SN – 1820

III Semester B.B.M. Examination, November/December 2008
(Semester Scheme)
BUSINESS MANAGEMENT
Corporate Accounting (Paper – 3.4)

: 3 Hours Max. Marks: 90

Instruction : *Answer in* ***English*** *only.*

SECTION – A

wer **any ten** questions. **Each** carries **two** marks. **(10×2=20)**

a) Define Amalgamation.

b) State any two differences between Interim Dividend and Final Dividend.

c) Give the meaning of Authorised Capital.

d) What do you mean by Calls in Arrears ?

e) What is over Absorption of shares ?

f) Distinguish between Naked and Secured Debenture.

g) What are the legal provisions relating to Reduction of Capital ?

h) Distinguish between Shares issued at premium and at discount.

i) What is capital Reduction account and how is it prepared ?

j) What are the forms of Reconstruction ?

k) What is Unclaimed Dividend ?

l) What are the sources of declaring Dividend ?

SECTION – B

swer **any five** questions. **Each** carries **5** marks. **(5×5=25)**

List the steps involved in closing the books of vendor company in case of Absorption.

State any five differences between Amalgamation in the nature of Merger and in the nature of Purchase.

P.T.O.

4. The Rolex Company Limited issued 50,000 debentures of Rs. 10 each. The amo
was payable as follows

Rs. 2 on application

Rs. 4 on allotment

Rs. 2 on First Call

Rs. 2 on Final Call

45,000 debentures were subscribed by the public. All the debentures were allot
and the money duly received. Pass the Journal Entries.

5. State the headings under which the following items are shown in the Balance Sh
of the company.

i) Share Premium	ii) Live Stock
iii) Provision for Taxation	iv) Interest accrued and due on Debenture
v) Provident Fund	vi) Proposed Dividend
vii) Loan to Employees	viii) Short term Investments
ix) Forfeited Shares	x) Calls in Advance.

6. From the following particulars prepare P and L Appropriation A/c for the y
ended 31st March 2005.

a) Profit and Loss A/c balance brought forward	4,00,000
b) Net profit before tax (tax rate 50%)	35,00,000
c) Transfer the Reserve Fund	5,00,000

d) The share capital consists of the following :

i) 40,000 10% Preference Shares of Rs. 100 each.

ii) 40,000 Equity Shares of Rs. 100 each Rs. 80 paid.

e) The Director propose Dividend of 20% on Equity Shares.

7. Kemp Co. Ltd., issued 50,000 Equity shares of Rs. 10 each. All the money
duly received except the final call on 2000 shares of Rs. 3 per share from Mr. Sh
The Director forfeited this shares, the same has fully paid at Rs. 7 per sh
Write up the necessary Journal Entries.

Alfa Ltd. and Beta Ltd. decided to Amalgamate on 31-12-2005. On that date, the position was :

			Rs.
Alfa. Co.	:	Net Asset	77,400
		Net Liabilities	25,800
Beta Co.	:	Net Assets	56,880
		Net Liabilities	14,880

The share capital of Combined company is to be 4,800 preference shares of Rs. 10. each and the balance in equity shares of Rs. 5 each, fully paid. The allocation of the shares between Alfa Co. and Beta Co. is equal except that the surplus capital of any company to be discharged in Preference Shares. Calculate the purchase consideration and show the details of distribution of shares.

The share capital of Zed Limited Company consisted of the following :

i) 10,000 6% Preference Shares of Rs. 100 each and

ii) 50,000 Equity Shares of Rs. 10 each

The shares were fully paid. By the end of 2006 it had accumulated losses to the extent of Rs. 3,50,000 besides preliminary expenses totalling Rs. 20,000. It was also ascertained that the fixed assets which stood in the books at Rs. 14,00,000 were over valued to the extent of Rs. 4,00,000.

A scheme of Capital Reduction was adopted and approved by the court in order to remove the over valuation and to write off the losses and preliminary expenses. Under the scheme the 6% preference shares were to be converted into 7 $\frac{1}{2}$% preference shares of Rs. 60 each and the equity shares were to be converted into shares of Rs. 2 each. Pass the necessary Journal Entries.

SECTION – C

Answer **any three** questions. **Each** carries **15** marks. **(15**

10. The following is the Trial Balance of Metro Company Ltd. as on 31.3.2007. T
company has 20,000 shares of Rs. 100 each as registered capital.

	Debit Rs.	Credit Rs.
Shares (2000 shares of Rs. 100 each)		2,00,000
Calls in Arrears	16,000	
Reserve Fund		2,50,000
Buildings	80,000	
Fixed Deposits		1,00,000
Wages	30,000	
Machinery	89,000	
Furniture	80,000	
Purchase and Sales	2,10,000	5,25,000
Salary	60,000	
Debtors and Creditors	2,20,000	1,50,000
B/R and B/P	61,000	90,000
Directors fees	20,000	
Returns	15,000	20,000
Freight	10,000	
Manufacturing Expenses	5,000	
Opening Stock	65,000	
Interim Dividend	25,000	
Audit Fees	15,000	
Profit and Loss Account		27,000

Tools	38,000	
Preliminary Expenses	60,000	
Debentures		1,00,000
Interest on Debentures	14,000	
Investments	2,50,000	
Goodwill	52,000	
Insurance and Taxes	20,000	
Printing and Stationery	15,000	
Cash and Bank Balance	12,000	
	14,62,000	**14,62,000**

Adjustments :

a) Directors proposed a total dividend of 25%.

b) Write off 25% of preliminary expenses and 10% of goodwill.

c) Depreciate buildings by 2% and furniture by 5%.

d) Transfer Rs. 60,000 to Reserve fund.

e) Insurance prepaid Rs. 1,500

f) Closing Stock Rs. 80,000.

Prepare Trading and Profit and Loss Account and Balance Sheet.

. A Company issued 20,000 shares of Rs. 10 each at premium of Rs. 2 per share, payment to be made as follows :

On Application Rs. 2

On Allotment Rs. 5 (including Premium)

On First Call Rs. 3

On Second Call Rs. 2

Applications were received for 40,000 shares. Applications for 10,000 shares were rejected and allotment was made proportionately to the remaining applicants. The Directors made both the calls and all the money were received except the final call on 900 shares, which were subsequently forfeited. Later 600 of the forfeited shares were reissued as fully paid at Rs. 7.5 per share. Give Journal Entries and prepare Bank A/c.

12. The Balance Sheet of Honda Ltd. on 31-12-2006 was as follows :

Liabilities	Rs.	Assets	Rs.
Authorised Capital		Goodwill	70,000
6,000 shares of Rs. 100 each	6,00,000	Buildings	80,000
Issued Capital :		Plant	1,50,000
2,000 Shares of Rs. 100 each fully paid	2,00,000	Stock	50,000
200 5% Debentures of Rs. 1,000 each	2,00,000	Debtors	43,000
Sundry Creditors	50,000	Cash	2,500
Bills Payable	5,000	Preliminary Expenses	4,500
Bank Overdraft	45,000	Accumulated losses	1,00,000
	5,00,000		**5,00,000**

The following scheme of reconstruction was adopted :

1) The paid up value of each share to be reduced to Rs. 50.
2) 200 5% Debentures to be converted into 100, 7 $\frac{1}{2}$ % Debentures of Rs. 1,000 each.
3) Assets were revaluated as under,
   Buildings Rs. 72,000, Plant Rs. 1,40,000, Stock Rs. 45,000,
   Debtors subject to reserve for Bad Debts Rs. 2,500
4) Creditors agree to forego $\frac{1}{4}$ of the amount due to them in return for shares for the balance.
5) Goodwill and other fictitious assets to be written off entirely.

Give the necessary journal entries. Prepare Capital Reduction Account and Balance Sheet.

13. The following is the Balance Sheet of Lipton Company Ltd. on 31-3-2002.

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Land and Building	1,20,000
(Shares of Rs. 10 each)		Plant and Machinery	1,50,000
Debentures	1,00,000	Work in progress	30,000
Creditors	30,000	Stock	60,000
Reserve Fund	25,000	Furniture	2,500
Workmen Compensation Fund	10,000	Debtors	25,000
Dividend Equalisation Fund	10,000	Cash at Bank	12,500
Profit and Loss A/c	5,100	Cas in hand	100
Depreciation Fund	20,000		
(Land and Buildings)			
	4,00,100		**4,00,100**

The company is absorbed by Broke Bond Company Ltd. on the above date. The consideration for the absorption is the discharge of debentures at a a premium of 5%, taking over the trade liability and a payment of Rs. 7 in cash and one share of face value of Rs. 5 in Broke Bond Company Ltd. (Market value Rs. 8 per share) in exchange of Rs. One share in Lipton Company Ltd. The cost of liquidation Rs. 500 is to be met by the purchasing company. Calculate purchase consideration. Prepare the Ledger A/c's in the books of Lipton company and pass opening entries in the books of Broke Bond Company Ltd.

. The following are the Balance Sheets of A Company and B Company Ltd.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
5000 Shares of Rs. 10 each	50,000		Buildings	15,000	
1500 Shares of Rs. 20 each		30,000	Machinery	55,000	25,000
100 6% Debentures of Rs. 100 each	10,000		Stock	8,000	4,000
Reserve Fund	17,000		Debtors	7,000	4,500
Dividend Equalisation Fund	2,000		Cash	1,500	500
Employees Provident Fund	1,500				
Trade Creditors	5,000	4,000			
Profit and Loss A/c	1,000				
	86,500	**34,000**		**86,500**	**34,000**

The two companies agree to amalgamate and form a new company called 'C' Company Limited which takes over the assets and liabilities of both the companies. The assets of A Company Limited are taken over at a reduced valuation of 10% with the exception of buildings which is accepted at book value.

Both the companies are to receive 5% of the net valuation of their respective business as goodwill. The entire purchase price is to be paid by 'C' Company Limited in fully paid shares of Rs. 10 each. In return for Debentures in A Company Ltd. Debentures of the same amount and denomination are to be issued by C Company Ltd.

Prepare the necessary Ledger A/c's in the books of both the companies and Amalgamated Balance Sheet of C Ltd.