



OS – 499

III Semester B.B.M. Examination, October/November 2012
(Semester Scheme) (Freshers) (2012-13 and Onwards)
BUSINESS MANAGEMENT
3.4 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100

Instruction : Answers should be only in *English*.

SECTION – A

Answer **any eight** questions. **Each** question carries **two** marks.

(8×2=16)

1. a) Name any two liquid assets.
- b) What do you mean by participating preference share ?
- c) State any two differences between Amalgamation and Absorption.
- d) Give the meaning of unclaimed dividend.
- e) Give the meaning of authorised capital.
- f) What are the forms of Reconstruction ?
- g) How do you treat the over subscription of shares ?
- h) State the difference between bearer debentures and registered debentures.
- i) How do you treat calls-in-advance in company final accounts ?
- j) Give two examples of contingent liability.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks.

(3×8=24)

2. State the differences between shares and debentures.

P.T.O.



3. Star Ltd. agreed to absorb Small Ltd. as on 31-03-2012. 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

Star Ltd. agreed to value the assets of Small Ltd. at Rs. 2,32,000. If the market value of the share of Star Ltd. is Rs. 20. Calculate the amount of purchase consideration and the number of shares, issued by Star Ltd. and also state the mode of discharge.

4. Aravind Motor Co. Ltd. issued 50,000 6 % Debentures of Rs. 100 each at a discount of Rs. 10 per debentures payable as under
 On application – Rs. 30
 On allotment – Rs. 40
 On 1st and final call – Rs. 20

All the Debentures were subscribed called up and paid up. Pass necessary journal entries in the books of the company.

5. The paid up capital of Bangalore Co. Ltd. is Rs. 5,00,000 and it includes 2,000, 5 % cumulative preference shares of Rs. 100 each and 30,000 equity shares of Rs. 10 each.

Because of heavy losses, the company has decided to reduce the burden of its capital and has secured the required permission.

- 1) Reduction in the value of patents by Rs. 70,000, Machinery by Rs. 17,000 and equipment by Rs. 2,000
- 2) Cancellation of the Balance of loss of Rs. 1,98,000 shown on the P/L a/c.
- 3) Writing down the Balance of Research expenditure account by using the balance remaining in the capital reduction account (the research expenditure is shown in the Balance Sheet at Rs. 79,000).

The approved scheme of capital reduction is as follows :

- 1) In exchange for every five (5), 5% preference shares, issue of three (3) 4 % preference shares of Rs. 100 each and 20 ordinary shares of Rs. 2 each.
- 2) Issue of one equity share of Rs. 2 each in payment of arrears of preference shares dividend of Rs. 10 (the total arrears of preference dividend is Rs. 30,000. The dividend has not yet been declared).
- 3) Issue of one new equity share of Rs. 2 each in exchange for every five old ordinary shares.

Draft suitable journal entries.



6. From the following particulars, prepare P/L appropriation Account for the year ending 31-03-2012.

- a) P/L Account balance brought forward – Rs. 1,00,000
- b) Net profit before tax [provision for taxation 40 %] – Rs. 8,75,000
- c) Transfer to Reserve Fund – Rs. 1,25,000
- d) Transfer to sinking fund – Rs. 50,000
- e) The share capital consist of the following
 - 1) 10,000, 12 % preference shares of Rs. 100 each fully paid.
 - 2) 10,000, Equity shares of Rs. 100 each, Rs. 80 paid.
- f) The directors proposed dividend of 20 % on equity shares.

SECTION – C

Answer **any four** questions. **Each** question carries **fifteen** marks.

(4×15=60)

7. The following is the Trial Balance of David Ltd. as on 31-03-2012. The company has 20,000 shares of Rs. 100 each as Registered Capital

Particulars	Debit Rs.	Credit Rs.
Shares [3,000 shares of Rs. 100 each]	–	3,00,000
Calls-in-arrears	16,000	–
Reserve fund	–	2,50,000
Buildings	1,80,000	–
Fixed Deposit	–	1,00,000
Wages	30,000	–
Machinery	89,000	–
Furniture	80,000	–
Purchases and sales	2,10,000	5,25,000
Salaries	60,000	–
Debtors and creditors	2,20,000	1,50,000

	61,000	90,000
Bills Receivable and Bills payable	20,000	-
Directors fees	15,000	20,000
Returns	10,000	-
Freight	5,000	-
Manufacturing expenses	65,000	-
Opening stock	21,368	-
Interim Dividend	3,632	-
Corporate dividend tax on Interim Dividend	15,000	-
Audit fees	-	27,000
Profit and Loss A/c	38,000	-
Tools	60,000	-
Preliminary expenses	-	1,00,000
Debentures	14,000	-
Interest on debentures	2,50,000	-
Investments	52,000	-
Goodwill	20,000	-
Insurance and Taxes	15,000	-
Printing and stationery	12,000	-
Cash and Bank balances	15,62,000	15,62,000

Adjustments :

- Directors proposed a total dividend of 25 %
- Write off 25 % of preliminary expenses and 10 % of Goodwill
- Depreciate Buildings by 2 % and furniture by 5 %
- Transfer Rs. 60,000 to Reserve Fund
- Insurance prepaid Rs. 1,500
- Closing Stock Rs. 80,000.

Prepare Trading and P/L a/c and Balance Sheet.

8. Snake Ltd. agreed to acquire the business of Frog Ltd. as on 31-12-2011, on which date the Balance Sheet of Frog Ltd. was as follows.

Liabilities	Amt. Rs.	Assets	Amt. Rs.
Capital (fully paid shares of Rs.10 each)	6,00,000	Goodwill	1,00,000
General Reserve	1,70,000	Land and Buildings	3,00,000
P/L A/c	1,10,000	Plant	3,40,000
6 % Debentures	1,00,000	Stock	1,68,000
Creditors	20,000	Debtors	36,000
		Cash	56,000
	10,00,000		10,00,000

The consideration payable by Snake Ltd. was agreed as follows.

- 1) A cash payment equivalent to Rs. 2.50 for every Rs. 10 share in Frog Ltd.
- 2) The issue of 90,000, Rs. 10 shares, fully paid in Snake Ltd. having an agreed value of Rs. 15 per share.
- 3) The issue of such an amount of fully paid 5 % Debentures of Snake Ltd. at 96 % as is sufficient to discharge the 6 % Debentures of Frog Ltd. at a premium of 20 %.

While computing the agreed purchase consideration, the directors of Snake Ltd. valued the Land and Building and Plant at Rs. 12,00,000 and Rs. 3,00,000. Stock in trade at Rs. 1,42,000 and the debtors at their face value subject to allowance of 5 % to cover doubtful debts. The cost of liquidation of Frog Ltd. came to Rs. 5,000. Prepare necessary ledger accounts in the books of Frog Ltd. and opening entries in the books of Snake Ltd.



9. The following are the Balance Sheet of X Ltd. and Y Ltd. as on 31-03-2012

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Equity share capital (Rs. 10 each)	50,00,000	30,00,000	Land and Building	25,00,000	15,50,000
14 % Preference share capital (Rs. 100 each)	22,00,000	17,00,000	Plant and Machinery	32,50,000	17,00,000
General Reserve	5,00,000	2,50,000	Furniture and fittings	5,75,000	3,50,000
Export profit Reserve (Required under IT Act)	3,00,000	2,00,000	Investments	7,00,000	5,00,000
Investment Allowance			Stock	12,50,000	9,50,000
Reserve (statutory)	—	1,00,000	Debtors	9,00,000	10,30,000
P/L Account	7,50,000	5,00,000	Cash at Bank	7,25,000	5,20,000
13 % Debentures (Rs. 100 each)	5,00,000	3,50,000			
Trade creditors	4,50,000	3,50,000			
Other Current Liabilities	2,00,000	1,50,000			
	99,00,000	66,00,000		99,00,000	66,00,000

X Y Ltd. informed to take over X Ltd. and Y Ltd. for the following consideration.

X Ltd.

- 1) Issue of 4,80,000 equity shares of Rs. 10 each of X Y Ltd. at par to the equity share holders.
- 2) Issue of 15 % preference shares of Rs. 100 each of X Y Ltd. to discharge the preference share holders of X Ltd. at 10 % premium.

Y Ltd.

- 1) Issue of 3,50,000 Equity shares of Rs. 10 each of X Y Ltd. at par to the equity share holders.

- 2) Issue of 15 % preference shares of Rs. 100 each of X Y Ltd. and discharge the preference share holders of Y Ltd. at 10 % premium.

The Debentures of X Ltd. and Y Ltd. will be converted into equivalent number of Debentures of XY Ltd.

The Statutory Reserves are to be maintained for two more years.

Prepare necessary ledger Accounts in the books of X Ltd. and Amalgamated Balance Sheet in the books of X Y Ltd. on the assumption that the amalgamation is in the nature of merger.

10. Given below is the Balance Sheet of Kamath Ltd. as on 31-12-2011.

Liabilities	Rs.	Assets	Rs.
5,000 8 % Preference shares of Rs. 10 each	50,000	Goodwill	1,00,000
5,000 Equity shares of Rs. 10 each	50,000	Buildings	4,000
Creditors	18,000	Plant	5,000
Bank overdraft	20,000	Debtors	1,200
		Stock	22,000
		Preliminary Expenses	3,000
		P/L Account	2,500
		Cash	300
	1,38,000		1,38,000

The following scheme of Reconstruction was adopted :

- Rs. 10 preference shares were to be reduced to an equal number of fully paid shares of Rs. 8 each.
- Rs. 10 equity shares were to be reduced to an equal number of fully paid shares of Rs. 5 each.
- Creditors agreed to forego Rs. 8,000.
- The amount thus available was to be utilised to write off preliminary expenses, P/L A/c and Balance if any, to be written off goodwill.

Pass journal entries and prepare Reconstructed Balance Sheet.



11. Krishna Ltd. issued for public subscription 20,000 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 I call — Rs. 2 per share
- On Final call — Rs. 3 per share.

Applications received for 30,000 shares, 20,000 share were allotted and excess application money received is returned.

The company made all the calls and the money due were duly received except the final call on 1,000 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 ?