

**THIRD SEMESTER B.Com. DEGREE (UG-CCSS) EXAMINATION
JANUARY 2014**

(SDE)

[Core Course]

BC 3B 04—CORPORATE ACCOUNTING

[2011 Admissions]

Time : Two Hours and Forty-Five Minutes

Maximum : 27 Weightage

Answers should be written only in English.

Part B

Section A

- I. Answer all *nine* questions in one or two sentences each. Each question carries a weightage of 1 :
1. Distinguish between Stock and Shares.
 2. What is meant by undersubscription ?
 3. What do you mean by forfeiture of shares ?
 4. What do you mean by buy-back of shares ?
 5. Define Debenture.
 6. Give the Journal entry for Debentures issued at a premium and redeemable at premium.
 7. What are Contingent Liabilities ?
 8. Define Purchase Consideration.
 9. Distinguish between CRR and SLR.

(9 × 1 = 9 weightage)

Section B

- II. Answer any *five* questions out of seven questions. Each question carries a weightage of 2 :
10. Explain briefly the different kinds of life policies.
 11. What is rebate on bills discounted ? How is it treated in bank accounts ?
 12. Distinguish between Internal Reconstruction and External Reconstruction.
 13. X Ltd. forfeited 1,000 shares of Rs. 10 each issued at a premium of Re. 1 per share to Mr. Mohan, who had applied for 1,500 shares, for non-payment of allotment money of Rs. 4 per share (including premium) and the first and final call of Rs. 5 per share. Out of

Turn over

these 600 shares were reissued to Mr. Balan credited as fully paid for Rs. 7 per share. Give Journal entries assuming that the Company follows the policy of adjusting excess applications money towards allotment and calls.

14. A Ltd. took over the business of B Ltd. with effect from 31-3-2012. The following was the Balance Sheet of B Ltd. as on that date :—

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Capital (12,000 shares of Rs. 50 each) ...	6,00,000	Buildings ...	1,50,000
Reserve ...	1,00,000	Machinery ...	1,30,000
P and L a/c ...	85,000	Furniture ...	20,000
Sundry Creditors ...	70,000	Stock ...	2,55,000
Bills payable ...	5,000	Debtors ...	2,80,000
		Cash in hand ...	10,000
		Cash at Bank ...	15,000
	<u>8,60,000</u>		<u>8,60,000</u>

A Ltd. took over all the assets and liabilities of B Ltd. except a sum of Rs. 10,000 to meet the expenses of liquidation. The purchase price was discharged by the allotment to the shareholders of the Vendor Company of one share of Rs. 100 (Rs. 80 paid up) of A Ltd., for every two shares in the B Ltd. The expenses of liquidation amounted to Rs. 10,000. Pass Journal entries in the books of A Ltd. and B Ltd.

Prepare Profit and Loss Account of Bharat Bank Ltd. for the year ending 31-3-2011 from the following information as per the requirements of the Banking Regulations Act :—

	Rs.
General expenses ...	4,82,000
Interest paid on FD a/c ...	4,60,000
Discount received ...	3,90,000
Rebate on Bills discounted (31-3-2010) ...	60,000
Commission, Exchange, Brokerage ...	4,00,000
Interest received ...	16,00,000
Interest paid on S.B. a/c ...	3,60,000
Salaries of Staff ...	6,00,000
Interest on RBI Borrowings (Dr.) ...	40,000
Interest on Balance with other banks ...	20,000
Rebate on Bills discounted (31-3-2011) ...	15,000

16. The Future India Life Insurance Ltd. had a paid up capital of Rs. 10,00,000, divided into 1,00,000 shares of Rs. 10 each. Its net Liability as all contracts in force as on 31-3-2012 was Rs. 22,50,000 and on 31-3-2011 this liability was Rs. 20,00,000. The Company had paid an interim bonus of Rs. 1,10,000 and 20% of the surplus is to be allocated to shareholders ; 10% to the General reserve and the balance being carried forward.

The following figures are extracted from the books of the Company for the year ended 31-3-2012 :—

	Rs.		Rs.
Life Fund	24,50,000	Annuities paid	10,000
Premium less re-insurance		Commission	54,000
Premium	13,80,000	Surrenders	85,000
Interest, Dividend etc.	7,50,000	Surplus on revaluation	
Fines and fees	4,000	of reversions	4,000
Income Tax	1,18,000	Re-assurance	
Management Expenses	1,75,000	irrecoverable	1,000
		Claims less reinsurance	
		claims	8,90,000
		Consideration for	
		annuities granted	45,000

Prepare Revenue Account.

(5 × 2 = 10 weightage)

Section C

III. Answer any *two* questions. Each question carries a weightage of 4 :

17. Blue Star Ltd. issued a prospectus offering 2,00,000 shares of Rs. 10 each payable : Re. 1 on application, Rs. 3 on allotment (including premium Rs. 2) ; Rs. 4 on First Call and Rs. 4 on final call per share.

Subscriptions were received for 3,17,000 shares and allotment was made as under :

	Shares allotted
	Rs.
(a) Allotment in full	38,000
(b) Allotment of two-thirds of shares applied for	1,60,000
(c) Allotment of one-fourth of shares applied for	2,000
(d) No shares allotted (Rejected)	<u>31,000</u>

Turn over

Cash amounting to Rs. 31,000 (applications on which no allotment was made) was returned after complication of allotment. All the amounts due were received on due dates with the exception of the final call money on 100 shares. These shares were forfeited and reissued for payment of Rs. 9 per share. The Company followed the practice of adjusting excess money on application to allotments and calls due.

Show Journal and Cash Book entries and draw a Balance Sheet of the Company giving effect to the above transactions.

18. Following is the Trial Balance of Bhavana Ltd. as on 31-12-2011 :—

<i>Debit Balance</i>	Rs.	<i>Credit Balance</i>	Rs.
Stock (1-1-2011) ...	2,25,000	Share Capital (30,000 equity shares of Rs. 10 each) ...	3,00,000
Purchases ...	7,35,000	Sales ...	10,50,000
Wages ...	1,50,000	Discount received ...	15,000
Discount allowed ...	21,000	P and L a/c (31-12-2010) ...	45,000
Salaries ...	26,000	Creditors ...	52,500
Rent ...	11,350	General Reserve ...	46,500
General expenses ...	40,000		
Insurance ...	11,150		
Dividend paid for Last year ...	27,000		
Debtors ...	1,12,500		
Plant and Machinery ...	87,000		
Cash at Bank ...	48,600		
Investments ...	9,750		
Bad debts ...	4,650		
	<u>15,09,000</u>		<u>15,09,000</u>

Additional Information :

(a) Stock on 31-3-2011 Rs. 2,46,000 ; (b) Provide for taxation Rs. 13,500 ; (c) Reserve for doubtful debts to be created 5% on debtors ; (d) Transfer Rs. 5,000 to General Reserve ; (e) The Board of Directors recommends dividend of 10% on equity shares.

Prepare Final Accounts for the year ended 31-3-2011. (Ignore Corporate Dividend Tax).

19. Write notes on :

- (a) Asset classification by banks.
- (b) Reserve for unexpired risks in General Insurance.
- (c) Capital Redemption Reserve Account.
- (d) Redemption of Debentures.

(2 × 4 = 8 weightage)