



WEST BENGAL STATE UNIVERSITY
BBA Honours 5th Semester Examination, 2021-22

BBAADSE02T-BBA (DSE1/2)

CORPORATE ACCOUNTING

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate marks of question.
Candidates should answer in their own words and adhere to the word limit as practicable.*

GROUP-A

Answer any two questions from the following

10×2 = 20

1. The issued share capital of Alfa Ltd. consists of 1,00,000 equity shares of ₹10 each fully paid up. The company offers to its shareholders shares on rights basis in the ratio of 1:1, the shares of ₹10 each being offered at a premium of ₹10 per share. Half of the price was payable with the application and the balance was payable on allotment, distribution being as follows: 10

	With application (₹)	On allotment (₹)
Share capital	5	5
Share premium	5	5
	10	10

All the shareholders accepted the offer. One shareholder holding 300 shares paid the full offer price with his application. Another shareholder holding 200 shares failed to pay the allotment money and his shares were subsequently forfeited. Later, these shares were reissued as fully paid up for ₹4,000 cash. Journalize the above mentioned transactions.

2. (a) What do you mean by Bonus shares? 4+6
(b) Big Co. Ltd issued 4,500 Debentures of ₹100 each. Give the journal entries if the debentures are (i) issued at par; (ii) issued at a discount of 10% and (iii) issued at a premium of 15%. The debentures are to be redeemed at par in each case.

3. The Balance Sheet of Myntra Ltd. as at 31.12.2021 is given below: 10

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital: Issued & Subscribed: 20,000 equity shares of ₹10 each	2,00,000	Fixed Assets	2,00,000
		Investments	1,00,000
		Current Assets (including Cash & Bank)	3,00,000
Profit & Loss	1,00,000		
Securities Premium	20,000		
Capital Reserve	40,000		
6% Debentures	2,00,000		
Sundry Creditors	40,000		
	6,00,000		6,00,000

It was decided: (i) to pay a cash dividend of 15%, (ii) to issue one fully paid bonus share against every 4 shares held.

Advise the company regarding the utilization of its Profits and Reserves assuming that the Capital Reserve includes a Profit on Revaluation of the fixed assets ₹10,000.

Give the journal entries and draw up the resultant Balance Sheet.

4. Moon Ltd. had the following Balance Sheet as on 31.03.2021.

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Liabilities	Amount (₹)	Assets	Amount (₹)
Equity shares of ₹10 each	4,50,000	Fixed Assets	11,50,000
6% Preference shares of ₹ 100 each	1,50,000	Investments	2,00,000
Securities Premium	1,25,000	Current Assets	11,00,000
General Reserve	2,50,000		
Profit & Loss	1,50,000		
10% Debentures	9,00,000		
Bank Loan	3,00,000		
Current Liabilities	1,25,000		
	24,50,000		24,50,000

You are asked to advise the company regarding buying back its Equity Shares at the current market price of ₹30 per share. Also show the projected the Balance sheet.

5. The following particulars are available in relation to a company C Ltd.

5+5

- (a) Capital: 3,500, 7% Preference shares of ₹100 each, fully paid; 83,000 Equity shares of ₹10 each, fully paid.
- (b) External liabilities ₹4,75,000
- (c) Reserve and Surplus ₹3,35,000
- (d) Fictitious assets ₹27,000
- (e) The average normal profit (after taxation) earned every year by the company ₹1,54,250
- (f) The normal profit earned on the market value of Equity shares, fully paid, of the same type of companies is 9.5%

Calculate the value of each Equity share by (i) Net asset value method and (ii) Earning capacity method (assume that no profit transferred to Reserve).

6. What do you mean by Redemption of Preference shares? Point out the difference between Redemption of Preference shares and Buyback of shares. What are the conditions to be fulfilled for Buyback of shares?

2+4+4

GROUP-B**Answer any two questions from the following**

15×2 = 30

7. The ledger account balances of Bee Ltd. as on 31.3.2021 is given below:

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	Amount (₹)		Amount (₹)
Opening Stock	75,000	Purchase return	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount Received	3,000
Carriage	950	Profit & Loss a/c	15,000
Furniture	17,000	Share capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General reserve	15,500
Trade expenses	7,050	Bills payable	7,000
Dividend paid	9,000	Patent	4,800
Debtors	27,500	Bills receivable	5,000
Plant and machinery	29,000	Cash at bank	46,200

Prepare Profit & Loss Statement for the year ended 31.3.2021 and Balance Sheet as on that date after taking into consideration the following adjustments:

- Closing Stock ₹88,000
- Provision for income tax at 35%
- Depreciate Plant and machinery @10%, Furniture @15% and Patent @5%
- The Board recommends payment of a dividend @15% p.a
- Provide for managerial remuneration at 10% on profit before tax.

8. A Ltd. and B Ltd. carrying on similar business decided to amalgamate to form a new company C Ltd. Following are the Balance Sheets of the two companies as on 31.3.2021.

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Liabilities	A Ltd. (₹)	B Ltd. (₹)	Assets	A Ltd. (₹)	B Ltd. (₹)
Equity share of ₹100 each	3,00,000	2,50,000	Goodwill	30,000	15,000
General reserve	1,75,000	1,30,000	Land & Building	1,55,000	90,000
Trade payable	50,000	35,000	Plant & Machinery	90,000	1,25,000
			Stock	75,000	65,000
			Trade receivables	85,000	75,000
			Cash at bank	90,000	45,000
	5,25,000	4,15,000		5,25,000	4,15,000

The purchase price of the two companies were settled subject to the following conditions:

- C Ltd. takes over the business of A Ltd. at its book value.
- The assets of B Ltd. would be revalued as,

Goodwill	₹10,000
Land & Building	₹85,000
Plant & Machinery	₹1,00,000

(iii) The purchase consideration was to be discharged in the form of fully paid up shares of ₹10 each in C Ltd.

C Ltd. issued to the public 15,000 equity shares of ₹10 each which were fully paid up.

Find out purchase consideration of the two companies and the opening Balance Sheet of C Ltd. after amalgamation.

9. The Balance Sheet of Z Ltd. included on 31.3.2021 the following:

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5,000, 6% Preference shares of ₹100 each fully called up	₹5,00,000
Less – Calls in arrear (@ ₹20 each on 120 shares)	₹2,400
	₹4,97,600

50,000 equity shares of ₹10 fully called up and paid up ₹5,00,000, Profit & Loss ₹2,25,000, Securities Premium ₹28,000, Cash at bank ₹2,90,000.

The company redeemed the Preference shares at a premium of 10% before which it sent reminders to the holders of the partly paid preference shares to clear their dues. Holders of 100 such shares paid their dues on or before 30.6.2021 beyond which date the company decided to forfeit the defaulting shares on 31.7.2021 and re-issue those as fully paid on receiving ₹1,000 at once.

The company completed the redemption by the 30.9.2021 except that the holders of 50 shares could not be traced.

The company issued 30,000 equity shares of ₹10 each at par to finance the redemption.

Show the journal entries for the above transactions including bank transactions in the books of company and their effects on the Balance Sheet of Z Ltd.

10. The Balance Sheet of R Ltd. as at 31.12.2021 was as follows:

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Liabilities	Amount (₹)	Assets	Amount (₹)
Paid up capital: 25,000, 10% Preference Shares of ₹10 each fully paid up	2,50,000	Patents and Trade Marks	40,000
		Building	1,10,000
20,000 Equity Shares of ₹10 each	2,00,000	Plant and Machinery	1,30,000
Capital Reserve	12,500	Furniture	25,000
10% Debentures of ₹100 each	1,00,000	Stock	50,000
Accrued Interest on Debentures	15,000	Sundry Debtors	35,000
Sundry Creditors	77,500	Bank	25,000
		Cash	11,250
		Profit & Loss a/c	2,28,750
	6,55,000		6,55,000

It is found that the Preference Dividend is in arrear for three year. The company prepared the following scheme of reconstruction and it was approved by the Court:

- (i) The 10% Preference will be converted into 12% Preference Shares of ₹5 each.
- (ii) The Equity Shares will be reduced to ₹5 per share, ₹3 paid up. The call was to be made immediately for acquiring cash.
- (iii) 10% Debentures will be converted into 12% Debentures of ₹75 each, the debenture holders agreeing to forego 50% of the accrued interest on the stipulation of payment of the balance amount in cash.

- (iv) Arrear Preference Dividend was agreed to be cancelled.
- (v) Sundry Creditors agreed to waive 40% of their claims in consideration of immediate payments of their dues.
- (vi) The assets were revalued as : Buildings ₹1,40,000, Plant and Machinery ₹1,20,000, Furniture ₹38,000, Stock ₹50,000, Sundry Debtors ₹30,000.
- (vii) Patents and Trade Marks and other fictitious assets are to be written off as far as possible.

Draft the journal entries necessary to give effect to the aforesaid scheme and prepare the Balance Sheet.

11. The following is the Balance Sheet of D Ltd. as on 31.12.2021.

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Liabilities	Amount (₹)	Assets	Amount (₹)
Share capital:		Goodwill	50,000
Equity shares of ₹10 each	1,00,000	Building	1,50,000
12% Preference shares of ₹100each	1,00,000	Plant and Machinery	1,00,000
General Reserve	60,000	Investment in 10% stock (Market value ₹52,000 Nominal value ₹50,000)	48,000
Profit & Loss A/c	40,000	Stock	60,000
15% Debentures	1,00,000	Sundry Debtors	40,000
Sundry Creditors	80,000	Bank	10,000
		Preliminary expenses	22,000
	4,80,000		4,80,000

Ascertain the value of each Equity share under Fair value method on the basis of information given below:

Assets are revalued as follows: Buildings ₹3,20,000, Plant ₹1,80,000, Stock ₹46,000 and Debtors ₹36,000.

Average profit of the company for the last 3 years is ₹1,20,000 and 12.5% of profit is transferred to General Reserve, rate of taxation being 50%.

Normal dividend expected on equity shares is 8% while fair return on capital employed is 10%. Goodwill may be valued at 3 years purchase of super profit.

12. What is Capital Reduction? What legal formalities are to be observed before capital reduction?

5+10

N.B. : Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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