

E 4238

(Pages : 4)

Reg. No.....

Name.....

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2012

Third Semester

Core Course—CORPORATE ACCOUNTING

Time : Three Hours

Maximum Weight : 25

Part A

Answer all questions.

Each bunch of four questions carries a weight of 1.

- I. 1 Preference shareholders are :
- (a) Creditors of the company.
 - (b) Owners of the company.
 - (c) Customers of the company.
- 2 Part _____ of Schedule _____ deals with the preparation of the Profit and Loss Account of companies :
- (a) II, IV.
 - (b) I, VI.
 - (c) II, VI.
- 3 The factor giving rise to goodwill is :
- (a) Location of the business.
 - (b) Efficiency of management.
 - (c) All of the above.
- 4 The amount of capital which a company is authorised to raise during its lifetime is called :
- (a) Authorised Capital.
 - (b) Registered Capital.
 - (c) All of the above.
- II. 5 In case of issue of shares, minimum subscription of shares is _____ of the subscription against the entire issue before making any allotment to the public.
- (a) 90 %.
 - (b) 95 %.
 - (c) Half.

Turn over

- 6 The issue price of shares issued to promoters for their shares is normally debited to :
- Promoters Account.
 - Goodwill Account.
 - Cash Account.
- 7 If earning per share of a company is Rs. 5 and the price earning ratio of other similar companies is 4, then the market value of the share of the company would be :
- Rs. 9.
 - Rs. 20.
 - Rs. 1.25.
- 8 A non-banking asset is :
- An item of office equipment.
 - Bank premises.
 - Secured property acquired from defaulting borrowers.

III. Fill in the blanks :

- 9 Assets in the Balance Sheet of a limited company are arranged in the order of _____.
- 10 Fictitious assets are shown on the asset side of the Balance Sheet of a company under the heading _____.
- 11 The basis for recording bank transactions are the _____ prepared by customers and sometimes bank staff.
- 12 The value of the reputation of a firm in respect of the profits expected in future over and above the normal profits is called _____.

IV. State whether the following statements are True or False :

- 13 Fair value of a share is the weighted average of intrinsic value and yield value.
- 14 Capital redemption reserve can be utilised in writing-off preliminary expenses.
- 15 Interest on debentures is payable only when a company makes profits.
- 16 The premium received on shares may be distributed among shareholders like other profits.

Part B

(4 × 1 = 4)

*Answer any five questions.
Each question carries a weight of 1.*

- 17 What do you understand by issue of shares at a discount ?
- 18 What is pro-rata allotment of shares ?
- 19 What is meant by Rebate on Bills discounted ?
- 20 What is super profit ?

- 21 What is meant by forfeiture of shares ?
- 22 What are Bonus shares ?
- 23 What do you mean by intrinsic value of a share ?
- 24 Explain the term "Bills for Collection".

(5 × 1 = 5)

Part C

*Answer any four questions.
Each question carries a weight of 2.*

- 25 SK Ltd. was incorporated with a share capital of Rs. 10,00,000 in Rs. 10 shares. The company purchased plant and machinery from HK Ltd. for Rs. 3,00,000 payable in fully paid shares of the company. The directors also decided to allot 1,500 shares credited as fully paid to the promoters for their services. The rest of the shares were issued for cash and were taken up by the public and fully paid for. Pass necessary entries in the Journal of the company.
- 26 The directors of Naptune Ltd. forfeited 500 equity shares of Rs. 20 each, Rs. 15 per share called up, on which Shri Vijay failed to pay the first call of Rs. 5. They re-issued these shares to Shri Sunil as Rs.15 paid up at Rs. 12 per share.
Pass journal entries for the forfeiture and reissue of shares.
- 27 The net profit of a business, after providing for taxation, for the past five years are : Rs. 80,000, Rs. 85,000, Rs. 92,000, Rs. 1,05,000 and Rs. 1,18,000. The capital employed in the business in Rs. 8,00,000. The normal rate of return expected in this type of business is 10 %. It is expected that the company will be able to maintain its super profit for the next 5 years. Calculate the value of goodwill on the basis of :
 - (a) 5 years purchase of super profit method ; and
 - (b) Annuity method, taking the present value of annuity of Re. 1 for five years at 10 % as 3.78.
- 28 Write short notes on :
 - (a) Statutory Reserve.
 - (b) Money at call and short notice.
- 29 What do you mean by share premium ? Describe the purposes for which share premium can be used by a company.
- 30 A company has 8,000 redeemable preference shares of Rs. 100 each fully paid. The company decides to redeem the shares on September 30, 2010, at a premium of 7 %. The company has sufficient profits but in order to augment liquid funds the following issues are made :
 - (a) 3,000 6 % debentures of Rs. 100 each at Rs. 106.
 - (b) 2,000 equity shares of Rs. 100 each at Rs. 111.

(4 × 2 = 8)

Turn over

Part D

Answer any two questions.

Each question carries a weight of 4.

- 31 Your client intends to invest not more than Rs. 15,000 in equity shares of Iron Foundry Ltd. and wants you to advise him the maximum number of shares he can expect to acquire with the said amount on the basis of the following information available to him :

	Rs.
Issued and paid up capital :	
6 % Preference shares of Rs. 100 each ...	5,00,000
Equity shares of Rs. 10 each ...	<u>3,00,000</u>
	<u>8,00,000</u>

Average net profit of the business is Rs. 57,000. Expected normal yield is 7 % in case of such equity shares. Total Tangible Assets (other than Goodwill) Rs. 9,49,000 and total Outside Liabilities Rs. 95,000.

Goodwill is to be calculated at 5 years purchase of super profits if any.

Show your workings in detail. Ignore Income Tax.

- 32 Prepare the Balance Sheet of New Bharat Bank Ltd. as on 31st March 2010 from the following particulars :

	Rs.
Paid-up capital ...	10,00,000
Authorised capital ...	50,00,000
Money at call and short notice ...	7,00,000
Investments ...	30,00,000
Bills discounted and purchased ...	4,00,000
Bills payable ...	5,00,000
Furniture and Fixtures ...	1,00,000
Land and Buildings ...	17,00,000
Term loans ...	8,00,000
Cash credits ...	3,00,000
Current Accounts ...	25,00,000
Fixed Deposits ...	14,00,000
Profit for the year ...	6,00,000
Cash in hand and with RBI ...	10,00,000
Savings Bank Account ...	10,00,000

The Reserve Fund is equal to paid-up capital. The profit for the year is arrived at before making adjustment for unexpired discount Rs. 5,000 on bills discounted during the year not matured on 31st March 2010. Investments include Rs. 5,000 shares of the face value of Rs. 100 each on which Rs. 50 is paid up. Claims against the Bank not acknowledged as debts amounted to Rs. 50,000. Acceptance for customers as on 31st March, 2010 are Rs. 2,00,000.

- 33 What is meant by redemption of debentures ? Discuss the different methods of redemption of debentures.

(2 × 4 = 8)