

## Second Year B.B.A. Examination

APRIL - 2016

Principles and Practices of Corporate Accounting **Paper No. : 205**

**Subject Code No. - 8442**

**Time : 3 Hours**

**Total Marks : 100**

Q – 1 Krupa Ltd. Issued a prospectus inviting applications for 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share, payable as follows: [20]

On Application Rs. 2                      On Allotment Rs. 5 (including premium)

On First Call    Rs. 3                      On Final Call Rs. 2

Applications were received for 3,000 shares and pro-rata allotment was made on the applications for 2,400 shares. It was decided to utilize excess application money towards the amount due on allotment.

Keyur, to whom 40 shares were allotted, fail to pay the final call, and his shares were forfeited.

Shorya, the holder of 60 shares, failed to pay the two calls and on his such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Kumar credited as fully paid for Rs. 8 per share. The whole of Keyur's shares being included.

**OR**

Q – 1 Explain the following with help of journal entries

- 1) Calls-in-Advance
- 2) Calls-in-Arrears
- 3) Share forfeiture
- 4) Share issued with premium
- 5) Share re-issued with maximum possible discount
- 6) Shares issued at par forfeited non-payment of call money
- 7) Capital Reserve Account
- 8) Shares issued at discount
- 9) Share issued at par
- 10) Pro-rata allotment of shares

Q – 2 [A] The following balances appeared in the books of Samira Ltd as on December 31, 2014 : 6% Mortgage 10,000 debentures of Rs. 100 each, Sinking Fund (for redemption of debentures) Rs. 10,42,000; Investment Rs. 4,28,000; 4% Government Loan purchased at par and Rs. 5,60,000 3 ½ % Government Paper purchased for 5,42,000.

The investments were sold at Rs. 90 and Rs.87 respectively and the debentures were paid off at 102.

Prepare required ledger accounts [15]

Q – 2 [B] Write short note on: Debenture Discount [05]

OR

Q-2 The following balances were recorded in the books of Radhe Co. Ltd. On 31st March, 2014: [20]

Debit Balances	Amt Rs.	Credit Balances	Amt. Rs.
Call-in-Arrears (Eq. shares)	10,000	7.5% Pref. Share Capital	1,00,000
Opening stock	33,300	Equity share capital	2,00,000
Purchases	1,06,500	Share forfeiture A/c	4,500
Land and Building	1,70,000	Share premium	16,500
Plant and Machinery	1,15,000	Capital Reserve	55,000
Preliminary Expenses	6,000	General Reserve	90,000
Furniture	32,000	Provident Fund	13,000
Investment	1,65,700	5% Debentures (Mortgage)	50,000
Loose tools	12,000	Sales	2,60,000
Debtors	66,000	Creditors	33,000
Productive wages	35,200	P&LA/c	5,500
Deb. Red. Fund Investments	20,000	Bank loan	25,400
Salaries	57,000	Public Deposit	14,600
Rent, Rates and Taxes	20,000	Income from Investments	9,500
Directors' fees	3,500	Debenture Redemption Fund	20,000
Postage and Telegrams	6,500	Reserve for Bad Debts	3,000
Provident Fund Contribution	2,500		
Cash and bank	10,800		
Income tax	28,000		
	<b>9,00,000</b>		<b>9,00,000</b>

You are required to prepare Profit and loss account and profit and loss Appropriation account for the year ended on 31st March, 2014 and the balance sheet on that date after taking into account the following additional information:

- 1) The Stock on 31-3-2014 was Rs. 1,05,000
- 2) Provide 5% Reserve for Bad Debts on Debtors
- 3) Prepaid Rent amounted to Rs. 2,000
- 4) Provide Depreciation on Plant and Machinery at 2%, on Furniture at 5% and on Land and Building at 4%
- 5) Outstanding Expenses: Productive Wages Rs. 2,500; Salaries Rs. 3,000 and Rates and Taxes Rs. 1,500
- 6) Transfer Rs. 30,000 to General Reserve
- 7) The directors of the company recommended Dividend on Pref. share capital and 10% on Equity share capital
- 8) The authorized Capital of the company amount to Rs. 5,00,000

Q-3 [A] The balance sheet of Keval Ltd. was as under on 31<sup>st</sup> - March, 2015: [12]

Liabilities	Amt Rs.	Assets	Amt Rs.
<b>Share Capital:</b>		Fixed Assets	1,00,000
4000 10% Redeemable Pref. shares of 10 each Rs. 8 paid up per share	32,000	Investment	20,000
8000 equity shares of Rs.10 each fully paid up	80,000	Stock	40,000
Share Premium	34,000	Debtors	72,000
General Reserve	32,000	Bank	24,000
Profit & Loss A/c	34,000		
Creditors	44,000		
	<b>2,56,000</b>		<b>2,56,000</b>

The company decide to redeem preference shares at a premium of 5% and necessary procedure was carried out for it.

Investments were sold out for Rs. 22000. After redeeming preference shares, the company issued fully paid bonus shares in the ratio of 1:1 at a premium of 10%.

Journalise the above transactions and prepare a Balance sheet thereafter.

Q – 3 [B] Give various journal entries for issue and redemptions of preference shares [08]

OR

Q – 3 [A] What is bonus shares? Which are sources of bonus shares? Explain guidelines on issue of bonus shares [15]

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

Q – 4 [A] from the following Trading and profit and loss account of Ravi & Co. for the year 31<sup>st</sup> December, 2014: [09]

Particulars	Amt (Rs)	Particulars	Amt (Rs)
Opening stock	60,000	By Sales	4,00,000
To Purchase	2,75,000	By Closing Stock	75,000
To Wages	25,000		
To Gross Profit	1,15,000		
	<b>4,75,000</b>		<b>4,75,000</b>
To Administrative Expenses	45,000	By Gross Profit	1,15,000
To Selling and Distribution Expenses	10,000	By Interest on Investment	10,000
To Office Expenses	5,000		
To Non-Operating Expenses	15,000		
To Net profit	50,000		
	<b>1,25,000</b>		<b>1,25,000</b>

You are required to calculate:

- 1) Gross Profit Ratio
- 2) Operating Ratio
- 3) Net Profit Ratio

Q – 4 [B] Explain importance and Limitations of Ratio Analysis [08]

Q – 4 [C] Give formula for any three balance sheet ratios [03]

OR

Q – 4 [A] Following are the summarized Balance Sheet of X Ltd. As on 31st December 2013 and 2014. You are required to prepare funds flow statement for the year ended 31st December, 2014 [15]

Liabilities	2013 (Rs)	2014 (Rs)	Assets	2013 (Rs)	2014 (Rs)
Share capital	1,00,000	1,25,000	Goodwill	-	2,500
General Reserve	25,000	30,000	Buildings	1,00,000	95,000
P & L A/c	15,250	15,300	Plant	75,000	84,500
Bank Loan (Long-term)	35,000	67,600	Stock	50,000	37,000
Creditor	75,000	-	Debtors	40,000	32,100
Provision for Tax	15,000	17,500	Bank	-	4,000
			Cash	250	300
	<b>2,65,250</b>	<b>2,55,400</b>		<b>2,65,250</b>	<b>2,55,400</b>

**Additional Information:**

- 1) Dividend of Rs. 11,500 was paid.
- 2) Depreciation written off on plant Rs. 7,000 and on buildings Rs. 5,000.
- 3) Provision for tax was made during the year Rs. 16,500.

- |       |     |   |      |
|-------|-----|---|------|
| Q – 4 | [B] | Utilities of Fund Flow Analysis                 | [05] |
| Q – 5 | [A] | Explain factors affecting valuation of Goodwill | [10] |
| Q – 5 | [B] | Explain factors affecting valuation of Shares   | [10] |
- OR**
- |       |  |  |      |
|-------|--|--|------|
| Q – 5 |  | Explain all the methods of valuing shares and goodwill with examples | [20] |
|-------|--|--|------|

\*\*\*\*\*