

## Second Year, B.B.A. EXAMINATION

Oct - 2015

## PRINCIPLES &amp; PRACTICES OF CORPORATE ACCOUNTING

PAPER.NO.205, Subject Code 8442

Time :- 03:00 Hrs

Total

Marks :100

- Q1. A. What is share capital? Explain the categories of share capital. Also state any 5 characteristics of equity shares. (10)
- B. ABC Ltd. Was registered on 01-01-2014 with a capital of Rs.10,00,000 divided into 1,00,000 shares of Rs. 10 each. The company offered 44,000 shares of which 40,000 shares were subscribed by the public and Re. 1 per share was received with application. On 1<sup>st</sup> February, these shares were allotted and Rs. 2 per share was duly received on 28<sup>th</sup> February as allotment money. First call of Rs. 3 was made on 1<sup>st</sup> March and the call money on all the shares with exception of 100 shares was received. The final call of Rs. 4 per share was made on 1<sup>st</sup> June and the amount due, with the exception of 400 shares was received by 30<sup>th</sup> June. (10)
- You are required to pass journal entries and prepare balance sheet as at 30<sup>th</sup> June 2014.
- OR
- Q1. A. What is over-subscription? What alternatives can a company follow in case of over-subscription? (10)
- B. XYZ Ltd. Has authorized capital of Rs. 100000 divided into 2000 shares of Rs. 50 each. It offers its shares to the public as under. (10)
- Rs. 10/share payable on application, Rs. 10/share payable on allotment, Rs. 15/share payable on 1<sup>st</sup> call, Rs. 15/share payable on final call.
- Mr. A who holds 30 shares paid only application money.
- Mr. B who holds 20 shares paid application money on 20 shares and allotment money on 10 shares. He has not paid other calls.
- Mr. C who holds 18 shares paid only application money and allotment money.
- Mr. D who holds 5 shares paid application, allotment and 1<sup>st</sup> call money.
- Mr. E who holds 3 shares paid application, allotment, and 1st call money in full and 2<sup>nd</sup> call money only on 2 shares.

Journalise the above transactions in the books of XYZ Ltd.

- Q2. A. What is a debenture? Explain any 5 characteristics of debenture and just state 5 types of debentures. (10)
- B. Pass journal entries for the following cases of debenture issue assuming the (10)

face value of debentures to be Rs. 100

- 1) A 12% debenture issued at Rs. 100 repayable at Rs. 100
- 2) A 12% debenture issued at Rs. 95 repayable at Rs. 100
- 3) A 12% debenture issued at Rs. 105 repayable at Rs. 100
- 4) A 12% debenture issued at Rs. 100 repayable at Rs. 105
- 5) A 12% debenture issued at Rs. 95 repayable at Rs. 105

OR

- Q2. A. Briefly explain the sources of redemption of debentures. (10)
- B. On 01-01-2013, Q. Ltd had 1000, 12% debentures of Rs. 100 cum-interest on debentures is payable half yearly on 30<sup>th</sup> June and on 30<sup>th</sup> December. On 1<sup>st</sup> May 2013 the company purchased 300 of its own debentures at Rs. 97 cum-interest for immediate cancellation. Record the necessary journal entries on May 1<sup>st</sup> and June 30<sup>th</sup> 2013. (10)
- Q3. A. What are the restrictions on redemption of redeemable preference shares according to section 80? (10)

B. The balance sheet of ABC Ltd. As at 31<sup>st</sup> March 2014 is as under.

Liabilities	Rs.	Assets	Rs.
15%, 1300 redeemable preference shares of Rs. 100 each, Rs. 80 per share paid up	104000	Fixed assets	743000
45000 equity shares of Rs. 10 each, Rs. 9.5 per share paid up	427500	Investments (Face value Rs. 100000)	200000
Revaluation reserve	90000	Bank balance	57000
Capital reserve (realised in cash)	1000		
General reserve	80000		
Securities premium	1000		
Profit & Loss account	81000		
Creditors	215500		
	1000000		1000000

(10)

On 1<sup>st</sup> April 2014 the board of directors decide to make a final call of Rs. 20 on redeemable preference shares and to redeem the same at a premium of 10% on 1<sup>st</sup> June 2014. The investments of face value Rs. 40000 are sold at the market price which was 150% of the face value.

You are required to pass journal entries and the balance sheet after giving effect to the following:

Redeem the preference shares out of accumulated profits and reserves.

OR

- Q3. A. Explain any 5 motives of the company for issuing bonus shares. (10)

B. Pass journal **entries without figures** showing the following:

- 1) For declaration of fully paid-up Bonus shares
- 2) For issuing bonus shares
- 3) Declaration for making partly paid-up shares fully paid-up
- 4) For call money due (for bonus)
- 5) For bonus to share call

(10)

Q4. A. Explain any 5 benefits and any 5 limitations of financial ratios.

(10)

B.

Particulars	Amount
<b>Assets:</b>	
Debtors	30000
Stock	50000
Plant & Equipment	12000
Buildings	10000
	<b>102000</b>
<b>Liabilities:</b>	
Bank	11000
Trade Creditors	25000
Profit & Loss A/C	10000
Paid-up share capital (Face value Rs. 10, Paid-up Rs. 7.5)	56000
	<b>102000</b>
Sales	100000
Gross Profit	25000
Net Profit	5000
Dividend Paid	4000

(10)

Opening stock is worth Rs. 4000.

Calculate the following ratios:

- 1) Current ratio
- 2) Debtors turnover ratio
- 3) Net profit ratio
- 4) Acid test ratio
- 5) Debt-Equity ratio

OR

Q4. A. What is a fund flow statement? Explain any 5 uses of fund flow statement?

(10)

B. From the following Balance sheet of WXY Ltd., you are required to prepare a Schedule of Changes in Working Capital and Fund flow statement.

(10)

Liabilities	2002	2003	Assets	2002	2003
	Rs.	Rs.		Rs.	Rs.
Capital	80,000	85,000	Cash in hand	4,000	9,000
P&L A/c	14,500	24,500	Sundry debtors	16,500	19,500
Sundry creditors	9000	5000	Stock	9000	7000
Long-term Loans	---	5000	Machinery	24000	34000
			Buildings	50000	50000
	103,500	119,500		103,500	119,500

Q5. A. State any 5 factors affecting goodwill and any 5 characteristics of goodwill. (10)

B. XYZ Ltd. Provides the following information.

1) Profit and loss after tax at 40%

2010-11	2011-12	2012-13	2013-14	2014-15
-550000	844320	1324320	1504320	1804320

- 2) Income from non-trade investments is Rs. 7200 per annum (10)
- 3) Losses on sale of machinery during 2011-12 is Rs. 100000
- 4) Profit on sale of building during 2012-13 is Rs. 200000
- 5) Increase in manager's remuneration with effect from 01-04-2015 is Rs. 200000 per annum
- 6) Rate of tax from 01-04-2015 is reduced to 30%.

You are required to calculate the Value of Goodwill at 3 years purchase of average profits.

OR

Q5. A. Why is it necessary to value equity shares? State any 5 factors affecting value of equity shares. (10)

B. PQR Ltd. provides the following information.

- 1) Average annual earnings available for equity share holders: Rs. 11,52,000
- 2) 5,00,000 equity shares of Rs. 10 each fully paid up: 50,00,000  
 Less: Calls in arrears @ Rs.2 per share : 2,00,000  
48,00,000 (10)
- 3) Nominal rate of expected return in same industry: 12%

You are required to calculate the value of equity shares (For fully paid-up and with calls-in-arrears) on earnings basis.