

[12]

No. of printed pages: 3

SARDAR PATEL UNIVERSITY
BBA II Semester Examination
Saturday, 22 February 2014
2:30 – 4:30 pm
UM02CBBA04 – Corporate Accounting I

Total Marks: 60

Note : Right side figures indicate full marks of question.

Q.1 Piyush Co. Ltd. issues for public subscription 70,000 Equity Shares of ₹ 10 each at a discount of 5 %. 1,15,000 applications were received. Shares were allotted as under : [15]

(i) To refuse allotment to applications for 30,000 shares, (ii) To give full allotment to applicants for 10,000 shares, (iii) To allot the remaining shares pro-rata among other applicants.

Money overpaid on applications was employed on account of sums due on allotment. The company called-up the amount per share as under :
On application ₹ 2, on allotment ₹ 2.50, on first call ₹ 3 and on final call ₹ 2.

Record the necessary journal entries in the books of the company, assuming that the amount duly received on allotted shares. Show your working clearly. Also prepare share Capital Account in the books of the company.

OR

Q.1 A Company issued 3,00,000 Equity Shares of ₹ 10 each payable as under : [15]
On application - ₹ 5 per share,
On allotment - ₹ 3 per share (including ₹ 0.50 premium)
On First & Final Call - ₹ 2.50 per share

Applications were received for 5,00,000 shares. It was decided to allot shares as follows.

(A) Applications for 70,000 shares were rejected, (B) Full allotment was made to applicants of 40,000 shares, (C) The balance was allotted pro-rata to the remaining applicants, (D) The excess application money was to be credited to allotment money.

One applicant who was allotted shares pro-rata, failed to pay call money on his 200 shares.

Record the necessary journal entries in the books of the company to record above transactions.

Also prepare Share Capital Account and Bank Account.

Q.2 The following were the balances in the books of a company as on 1st Jan., 2012. [15]

12 % Debentures	₹ 3,00,000
Debenture Redemption Fund	₹ 2,25,000
8 % D.R.F. Investments	₹ 2,25,000

Company transfers ₹ 25,000 every year to Debenture Redemption Fund account. After receiving interest on investments, company sold out the said investments at 20 % profit on 31-12-2012 and Debenture amounting to ₹ 2,40,000 were redeemed at 10 % premium.

Write journal entries in the books of the company and also prepare Ledger Accounts.

OR

- Q.2 Write notes on : [15]
 (A) Debenture Sinking Fund Method
 (B) Discount On Debenture

- Q.3 (A) On 31st March 2012 the Balance-sheet of Morari Ltd. is as follows : [10]

<u>Liabilities</u>	₹	<u>Assets</u>	₹
2,000 Equity Shares of ₹ 100 each	2,00,000	Land	1,00,000
500, 7 % Redeemable Pref. Shares of ₹ 100 each, ₹ 80 per share paid up	40,000	Buildings	82,500
500, 8 % Redeemable Pref. Shares of ₹ 100 each fully paid up	50,000	Plant-Machinery	50,000
Share Premium	5,000	Investments	35,000
General Reserve	37,500	Stock	50,000
Profit & Loss A/c	17,500	Debtors	45,000
Creditors	40,000	Cash Balance	27,500
	3,90,000		3,90,000

On this data, the company decided to redeem both the classes of preference shares at 10 % premium after complying with the provisions laid down under Sec. 80 of the Companies Act, 1956.

For this purpose, necessary number of Equity Shares of ₹ 100 each are issued at par. Cash Balance of ₹ 15,000 is to be maintained in the business. All the investments are sold away for ₹ 30,000. All the preference share holders are paid in full. The company has then decided to utilise the resultant reserve created out of the redemption of Preference Shares for issuing fully paid Bonus Shares to Equity Shareholders.

Pass necessary journal entries in the books of Morari Co. Ltd.

- (B) Calculate the amount to be transferred to Capital Redemption Reserve Account in each of the following cases : [05]

<u>Redeemable Pref. Shares</u>	<u>Fresh issue of Shares</u>
(i) ₹ 5,00,000 to be redeemed at par	(i) ₹ 3,00,000 at par
(ii) ₹ 5,00,000 at a premium of 5 %	(ii) ₹ 3,00,000 at par
(iii) ₹ 5,00,000 redeemable at par	(iii) ₹ 3,00,000 at a premium of 10 %
(iv) ₹ 5,00,000 redeemable at par	(iv) ₹ 3,00,000 at a discount of 10 %
(v) ₹ 5,00,000 redeemable at premium of 5 %	(v) ₹ 3,00,000 at a premium of 10 %

OR

- Q.3 Write notes on : [15]
 (A) Provisions of Companies Act for Redemption of Preference Shares
 (B) Capital Redemption Reserve Account
 (C) Provisions and Guidelines for issue of Bonus Shares

- Q.4 (A) Explain each of the following terms with at least three illustrations : [10]
- (a) Fixed Assets
 - (b) Contingent Liabilities
 - (c) Reserves
 - (d) Investments
 - (e) Preliminary Expenses
- (B) Explain the purpose of preparing Profit and Loss Appropriation Account in Final Accounts of Company ? [05]
- How will you show the following items in the final accounts of the company ?
- (i) Goodwill, (ii) Discount on Debentures, (iii) Share Premium,
 - (iv) 6 % Debentures, (v) Debenture Redemption Fund Investment.

OR

- Q.4 Give the detailed Proforma of Profit & Loss Appropriation Account and Balance-sheet (Horizontal) in accordance with the provisions of Companies Act, 1956 with imaginary figures. [15]

