

(A58)

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SARDAR PATEL UNIVERSITY

BBA (II Semester) Examination

Thursday, 19 March 2015

2.30 – 4.30 pm

BBAISM- CORPORATE ACCOUNTING (UM 02 EBB S02)

Marks – 60

SC

Note: - Figures to the right include full marks.
- Calculations are part of your answer.

Q:1 (A) What are the different categories of share capital by which they are shown in the balance sheet of a company? (with examples) 05

(B) Dayand Ltd. issue 60,000 equity shares of Rs. 10 each at a premium of Rs. 2.5 per share Payable on: 10

Application of Rs. 4.5 per share (including premium)

Allotment was fixed at Rs. 4 per share

Call Rs. 4 per share

Total application received were for Rs. 1,10,000 shares. After consulting stock exchange, the following scheme for allotment was decided.

Category	A	B	C
Grouping of share	1 to 100	101 to 500	Over 500
No. of Applications received	1,200	175	5
No. of shares applied for	70,000	35,000	5,000
No. of shares allotted	42,000	14,000	4,000

It was decided that excess amount received on application would be utilized in payment of allotment money and surplus, if any, would be refunded to the applicants.

Mr. Parth who was one of the applicants, belonged to category A and applied for 100 shares, defaulted in payment of allotment money. Mr. Ram to belong to category C, and who had been allotted 800 shares failed to pay call money.

Pass necessary journal entry in the books of Dayand Ltd.

OR

Q:2 (A) Write a note on : 05

- Pro-rata allotment. (with examples)

- Issue of shares at premium and discount. (with examples)

(B) A Company issue a prospectus inviting applications for 20,000 Ordinary shares of Rs. 10 each at a premium of Rs. 2 per share payable as under: 10

On Application Rs. 2

On Allotment Rs. 5 (Including premium)

On First Call Rs. 2

On Second call Rs. 3

Applications were received for 30,000 shares and allotted made pro-rata to the applicants of 24,000 shares and the remaining applications were refused and the amount was refunded. Money overpaid on applications was to be transferred to allotment account.

Mr. Harish to whom 800 shares were allotted, failed to pay allotment money and Mr. Samir to whom 1,000 shares were allotted failed to pay two calls. Pass necessary journal entry in the books of the company.

Q:2 (A) What is the meaning of debenture? Explain the types of debentures in detail. 05

(B) Mohan Ltd. issued 1,000, 12% Debenture of Rs. 100 each at a premium of 10% payable as follows: 04

On 01-06-2010 with Applications Rs. 20

On 01-08-2010 with Allotment Rs. 40 (Including premium)

On 01-10-2010 with call Rs. 50

Applications were received for 1,100 debentures, of which applications for 100 debentures were rejected. Journalized the transactions.

- (C) A Company issue 8,000, 12% Debentures of Rs.100 each at a discount of 5%. to be redeemed at a premium of 5%. Give journal entries. 03
- (D) A Company issue 10,000, 10% debentures of Rs. 100 each at par, to be redeemed at a premium of 5% after 10 years. Give journal entries. 03

OR

- Q:2 (A) Sanskar Co. Ltd issued 12%, 1000 Debenture of Rs.1000 each a discount of 3%. On 01-01-2006. These debentures were redeemed as follows: 07

31-12-2007	400 Debentures
31-12-2008	300 Debentures
31-12-2009	200 Debentures
31-12-2010	100 Debentures

Prepare debenture discount account in the books of the company.

- (B) Royal Indians Co. Ltd issued 1,000, 15% Debentures of Rs. 100 each on 1st January, 2006 redeemable at a premium of 10%. Terms of issue provided that the company should set aside every year a sum of Rs.34, 893 to be invested at 5% out side the business. The investments were sold at Rs. 71,580 at the end of third year and the debentures were paid off. Prepare Sinking fund account and sinking fund investment account. 08

- Q:3 Following is the balance sheet of Chandragupt LTD. as on 31-12-2010. 15

Liabilities	Amt. Rs.	Assets	Amt. Rs.
10% Red. Pref. Share Capital of Rs. 100 each, Rs. 80 paid per share	2,40,000	Fixed Assets	11,00,000
Equity share Capital of Rs.10 each fully paid up	10,00,000	Investments (Face Value Rs. 3,00,000)	5,00,000
Share Premium	20,000	Other Current assets	4,00,000
Capital reserve	40,000	Cash & Bank	3,00,000
Sundry Liabilities	4,20,000		
Revaluation Reserve	2,00,000		
Profit & Loss a/c	1,60,000		
General Reserve	2,20,000		
	23,00,000		23,00,000

On 1-04-2010 the company made the final call on Redeemable preference shares and decided to redeem the same with 10% Premium, for this Purpose Half of the Investments were sold at 140% of the face value.

Board further resolved to utilize the available profit or reserve for the purpose of redemption after retaining Rs. 90,000 as the balance in the Profit & Loss a/c. Only the necessary numbers of new equity shares were issued at 20% premium.

After the redemption of preference share the resultant reserve was utilized for issuing fully paid up bonus shares to the existing share holders in the ratio of 1 share for every 4 share held by them.

Pass necessary journal entries in the books of the company and prepare Balance Sheet.

OR

The Balance sheet of Pushpak Com. Ltd as at 31st March 2010 was as under.

Liabilities	Amt. Rs	Assets	Amt. Rs.
Share capital: Authorized	6,00,000	Freehold Properties	2,00,00
Issued: 40,000 shares of Rs. 10 each	4,00,000	Stock	2,40,000
P & L A/C	2,40,000	Debtors	2,00,000
5% debenture	2,60,000	Balance at Bank	4,00,000
Creditors	1,40,000		
	10,40,000		10,40,000

At the Annual Meeting: it was agreed:

1. To pay a dividend in cash of 10% free of tax (Rate of deduction of income tax is 20%).
2. To issue one bonus share for every four old share held.
3. To give existing share holders the option to purchase one share of Rs. 10 each at Rs. 15 per share, for every four share held prior to the bonus distribution. All the share holders exercised their option.
4. To repay the debentures at a premium of 3%.

Give the necessary journal entries and give the balance sheet after transactions are completed.

Q:4

From the following Trial Balance of Sahajanand Co. Ltd., Prepare a Trading account, P & L A/c, A & L Appropriation account for the year ending on 31st March, 2010 and Balance Sheet as on that date after making the necessary adjustments:

Dr.		Trial Balance		Cr.	
Particular	Amt. Rs.	Particular	Amt. Rs.		
Discount on debentures	50,000	10% Pref. shares capital	10,00,000		
Preliminary Expenses	1,00,000	Equity share capital	50,00,000		
Fixed Assets	60,00,000	Premium on shares	5,00,000		
Investments	20,00,000	12% Debentures	20,00,000		
Debtors	10,00,000	Creditors	5,00,000		
Purchase	60,00,000	Sales	1,00,00,000		
Cash	1,00,000	Bank	5,00,000		
Returns	10,00,000	Returns	5,00,000		
Interest on Debenture	1,20,000	Interest on Investment	3,00,000		
Salaries	9,60,000	Bad Debts Reserve	50,000		
Rent, rates & Insurance	2,40,000				
Advertisement expenses	6,00,000				
General Expenses	3,80,000				
Dep. on fixed assets	3,00,000				
Opening Stock	15,00,000				
	2,03,50,000				2,03,50,000

• **Additional Information:**

1. Stock on 31-03-10 was Rs. 20,00,000.
2. Interest on debenture is outstanding for six months.
3. Write off discount on debenture by Rs. 10,000 and Preliminary expenses by Rs.40,000.
4. Write off Rs. 50,000 as a bad debt and provide Rs. 50,000 as a bad debts reserve for debtors.
5. Make a provision for taxation for Rs.6,40,000.
6. Transfer to reserve fund Rs. 3,00,000.
7. Boards of directors have proposed to pay 5% dividend on equity shares.

OR

Q:4

Following is the Trial Balance of the Madhav Co. Ltd. as on 31-03-2004:

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Particulars	Debit	Particulars	Credit
Land and Building	3,50,000	Equity Share Capital	
Plant and Machinery	3,00,000	of Rs.10/- each	6,40,000
Debenture Discount	44,800	10% Preference Share	
Purchases	5,08,000	Capital of Rs.100/-each	1,50,000
Opening Stock	80,000	Sales	12,00,000
Debenture Interest	24,000	10% Debenture	
Goods Return	61,000	(Redeemable on	
Debtors	2,40,000	31-03-2010)	2,40,000
Vehicles	9,000	Goods Return	32,000
Custom Deposit	16,000	Creditors	1,80,000
Income Tax paid in Advance	36,000	Staff pension Fund	16,400
Administration Expenses	1,33,000	Interest due on Loan	1,000
Salary	2,02,000	Interest and Dividend	15,000
Octroi	1,50,000	Forfeited Share A/c	7,000
Selling and Distribution		Fixed Deposits	3,000
Expenses	27,000	General Reserve	91,600
Director's Fees	2,300	Profit and Loss A/c	
Investments	1,92,000	(01-04-2003)	20,000
Loose Tools	6,000	Directors Loan	24,000
Bills Receivables	1,40,000		
Underwriting Commission	10,000		
Cash and Bank	88,900		
	26,20,000		26,20,000

- Prepare final accounts as per Company's Act 1956 after taking into account the following additional information:
 1. The closing stock is Rs.3,00,000/-
 2. Provide depreciation on Plant-Machinery 10% Land-Building 12% and Vehicles 15% per annum.
 3. Transfer Rs.14,400/- to General Reserve.
 4. Write off $\frac{1}{4}$ of underwriting commission.
 5. Sundry debtors include Rs.80,000/- debts due for more than six months and provide 10% reserve for bad-debt reserve.
 6. Directors proposed to pay 15% dividend on equity shares.

—X—