

9 MAR 2019

Seat No: _____

Second Year B.B.A. Examination

Principles and Practice of Corporate Accounting, Paper .No. – 205, Subject Code 8442

Time: 3 hrs

Total Marks: 100

- Q1 a) X Ltd. issued for public subscription 40,000 equity shares of Rs. 10 each at premium of Rs. 2 per share payable as under: On application Rs. 4 per share, On Allotment Rs. 5 per share (including premium), On Call Rs. 3 per share. [10]
Applications were received for 60,000 shares. Allotment was made pro-rata to the applicants for 48,000 shares, the remaining applications being rejected. Money overpaid on application was applied towards sums due on allotment. Shri Chini, to whom 1,600 shares were allotted, failed to pay the allotment money and Shri Mini, to whom 2,000 shares were allotted, failed to pay the call money. These shares were subsequently forfeited.
Record journal entries in the books of the company.

- b) What is share capital? Explain the classification of share capital in the balance sheet. [10]

OR

- Q1 a) A limited company forfeited 1,000 equity shares of Rs. 10 each, issued at a discount of 10 per cent, for non-payment of first call of Rs. 2 and second call of Rs. 3 per share. [10]
These shares were reissued to Kamal upon payment of Rs. 7,000 credited as fully paid.
The company maintains calls-in-arrears account.
Record journal entries in the books of the company relating to forfeiture of 1,000 shares and their reissue.

- b) What is issue of shares at Premium? Such Premium can be used for which purposes? Also explain issue of shares at discount and conditions for issue of shares at discount u/s 79. [10]

- Q2 a) You are required to pass the journal entries relating to the issue of the debentures in the books of X Ltd., and show how they would appear in its balance sheet under the following cases: [10]

(i) 120, 8% debentures of Rs 1,000 each are issued at 5% discount and repayable at par.

(ii) 80, 9% debentures of Rs 1,000 each are issued at 5% premium.

- b) What is a debenture? Which are the different types of debentures company can use to raise funds? [10]

OR

- Q2 a) On 1.9.2017, P. Ltd. purchased 1,000, 10% Debentures of Rs. 100 each. Interest on Debentures is payable on 30th June and on 31st Dec. every year. P. Ltd. closes the books on 31st December. every year. Show the entries assuming that: [10]

(i) P. Ltd purchased 1000, 10% Debentures of Rs. 100 each, at Rs. 95 (Cum-interest) on 1.9.2017; and

(ii) P. Ltd. purchased 10,000 10% Debentures of Rs. 100 each at Rs. 95 (Ex-interest) on 1.9.2017.

- b) What are the characteristics of a debenture? How is it different from an equity share? [10]

Q3 a)

[05]

i) The following are the balance appearing in the books of Puri Cycles Ltd. as on 31st March.

Equity share capital	18,00,000
Preference shares (fully paid)	9,00,000
Security premium	1,00,000
General reserve	6,00,000
Profit & loss account (Cr. balance)	4,00,000

The company decided to redeem the preference share @ a premium of 10% out of profit and general reserve. Give journal entries relating to redemption of preference shares.

ii)

Following items appear in the trial balance of Bharat Ltd. as on 31st March, 2017:

40000 Equity shares of Rs. 10 each	400000
Capital reserve (including 30000 Rs. As profit on sale of machinery)	75000
Capital redemption reserve	25000
Securities premium	30000
General reserve	105000
Profit and Loss account surplus	50000

[05]

The company decided to Issue to equity shareholders bonus shares at the rate of 1 share for every 4 shares held and for this purpose, it decided that there should be the minimum reduction in free reserves. Pass necessary journal entries.

b) Answer the following:

1. What are the restrictions on redemption of preference shares according to section 80?
2. What are SEBI guidelines relating to issue of Bonus shares?

[05]

[05]

OR

Q3 a)

[10]

Following is the balance sheet of Banbaxy Ltd. as on March 31, 2006.

Liabilities	Rs.	Assets	Rs.
11% Preference shares of Rs. 100 each fully paid up	300000	Fixed assets	500000
Equity shares of Rs. 10 each fully paid up	200000	Investments	200000
General reserve	100000	Bank balance	50000
Profit & Loss account	130000		
Sundry creditors	20000		
	750000		750000

The preference shares were to be redeemed at a premium of 10%.

For the purpose of Redemption following has been decided by the company:

- (i) To sell investments for Rs. 1, 90,000
 - (ii) A minimum balance in the bank shall be required for Rs. 20,000 for meeting working requirements.
 - (iii) To issue sufficient equity shares at a premium of Rs. 2.50 per share to raise balance of fund.
- Show Journal Entries and the balance sheet after redemption.

Pass necessary journal entries for redemption of preference shares.

b) Answer the following:

1. State journal entries for
 - a) Making money due to redeemable preference share holders
 - b) Making payment to redeemable preference share holders
2. What are Bonus shares? Give reasons why a company issues them.

[05]

[05]

[10]

Q4 a)

The details of Shreenath Company are as under:

Sales (40% cash sales)		1500000
Less: Cost of sales		750000
Gross Profit:		750000
Less: Office Exp. (including int. on debentures)	125000	
Selling Exp.	125000	250000
Profit before Taxes:		500000
Less: Taxes		250000
Net Profit:		250000

Balance Sheet:

Particular	Rs.	Particular	Rs.
Equity share capital	2000000	Fixed Assets	5500000
10% Preference share capital	2000000	Stock	175000
Reserves	1100000	Debtors	350000
10% Debentures	1000000	Bills receivable	50000
Creditors	100000	Cash	225000
Bank overdraft	150000	Fictitious Assets	100000
Bills payable	45000		
Outstanding expenses	5000		
	6400000		6400000

Calculate the following ratios

(1) Gross profit ratio. (2) Stock turnover ratio. (3) Current ratio. (4) Liquid ratio. (5) Debt-Equity ratio

b) Answer the following:

1. What are the limitations of financial statements?
2. What are the uses of Fund Flow Statement?

[05]

[05]

OR

Q4 a) Prepare a Performa of Fund Flow Statement under direct method. [10]

b) Answer the following:

1. Explain the advantages and limitations of ratio analysis. [05]

2. Prepare a format of fund flow statement (Direct Method) [05]

Q5 a)

i) Suppose on 1st April, 2011 on the admission of a new partner, it is agreed that goodwill of the firm is valued at three years purchase of average profits for the last five years. Further, suppose the profits for last five years have been as follows: [05]

For the year ended 31st March 2011	10,740
For the year ended 31st March 2010	7,900
For the year ended 31st March 2009	5,430
For the year ended 31st March 2008	400 (loss)
For the year ended 31st March 2007	8,500

ii) Explain the net asset basis of equity valuation. [05]

b) Answer the following:

1) Explain meaning and state characteristics of goodwill [05]

2) Explain the factors affecting valuation of equity shares. [05]

OR

Q5 a)

i) A firm of X, Y and Z has a total capital investment of Rs. 2,25,000. The firm earned net profit during the last four years as Rs. 35,000, Rs. 40,000, Rs. 60,000 and Rs.50,000. The fair return on the net capital employed is 15%. Find out the value of goodwill if it is based on 3 years' purchase of the average super profits of past four years. [05]

ii) Explain the Yield basis of equity valuation. [05]

b) Answer the following:

1) State any 10 factors affecting the value of goodwill [05]

2) What are the purposes of valuation of shares? [05]