

SARDAR PATEL UNIVERSITY  
BBA (GENERAL) SEMESTER- II EXAMINATION  
2018

Wednesday, 4<sup>th</sup> April  
02:00 P.M. to 04:00 P.M.

[UM02CBBA04] CORPORATE ACCOUNTING-I

Total Marks: 60

- Note: 1. Figure to the right indicate full marks of question.  
 2. All questions carry equal marks.  
 3. Working notes are the part of answer.

Q-1 Kuber Company Ltd. issued 12000 shares of Rs.10 each at a premium of Rs.2 [15]  
 per share. Amount payable as follows:  
 On Application Rs.2, On Allotment Rs.5 (including Rs.2 premium), On first  
 call Rs.3, On final call Rs.2.  
 Applications were received for 18000 shares. Allotment was made pro-rata to  
 the applicants of 14400 shares and the remaining applications refunded.  
 Money overpaid on applications was credited to allotment account. Mr. Gopal  
 to whom 240 shares were allotted did not pay the allotment and both calls  
 money. Mr. Govind who was allotted 360 shares failed to pay the two calls.  
 Pass necessary journal entries in the books of Kuber Limited and prepare  
 share capital account.

OR

Q-1 (A) Mahavir Limited issued 1,00,000 equity shares of Rs. 10 each at 20% [10]  
 premium. Amount payable as follows:  
 On Application Rs.3, On Allotment Rs.5 with premium, On First Call Rs. 1.5  
 and Final Call Rs.2.5.  
 Company received applications for 2,00,000 shares. Applicants of 150000  
 shares allotted on pro-rata basis and extra applications were refunded. Excess  
 application money was transferred to allotment money. Mr. A, who was  
 allotted 1000 shares failed to pay allotment money as well as first and final  
 call money. Pass journal entries in the books of the company.  
 (B) Explain following with example: [05]  
 1. Calls in Arrears  
 2. Calls in Advance.

Q-2 On 31<sup>st</sup> March, 2018 the following balances stood in the books of Harikrishna [15]  
 Limited.

10 % Mortgage Debentures	5,00,000	
Interest Received on Sinking Fund Investment	20,000	
Discount on issue of Debentures	50,000	
Sinking Fund	4,50,000	
<u>Sinking fund Investment:</u>		
4.5% Gujarat Govt. Loan ( Purchase at par )	Rs. 2,00,000	
8 % National Bonds (Face value Rs. 280000)	<u>Rs.2,50,000</u>	Rs. 4,50,000

On the same day the investments were sold; Gujarat Govt. Loan at Rs. 97 and  
 National Bonds at Rs. 102.

On the 1<sup>st</sup> April 2018, the debentures of Rs. 500000 were redeemed at a  
 premium of 5%. Annual contribution for redemption of debentures was Rs.  
 50,000.

Pass journal entries in the books of the company to record the above

transaction. Prepare (1) 10% Debenture A/c (2) Debenture Holder A/c (3) premium on redemption of debenture A/c (4) Debenture Redemption Fund investments A/c. (5) Debenture Redemption Fund A/c.

OR

- Q-2 (A) Shivam Limited has issued 7% debentures of Rs. 2,00,000 on 01-04-2013 at 5.50% discount. The debentures were redeemed as under: [08]

At the end of first year (31-03-2014)	Rs. 40,000
At the end of second year (31-03-2015)	Rs. 60,000
At the end of third year (31-03-2016)	Rs. 30,000
At the end of fourth year (31-03-2017)	Rs. 50,000
At the end of fifth year (31-03-2018)	Rs. 20,000

Prepare debenture discount account.

- (B) MALTI Limited has issued 12% 10,000 debentures of Rs. 100 each. The following options to debenture holders for redemption of its 12 % 10000 Debentures of Rs. 100 each at 5 % premium. [07]

Options	Exercised by the holders of
10 % Preference shares of Rs. 100 each Rs. 80 paid up at Rs.120	5000 Debentures
15 % New debentures of Rs. 100 each at 5 % discount	3800 Debentures
Payment in cash	1200 Debentures

Give journal entries in the books of company for issue and redemption of debentures.

- Q-3 Balance sheet of Ram Limited as on 31-03-2018 is as under: [15]

Debit	Amt. (Rs.)	Credit	Amt. (Rs.)
200000 equity shares of Rs. 10 each	20,00,000	Land & Building	12,00,000
10% 40000 preference shares of Rs. 10 each	4,00,000	Plant & Machinery	9,00,000
General Reserve	10,00,000	Furniture	6,00,000
Share premium	2,00,000	Investment	7,00,000
Other Liabilities	4,00,000	Bank Balance	6,00,000
	<b>40,00,000</b>		<b>40,00,000</b>

It has been proposed by company to redeem preference shares at 20% premium. For the purpose of redemption Rs. 3,00,000 is used from general reserve and remaining amount from the issue of new equity shares of Rs. 10 each at 50% premium. All the preference shareholders are paid in full. The company then decided to utilize the resultant reserves credited out of the redemption of preference shares for issuing fully paid bonus shares to its equity shareholders.

Write journal entries in the books of company and prepare balance sheet after redemption.

OR

- Q-3 Following is the balance sheet of Hardik limited as on 31.03.2018: [15]

Capital & Liabilities	Rs.	Assets	Rs.
SHARE CAPITAL		Goodwill	90,000
1 Lakh equity shares of Rs.10 each fully paid	10,00,000	Other fixed assets	8,80,000
3000, 9% Red. Pref. shares of Rs.100 each Rs.80 paid per share	2,40,000	Investments	2,40,000
Share premium	40,000	Cash & Bank	1,50,000
General Reserve	1,85,000	Other Current Assets	3,00,000

Profit & Loss A/c	85,000		
Other liabilities	1,10,000		
	<b>16,60,000</b>		<b>16,60,000</b>

The company decided to redeem the redeemable preference shares with 10% premium after observing legal provisions. For this purpose half of the investments were sold for Rs.1,10,000 and 10,000 equity shares of Rs.10 each were issued for cash at 10% premium.

Pass the necessary journal entries to give effect to the above decision and prepare balance sheet thereafter.

Q-4

The trial balance of Universal Limited as on 31-03-2018 disclosed below:

[15]

Debit	Amt. (Rs.)	Credit	Amt. (Rs.)
Machinery	80,000	2500 Equity shares of Rs. 100 each	2,50,000
Opening Stock	15,000	General Reserve	1,07,000
Land & Building	1,00,000	15% Debenture (Redeemable on 31-03-2022)	50,000
12%Govt.Loan(1-10-17)	80,000	Capital Reserve	15,000
Investment	40,000	sales	1,10,000
Purchases	50,000	18% loan	40,000
Wages	15,000	creditors	9,000
Interest on 18% loan	4,000	Bills payable	1,500
Debtors	17,500	Bad debts Reserve	3,000
Bills Receivables	3,000	Sundry Income	5,500
Bad Debts	1,500	P & L A/C (01-04-2017)	35,000
Salary	10,000		
Sundry Expenses	12,500		
Furniture	50,000		
Investment in 1250 shares of Moon Limited of Rs. 100 each Rs. 40 Paid up per share	50,000		
Discount on Debenture	2,500		
Underwriting Commission	10,000		
Cash	10,000		
Bank	75,000		
	<b>6,26,000</b>		<b>6,26,000</b>

Prepare final accounts of the company considering the following adjustments:

1. Calculate 10% depreciation on Machinery, Land & Building and Furniture.
2. Closing stock is valued at Rs. 50,000.
3. Provide Bad debts reserve @ 10% on Debtors.
4. Write off 10% underwriting commission.
5. Dividend on equity share @ 10% is proposed.
6. Outstanding salary Rs. 2,000.
7. Transfer Rs. 10,000 to general reserve.

OR

Q-4

Galaxy Limited Trial Balance as on 31-03-2018 is furnished below:

[15]

Particulars	Debit (Rs.)	Credit (Rs.)
60000 equity shares of Rs.10 each		6,00,000
8% 1500 preference shares of Rs. 100 each		1,50,000

Land and Building	3,60,000	
Plant and Machinery	2,55,000	
Debenture Discount	42,000	
Interest on Debenture	9,000	
8% Debenture (Redeemable on 31-3-24)		2,25,000
Loan from director		20,000
Staff pension fund		7,300
Interest on Investment		10,800
Gross Profit		3,75,000
Creditors		60,000
Income tax paid in advance	30,000	
Live stock	13,500	
Telephone deposit	10,000	
Administrative Expenses	1,20,500	
Directors fee	12,000	
Selling and distribution expenses	23,100	
12% investment	180000	
Stock (31-03-18)	2,00,000	
Loose tools	16,000	
Bills Receivables	37,500	
Preliminary expenses	9,000	
Outstanding Interest on loan		900
Share forfeited A/C		6,600
Debtors	2,25,000	
Cash and Bank	40,000	
Stores and spare parts	14,000	
Fixed Deposit		31,500
General reserve		1,05,000
Profit and Loss A/C (01-04-2017)		4,500
	<b>15,96,600</b>	<b>15,96,600</b>

Prepare final accounts of company with the help of following details:

1. Authorized capital of company consists of 1,00,000 equity shares of Rs. 10 each and 8% 1,500 preference shares of Rs. 100 each.
2. Provide 10% and 5% depreciation on Plant & Machinery and Building respectively.
3. Outstanding interest on investment Rs. 10,800.
4. Debtors of Rs. 30,000 are more than 6 months and provide 5% bad debts reserve on debtors.
5. Write off 20 % preliminary expenses.
6. Transfer Rs.22,500 to general reserve.
7. Directors of company has proposed 90% dividend of equity shares.
8. Provision for tax Rs. 37,500.

(4)