

Q.P. Code – 16331

**Third Semester B.B.M. Degree Examination,
October/November 2019**

(Non-CBCS – Revised New Scheme)

Management

CORPORATE ACCOUNTING

Time : 3 Hours]

[Max. Marks : 80

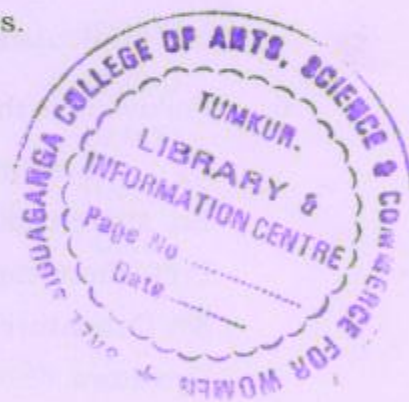
Instructions to Candidates : Answer should be completely in English.

SECTION – A

1. Answer any **TEN** of the following questions. Each question carries **2** marks :

(10 × 2 = 20)

- (a) Give the meaning of "Separate Entity".
- (b) What do you mean by bearer debentures?
- (c) State any two objectives of amalgamation of companies.
- (d) Give the meaning of internal reconstruction of companies.
- (e) What do you mean by pro-rata allotment of shares?
- (f) What do you mean by preference share?
- (g) What is capital reduction account?
- (h) What is forfeiture and re-issue of shares?
- (i) Give the meaning of net-payment method.
- (j) State the methods of discharging purchase consideration.
- (k) Mention any four fictitious assets.
- (l) What is interest accrued on investment?



SECTION – B

Answer any **THREE** of the following questions. Each question carries **5** marks :

(3 × 5 = 15)

2. State any five differences between equity shares and preference shares.

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3. Under which heading of Balance sheet of a company the following items are shown while preparing final accounts :
 - (a) advance received from customers.
 - (b) research and development expenditures
 - (c) patents
 - (d) share premium
 - (e) underwriting commission.
4. X Limited issued 60,000 equity shares of Rs. 10 each at a discount of 20% for public subscription payable as to Rs. 2 on application, Rs. 3 on allotment, Rs. 3 on first call and balance on final call all the money was duly received except one of the applicant having 4000 shares, failed to pay final call amount. Pass necessary journal entries in the books of 'X' Limited.
5. 'Y' Company limited absorbed 'A' private limited and agrees to discharge purchase consideration as follows :
 - (a) allotment of 10,000 equity shares of Rs. 10 each at a market value of Rs. 15 per share
 - (b) 7%, 3000 preference shares of Rs. 100 each at a premium of 14% and
 - (c) Cash payment equal to 25% of total purchase consideration.

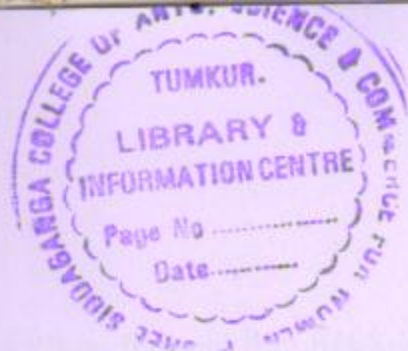
Calculate total purchase consideration.
6. Following is the balance sheet of Z Ltd as at 31-3-2019.

Liabilities	Rs.	Assets	Rs.
Eq. share capital	5,00,000	Fixed assets	2,00,000
Pref. share capital	1,00,000	Current assets	3,00,000
8% Debenture	50,000	Preliminary exp.	25,000
Creditors	1,00,000	P & L A/c	2,25,000
	<u>7,50,000</u>		<u>7,50,000</u>

The following scheme of reconstruction was approved by the court :

- (a) Reduce equity share capital by 40% and preference share capital by 30%.
- (b) Reduce debenture holders claim by 20%.
- (c) Appreciate plant and machinery included in fixed assets (its book value Rs. 1,50,000) by 25%.
- (d) Provide for doubtful debts by (Debtors included in current assets Rs. 1,00,000) 10%.

Prepare the reconstructed Balance Sheet of the Company.



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SECTION – C

Answer any **THREE** of the following questions. Each question carries **15** marks :
(3 × 15 = 45)

7. 'A' Limited issued 5,00,000 shares of Rs. 10 each at a premium of 25% payable Rs. 3 on application, Rs. 5 on allotment (including premium), Rs. 3 on first call and balance on final call.

Applications were received for 5,50,000 shares. The directors decided to make pro-rata allotment to all the applicants. The excess application money was to be adjusted towards allotment. All the money were duly received excepting from Mr. 'C' who failed to pay the first call and also the final call on 1,000 shares and Mr. 'D' who failed to pay the final call on 2000 shares. All these shares were forfeited and re-issued at Rs. 9.50. Pass the Journal entries in the books of the company.

8. Following is the Balance sheet of 'P' Limited as on 31-3-18.

Liabilities	Rs.	Assets	Rs.
6% share capital		Goodwill	30,000
4000 pref. share		Freehold premises	4,00,000
of Rs. 100 each	4,00,000	Plant	6,00,000
8000 eq. share of		Stock	1,00,000
Rs. 100 each	8,00,000	Debtors	80,000
5% Debenture	2,00,000	P & L A/c	4,40,000
Bank O.D.	1,00,000	Preliminary exp.	10,000
Creditors	2,00,000	Cash in hand	40,000
	<u>17,00,000</u>		<u>17,00,000</u>

Preference dividends were in arrears for 02 years.

The following scheme was approved by the court for the company.

- Preference shares to be reduced to Rs. 70 per share and equity shares to Rs. 40 per share.
- Debenture holders to takeover stock and debtors in full satisfaction of the amount due to them.
- Goodwill to be eliminated.
- Freehold premises to be depreciated by 40%.
- Plant to be appreciated by the Rs. 1,00,000, preference shareholders agreed to sacrifices the dividend due to them.

Reconstruction expenses amounted to Rs. 10,000. Pass necessary Journal Entries and prepare Reconstructed balance sheet of the company.

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9. The following are the balance sheets as on 31-3-2018 of X Limited and Y Limited.

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Eq. share capital	2,00,000	1,20,000	Land & building	60,000	-
6% Debentures	40,000	-	Plant & machinery	2,20,000	1,00,000
Reserve fund	68,000	-	Stock	32,000	16,000
Creditors	34,000	16,000	Debtors	28,000	10,000
P & L A/c	4,000		Cash	6,000	2,000
			P & L A/c	-	8,000
	<u>3,46,000</u>	<u>1,36,000</u>		<u>3,46,000</u>	<u>1,36,000</u>

The two companies agree to amalgamate and form a new company called 'Z' company limited which takes over all the assets and liabilities of both the companies. The assets of 'X' Limited are taken over at a reduced valuation of 10% with the exception of Land and Buildings which are accepted at book value. The entire purchase price is to be paid by Z limited in fully paid shares of Rs. 10 each. In return for debentures in X Ltd. debentures of the same amount and denomination are to be issued by Z Limited.

Prepare necessary ledger accounts in the books of 'X' limited and 'Y' limited and Pass Opening Journal entries in the books of Z Limited (Net Asset Method).

10. The Balance sheet of 'R' Limited on 31-3-18 was as follows :

Liabilities	Rs.	Assets	Rs.
Share capital :		Land and buildings	4,60,000
16000 equity shares of		Plant and machinery	3,60,000
Rs. 50 each fully paid	8,00,000	Furniture	40,000
G. Reserve	1,00,000	S. Debtors	2,00,000
Workmen Compensation		Less: Reserve	10,000
Fund	60,000	Stock	1,80,000
15% Debentures	1,00,000	Cash	4,000
S. Creditors	80,000	Discount on issue of	
Bank overdraft	20,000	debentures	6,000
Employee provident			
Fund	80,000		
	<u>12,40,000</u>		<u>12,40,000</u>

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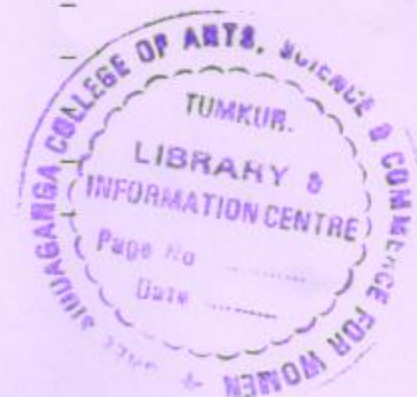
The business of the company is taken over by 'S' Limited on that date. The purchase consideration is to be discharged as follows :

- (a) A payment in cash of Rs. 10 for every share in 'R' Limited.
- (b) Issue of 5 shares in 'S' Limited of Rs. 10 each at a market value of Rs. 15 per share for every 2 shares in 'R' Limited.

The expenses of liquidation Rs. 10,000 borne by 'R' Limited. Pass Journal entries in the books of both the companies.

11. From the following Trail Balance as at 31-3-2018 of 'A' Limited. Prepare the final accounts of the company.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Called up capital 1,20,000 shares of Rs. 10 each	-	12,00,000
Calls in arrears	40,000	-
Share premium	-	2,40,000
General Reserve	-	1,40,000
Sinking fund	-	2,80,000
Stock as on 1-4-2017	8,00,000	-
Purchases and sales	41,00,000	57,60,000
Returns	60,000	1,00,000
P & L A/c (on 1-4-2017)	-	60,000
Plant and Machinery	6,00,000	-
Leasehold property	8,00,000	-
Motor car	4,00,000	-
Debtors and Creditors	5,00,000	4,00,000
Bank interest	24,000	-
Interest received	-	4,000
Loan from Bank (Secured)	-	5,00,000
Bills Receivables and Bills payables	1,12,000	1,14,000
Cash at Bank	1,16,000	-
Cash in hand	18,000	-
Preliminary expenses	1,20,000	-
Manufacturing expenses	3,60,000	-
Gas and fuel	2,40,000	-
Directors fee	40,000	-



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Particulars	Dr. (Rs.)	Cr. (Rs.)
Audit fees	24,000	-
Trade expenses	1,20,000	-
Salaries	2,00,000	-
Insurance	30,000	-
Repairs	50,000	-
	<u>87,98,000</u>	<u>87,98,000</u>

Adjustments :

- (a) Stock on 31-3-2018 Rs. 9,00,000.
- (b) Prepaid Insurance Rs. 10,000.
- (c) Provide Rs. 20,000 for bad debts.
- (d) Depreciate leasehold property at 10%, Plant and Machinery at 20% and Motor Car at 30%.
- (e) Provide for Taxation Rs. 2,60,000.
- (f) Directors proposed Rs. 1,20,000 for dividend.