

Second Year, B.B.A. EXAMINATION**March/April-2015****PRINCIPLES & PRACTICES OF CORPORATE ACCOUNTING****PAPER.NO.205****Subject Code No.****8442****Time :- 03:00 Hrs****Total Marks :100**

- Q – 1 Smit Ltd issued 6, 50,000 equity shares of Rs. 10 each at a premium of 50%. The amount was called up as under: [20]

With application Rs. 6 per share (Including premium of Rs. 2)

With allotment Rs. 5 per share (Including premium of Rs. 2)

With final call RS. 4 per share (including premium of Rs. 1)

Company received applications for 7, 00,000 equity shares. Excess applications received were rejected and amount received with application on these rejected applications was refunded. Amount due on allotment and final call were duly called up.

Maya, who was allotted 1500 shares could not pay allotment money and final call money on 1000 shares

Jay, who was allotted 1000 shares, and paid final call only for 400 shares

Pass necessary journal entries for the above transactions

OR

- Q – 1 [A] X Co. Ltd. Issued 20,000 shares. Amount collected as under [12]

With applications Rs. 2 per share; with allotment Rs. 3 per share; Rs. 5 per share with final call

Application received for 40,000 shares. 5000 applications were rejected and refunded pro-rata allotment for the remaining shares

Full allotment to 5000 shareholders

To the remaining 30000 applicants 15,000 shares were allotted

- Q – 1 [B] Write Short Note: 1) Pro-rata Allocation 2) Share forfeiture [08]

- Q – 2 [A] The following are the balances as on 31-3-'10 extracted from the books of Kumar Ltd. : [15]

	Amt (Rs)
12% debentures	4,00,000
Debenture Redemption Fund	3,00,000
Debenture Redemption Fund Investments	3,00,000
Interest on Debenture redemption Fund Investments	30,000
Discount on Debentures	40,000

On the above date, the investments worth Rs. 2, 50,000 were sold at a loss of 10% to redeem 50% debentures at 10% premium.

The company transfers Rs. 50,000 every year to debenture redemption fund account. The company has also purchased 8% Central Government loan of Rs. 50,000 at 2% premium.

Prepare necessary account in the books of company

Q – 2 [B] Write short note: Debenture Discount

[05]

OR

Q – 2 The following balances are extracted from the books of Shiv Ltd. As on 31-3-2014

[20]

Debit balances	Amt. Rs.	Credit Balances	Amt Rs.
Land and Building	150000	10% Debentures (To be redeemed on 31 st March 2018)	100000
Salaries	12000	General Reserve	40000
Debtors	80000	Equity Capital(2000 shares of Rs.100each)	200000
Discount on debentures	5000	Capital Reserve	7000
Income tax paid in advance	25000	Fixed Deposit	30000
Income tax paid(Last year's)	30000	Bank loan(Secured on stock)	10000
Plant and Machinery	250000	Provision for tax(1/4/2013)	35000
Loose Tools	20000	Creditors	60000
Equity shares in Uma Ltd of Rs. 100 each, Rs paid up per share	15000	P & L Appropriation. A/c (1/4/2013)	80000
Cash and bank	27500	Provident Fund	12000
Audit fees	2500	Development rebate reserve	5000
Custom deposit	5000	Unclaimed dividends	15000
Bills Receivable	20000	Bills	30000
Directors' fees	15000	Forfeited shares A/c	25000
Goodwill	55000	Interest and dividend (Gross 10000)	8000
Interest on debentures	5000	Interest accrued but not due on loan	3000
Unpaid calls	18000	Gross profit	100000
Stock (31/3/2014)	25000		
	760000		760000

Adjustments:

- 1) Out of debtors Rs. 10,000 are due for more than six months
 - 2) Provide depreciation at the rate of 10% on land and buildings and 2% on plant and machinery
 - 3) Provision for income tax is to be made for Rs. 20,000. Assessment for the year has been completed without any dispute
 - 4) The Directors of the company have proposed 10% dividend on equity shares after setting aside RS.10,000 to general reserve
 - 5) Salaries include Rs.4000 for the purchase of machinery
- From the particulars prepare final accounts of the company as per Company Act.

Q – 3 [A] The following is the balance sheet of Hiral Co. Ltd. as on 31-3-2014 : [15]

Liabilities	Amt.	Assets	Amt.
30,000 eq. shares of 10 each fully paid	3,00,000	Land & building	150000
2,000 10% R.P.S. of Rs. 100 each 80 paid up	1,60,000	Plant and machine	3,00,000
General Reserve	60,000	Investment	75,000
Share premium	30,000	Stock	90,000
Dividend eq. fund	40,000	Debtors	85,000
Profit and loss A/c	20,000	Cash and bank	70,000
10% Bank loan	1,20,000		
Current liabilities	40,000		
	7,70,000		7,70,000

On 1-4-2014 the Board of Directors of the company decided :

- (1) To redeem the redeemable preference shares at 10% premium after observing the provisions of the Company Act 1956 strictly in this regard.
- (2) To issue necessary new equity shares of Rs. 10 each at 10% discount for the purpose of the redemption of preference shares.
- (3) To maintain minimum cash balance of Rs. 50,000 in the business.
- (4) All the pref. shareholders paid in full and all investment are sold for Rs 70,000.
- (5) To capitalize undistributed profit by way of bonus shares, one equity share for every three equity shares held on 31st March, 2014

Pass necessary journal entries of above transactions and prepare revised balance sheet.

Q – 3 [B] Give various journal entries for bonus shares [05]

OR

Q – 3 [A] Write short Note : Redeemable Preference shares [08]

Q – 3 [B] What do you mean by Bonus shares? Explain sources and requirement of issue of bonus shares [12]

Q – 4 [A] Re-arrange the following balance sheet of Natasha Ltd as on 31-3-2014 for the suitable form for analysis and find the ratios: [15]

- | | | |
|----------------------|-------------------------------|--------------------------|
| 1) Net Profit Ratio | 3) Current Ratio | 5) Fixed-Assets Turnover |
| 2) Proprietary Ratio | 4) Return on capital Employed | 6) Debtors Ratio |

Liabilities	Amt (Rs)	Assets	Amt(Rs)
Capital	1,00,000	Fixed Assets	2,00,000
Reserve and Profits	69,000	Debtors	11,000
Debentures	1,00,000	Stock	50,000
Creditors	16,000	Bills Receivables	4,000
Bills Payable	6,000	Bank	26,000
	2,91,000		2,91,000

Q – 4 [B] What is Trend Analysis [05]

OR

Q – 4 From the following balance sheets of X ltd on 31-12-2013 and 2014, you are required to prepare:

- 1) A schedule of Changes in Working Capital
- 2) A funds Flow Statement

Liabilities	2013 (Rs)	2014 (Rs)	Assets	2013 (Rs)	2014 (Rs)
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit & Loss A/c	6,000	3,000	Plant	37,000	36,000
Creditors	8,000	5,400	Investments	10,000	11,000
Bills	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000	Bills	2,000	3,200
Provision for Doubtful Debts	400	600	Debtors	18,000	19,000
			Cash/Bank	6,600	15,200
	<u>1,55,600</u>	<u>1,55,800</u>		<u>1,55,600</u>	<u>1,55,800</u>

The following additional information has also been given:

- 1) Depreciation charged on Plant was Rs. 4,000 and Building Rs. 4,000
- 2) Provision for taxation of Rs. 19,000 was made during the year 2014
- 3) Interim Dividend of Rs. 8,000 was paid during the year 2014

Q – 5 [A] The following is the Balance sheet of Neha Ltd. Sa on 31-3-2014. Akta Ltd. Want to purchase its business [12]

Balance Sheet of Neha Ltd.

Liabilities	Amt (Rs)	Assets	Amt(Rs)
Share Capital : 15,000 shares Rs. 10 each	1,50,000	Land & Building	1,00,000
Creditors	30,000	Plant & Machinery	30,000
Provident Fund	10,000	Debtors	20,000
Bills	10,000	Bills	10,000
		Stock	30,000
		Bank	10,000
	<u>2,00,000</u>		<u>2,00,000</u>

The profits of the company for the last five years are Rs. 24,000; Rs. 20,000; Rs. 32,000; Rs. 24,000 and Rs. 30,000 respectively. Manager of the company was giving honorary service, but now a salary Rs. 5,000 per annum will have to be paid to him. Neha Ltd. Pays Rs. 4,000 for office rent, which Akta Ltd. Will not be required to pay.

The expected rate of return is 10%. Calculate goodwill on the basis of capitalization of average profits method.

Q – 5 [B] Explain the methods of valuation of Equity shares [08]

OR

Q – 5 What do you mean by Valuation of Goodwill and Shares? Explain factors affecting valuation of Goodwill and Shares? Also explain methods of valuing goodwill [20]
