Debtors and Creditors	45,000	55,500
Plant and Machinery	98,000	—
Loan	—	75,000
Cash	12,400	—
Reserve Fund	—	23,000
Profit and Loss A/c	—	5,000
	<b>5,70,700</b>	<b>5,70,700</b>



**Adjustments :**

- 1) Provide 5% for Doubtful debts.
- 2) Depreciate Buildings 5%, Plant and Machinery 10%.
- 3) Wages outstanding Rs. 500, Salaries outstanding Rs. 1,000.
- 4) Closing Stock Rs. 22,000.

Prepare Final Accounts of the Co.

- 11. 'M' Ltd. and 'N Ltd., have decided to amalgamate. A new Co., 'MN' Ltd. is formed to take the two Co.s on 31<sup>st</sup> March 2011. The Balance Sheets of the two companies were as under :

Liabilities	'M' Ltd.	'N' Ltd.	Assets	'M' Ltd.	'N' Ltd.
	Rs.	Rs.		Rs.	Rs.
Shares of Rs. 10 each	1,50,000	80,000	Land and		
General Reserve	80,000	-	Buildings	1,05,000	60,000
Profits and Loss A/c	20,000	20,000	Plant and		
5% Debentures	-	60,000	Machinery	25,000	15,000
Creditors	75,000	32,000	Motor		
			Vehicles	10,000	-
			Stock	60,000	78,000
			Debtors	82,000	21,000
			Cash	43,000	18,000
	<b>3,25,000</b>	<b>1,92,000</b>		<b>3,25,000</b>	<b>1,92,000</b>

The assets and liabilities are to be taken over at book values with the following exceptions.

- 1) Goodwill of 'M' Co. and 'Y' Co. is to be valued at Rs. 80,000 and Rs. 30,000 respectively.
- 2) Motor vehicles of 'M' Co. are to be valued at Rs. 30,000.
- 3) Debentures of 'N' Ltd. are to be discharged by the issue of 5% Debentures of 'MN' Co. at a premium of 4%.



4) Debentures and cash of 'N' Ltd. are to be retained by the liquidator and creditors are to be paid out of the proceeds thereof.

Compute the basis on which shares in 'MN' company will be issued to share holders in the existing companies.

Pass journal entries in the books of 'MN' Ltd. and prepare the Balance Sheet of 'MN' Ltd. as at 1<sup>st</sup> April 2011.

12. The Balance Sheet of Deeksha Ltd. as on 31-3-2012 was as follows :

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Equity Share Capital (Rs. 10 each)	2,50,000	Goodwill	90,000
8% Pref. Share Capital (Rs. 10 each)	50,000	Buildings	1,40,000
General Reserve	20,000	Machinery	37,500
6% Debentures (Rs. 100 each)	20,000	Furniture	15,000
Bank Overdraft	28,500	Profit and Loss A/c	1,25,000
Creditors	40,000	Preliminary Expenses	1,000
	<b>4,08,500</b>		<b>4,08,500</b>

The Capitals Reduction Scheme approved by the court is as under :

- a) Holders of 6% Debentures of Rs. 100 each are to be given 8% Debentures of Rs. 50 each and Preference shares of Rs. 10 each of equal amount for the remaining amount of Rs. 50.
- b) The value of all Preference shares including those given to Debenture holders is to be reduced to Rs. 6 and dividend rate increased to 9%.
- c) The value of Equity shares is to be reduced to Rs. 2.
- d) Write off Goodwill, Profit and Loss A/c and Preliminary Expenses.
- e) Machinery and Furniture are to be written off in proportion of their book values with the help of General Reserve and Capital Reduction A/c.

Pass necessary journal entries and prepare the Balance Sheet after reconstruction.



13. Lucky Ltd. decided to absorb Unlucky Ltd. The Balance Sheet of the two companies as on 31-3-2012 are given below :

Liabilities	Lucky Ltd.		Assets	Lucky Ltd.	
	Rs.	Rs.		Rs.	Rs.
5% P. shares			Goodwill	40,000	40,000
Re 1 each	-	40,000	Copyrights	20,000	-
Equity shares of			Land and		
Re 1 each	2,52,000	80,000	Buildings	1,00,000	60,000
Capital Reserve	1,20,000	-	Plant	1,40,000	-
General Reserve	1,20,000	-	Debtors	40,000	40,000
Creditors	8,000	40,000	Stock	40,000	20,000
Bank Overdraft	-	40,000	Cash in hand	1,20,000	-
			P and L A/c	-	40,000
	<b>5,00,000</b>	<b>2,00,000</b>		<b>5,00,000</b>	<b>2,00,000</b>

**Additional Information :**

- 1) Lucky Ltd. to take over both assets and liabilities of Unlucky Ltd.
- 2) Preference shareholders of Unlucky Ltd. to get one 5% Preference share of Re 1 in Lucky Ltd. for every 2 shares held.
- 3) Every Equity shareholders of Unlucky Ltd. to receive one new share of Re 1 of Lucky Ltd. for every 10 shares held.
- 4) An amount of Rs. 20,000 to be paid by Lucky Ltd. for meeting liquidation expenses in addition to Rs. 10,000 paid by it directly.
- 5) Land and Buildings of Lucky Ltd. is to be valued at Rs. 1,40,000 and a provision of Rs. 1,000 to be made for doubtful debts of Unlucky Ltd.

Close the books of Unlucky Ltd. and prepare the Balance Sheet of Lucky Ltd. after absorption.



## SECTION - D

To be answered by students of **2012-13** only.

(1×10=10)

14. Prepare the Balance Sheet of Kamath Ltd. from the following ledger balances as on 31-12-12.

	Rs.
Equity Share Capital	2,50,000
Land and Buildings	3,00,000
10% Preference Share Capital	2,00,000
Plant and Machinery	1,50,000
Copyrights	50,000
8% Debentures	2,00,000
Stock	1,00,000
Sundry Debtors	70,000
Bills Payable	30,000
Underwriting Commission	20,000
Unclaimed dividend	25,000
Sundry Creditors	30,000
Marketable Securities	45,000