

III Semester B.B.M. Examination, November/ December 2009

(Semester Scheme)

BUSINESS MANAGEMENT

Paper - 3.4 : Corporate Accounting

Time : 3 Hours

Max. Marks : 90

Instruction : Answer in English only.

SECTION - A

Answer any ten questions. Each carries two marks.

(10×2=20)

1. a) What do you mean by participating preference shares ?
- b) State any two items that appear in the "provisions" of the Company Final A/cs.
- c) State any two uses of amount of premium collected by the company on issue of shares.
- d) What is the entry for "Forfeiture of shares issued at discount ?
- e) Distinguish between Registered and Bearer debentures.
- f) State the entry on "issue of debentures at discount and payable at par".
- g) What is the method of accounting for amalgamation in the nature of merger ?
- h) Differentiate between amalgamation and absorption.
- i) Give the meaning of unclaimed dividend.
- j) How do you calculate purchase consideration under Net Assets Method ?
- k) What do you mean by "Alteration of Share Capital" ?
- l) What is "External Reconstruction" ?

SECTION - B

Answer **any five** questions. **Each** carries **5** marks.

(5x)

2. List out the conditions to be satisfied for amalgamation in the nature of merger as per AS-14.
3. State the differences between share and debentures.
4. Yogesh Ltd., issued 4,000, 8% debentures of Rs. 50 each at a discount of 6% payable Rs. 20 on application, Rs. 20 on allotment (with discount) and the balance on first and final call. 3,500 debentures were subscribed by the public. All the debentures were allotted and the money duly received. Pass journal entries.
5. State the headings under which the following items are shown in the balance sheet of the company :
 - a) Goodwill
 - b) Patterns
 - c) Book debts
 - d) Advances paid
 - e) Work-in-progress
 - f) Security deposit
 - g) Loose tools
 - h) Advance tax
 - i) Discount on issue of shares
 - j) Fixed deposit with bank.
6. From the following particulars prepare Profit and Loss A/c for the year ending 31st March 2009.

	Rs.
Gross profit for the year	2,20,000
Office and Administrative Expenses	80,000
Profit on sale fixed assets	23,000
Selling expenses	10,000
Loss of stock due to fire	7,000
Income tax	25,000

Commission to Managing Director is to be paid at 10% of the profit after charging such commission.

Small Ltd. forfeited 200 shares of Rs. 10 each, Rs. 7 called up, on which Mahesh had paid application and allotment money of Rs. 5 per share. Of these 150 shares were reissued to Naresh as fully paid for Rs. 6 per share. Pass journal entries for forfeiture and re-issue of shares.

Strong Ltd. agreed to absorb Small Limited as at 31-3-2009. On the date of absorption Small Ltd. had :

- 12,000 shares of Rs. 10 each
- 10% debentures of Rs. 20,000
- Trade creditors of Rs. 32,000

Strong Ltd., agreed to value the assets of Small Ltd., at Rs. 2,32,000. If the market value of the share of Strong Ltd. is Rs. 20, calculate :

The amount of purchase consideration and the number of shares issued by Strong Limited.

9. On 31-3-2009 Weak Limited had an accumulated losses of Rs. 6,45,000, preliminary expenses Rs. 35,000 and Discount on issue of shares Rs. 20,000. Further land and building was overvalued by Rs. 50,000.

In order to write off the fictitious assets and to bring down the value of land and buildings to its true value a scheme of capital reduction was approved by the court. To reduce the equity shares of Rs. 100 each fully paid up to Rs. 50 each, Rs. 25 paidup. (Number of equity shares in Weak Ltd. were 10,000)

SECTION - C

Answer any three questions. Each carries 15 marks :

(15×3=45)

10. Following balances have been extracted from the books of SMY Ltd. on 31st March 2009.

Dr.			Cr.
	Rs.		Rs.
Opening stock	2,90,000	Sales	9,89,000
Fuel and power	10,300	Profit and Loss Account	50,900
Wages	17,000	Provision for doubtful debts	6,300
Purchases	2,32,200	Miscellaneous Receipts	600

Salaries	2,00,000	Share capitals (Rs. 100 each)	5,00,000
Rates and taxes	7,500	Provision for taxation	15,000
Insurance	10,000	Debentures (secured	
Repairs of building	3,000	on fixed assets)	1,25,000
Repairs of machinery	18,000	General reserve	1,00,000
Commission of management	10,500	Unclaimed dividend	1,600
Director's fees	600	Sundry creditors	1,01,000
Buildings	4,75,000	Bills payable	32,000
Cash in hand	3,250	Outstanding expenses	75,000
Plant and Machinery	3,50,000	Commission of management	
Furniture	8,500	outstanding	1,800
Office equipment	4,000		
Motor vehicles	22,500		
Sundry debtors	2,90,000		
Prepaid expenses	27,500		
Cash at bank	18,350		
	19,98,200		19,98,200

Prepare Trading, Profit & Loss A/c and Balance Sheet after considering the following adjustments :

- Provide Rs. 20,000 for additional taxation
- Write off depreciation on buildings Rs. 2,89,200, on furniture Rs. 7,500, on machinery Rs. 3,09,300 and Rs. 14,500 on motor vehicles.
- Provide Rs. 6,300 for bad and doubtful debts
- Transfer Rs. 60,000 to general reserve
- Directors recommend a dividend of Rs. 7.5 per share.

The Balance Sheet of Nirma Ltd. as on 31-3-2009 was as follows :

	Rs.		Rs.
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 Account	1,25,000
Creditors	40,000	Preliminary Expenses	1,000
	4,08,500		4,08,500

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

- Holders of 6% debentures of Rs. 100 each are to be given 8% debentures of Rs. 50 and preference shares of Rs. 10 each of equal amount for the remaining amount of Rs. 50
- 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%
- The value of equity shares is to be reduced to Rs. 2
- Write off Goodwill, Profit and Loss Account and Preliminary Expenses.
- Machinery and furniture are to be written off in proportion of their book values with the help of the general reserve and capital reduction account.

Pass necessary Journal Entries and prepare the Balance Sheet after reconstruction.

12. Following is the Balance Sheet of 'D' Ltd as on 31-3-2009

	Rs.		Rs.
Share Capitals		Good will	20,000
15,000 Equity shares of Rs. 10 each	1,50,000	Plant and machinery	1,50,000
10,000, 6% cumulative		Stock	80,000
Preference shares of Rs. 10 each	1,00,000	Sundry debtors	1,20,000
		Cash at bank	8,900

5% Debentures of Rs. 100 each	50,000	Profit and Loss Account	40,100
Employee's profit sharing A/c	14,000	Preliminary Expenses	5,000
Bank overdraft	20,000	Commission and Brokerage	
Sundry creditors	91,500	on issue of shares	4,000
Interest accrued on Debentures	2,500		
	4,28,000		4,28,000

'C' Ltd., agreed to absorb 'D' Ltd. from 1.4.2009 on the following terms :

- C Ltd. to take over all tangible assets except cash.
- It is to issue one equity share of Rs. 10 each and make a payment of Rs. 4 in cash in exchange of every 2 shares in D Ltd.
- Sundry creditors will receive 90% of the sums due to them in fully paid equity shares of Rs. 10 each in 'C' Ltd. in full settlement.

Show necessary Ledger Accounts in the books of 'D' Ltd. and pass Journal Entries in the books of 'C' Ltd.

13. Following is the Balance Sheet of Sanjay Ltd. as on 31.3.2009

	Rs.		Rs.
Share Capital :		Plant and Machinery	3,40,000
2,60,000 Equity shares		Stock-in-trade	28,80,000
of Rs. 10 each	26,00,000	Book debts	4,28,000
70,000, 12% preference		Expenses of issue of	
shares of Rs. 10 each	7,00,000	debentures	30,000
Statutory Reserves	1,00,000	Profit and Loss A/c	12,42,000
10% debentures	6,00,000		
Bank overdraft	20,000		
Creditors	9,00,000		
	49,20,000		49,20,000

Sarla Ltd. takes over the company on the terms that it would :

- 1) Take plant and machinery after depreciating the same by 10%, stock at Rs. 27,47,000, debtors subject to a provision for bad debts @ 5%.
- 2) Take 10% debentures.
- 3) Discharge the Purchase consideration by allotment of 80,000 Equity shares of Rs. 10 each at a premium of Rs. 2 per share and the balance in cash.
- 4) Bear the expenses of liquidation Rs. 32,000

Show necessary Ledger Accounts in the books of Sanjay Ltd. Pass the necessary Journal entries in the books of Sarla Ltd., under the "amalgamation in the nature of Purchase".

14. Nishani Ltd. issued 50,000 shares to public for subscription. It received applications for 65,000 shares. Allotment of shares was made as follows :

- a) 100% shares allotment to 40,000 applicants.
- b) 50% shares allotment to 20,000 applicants
- c) No allotment to 5,000 applicants

The face value of share is Rs. 10/- , application money Rs. 3, allotment money Rs. 4 (including premium) and call money Rs. 4.

A shareholder holding 1,000 shares failed to pay call money and these shares were forfeited. Later 800 of these shares were reissued at Rs. 7.50 each.

Pass Journal entries and prepare Bank A/c.
