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Bachelor of Commerce 2nd Semester

1048

CORPORATE ACCOUNTING

Paper—BCM-205

Time Allowed : Three Hours]

[Maximum Marks : 80

Note:— (1) Attempt any *four* questions each from Section-A carrying 5 marks each.

(2) Attempt any *two* questions each from Section-B and C carrying 15 marks each.

(3) Simple calculators are allowed by the candidate.

SECTION—A

1. Define slip system of Posting. Give its merits and demerits.

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2. What are the purposes for which securities premium can be used ?

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3. C Ltd. had issued 50,000 shares of ₹ 10 each, ₹ 7 paid-up. It passed the following resolutions :

(a) Existing shares to be made fully paid-up without shareholders having to pay anything.

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- (b) The further 4,000 fully paid bonus shares of ₹ 10 each at a premium of ₹ 4 per share be issued to existing shareholders.

Following balances appear in the books of company :
Securities Premium Account ₹ 12,000; Capital Redemption Reserve Account ₹ 35,000; Surplus Account ₹ 1,80,000.

You are required to Pass Journal Entries in the books of the company. 5

4. A Limited Issued 10,000 equity shares of ₹ 10 each. The issue was underwritten as follows :
A — 30% ; B — 30% ; C — 20%.

However, the company received the applications for 8000 shares only.

Determine the liability of the respective underwriters. 5

5. Delhi Company, incorporated on 1st April, 2016, took over running business from 1st January, 2016. The company prepares its first final accounts on 31st December, 2016. From the following information, you are required to calculate the Sales Ratio of pre-incorporation and post-incorporation period :

- (a) Sales for January, 2016 to December, 2016 is ₹ 4,80,000.
(b) The sales for the month of January twice of average sales; for the month of February equal to average sales, sales for four months (May to August) is 1/4 of average of each month; And sales for the month of October and November three times the average sales. 5

6. Following figures have been extracted from the books of Metals Product Ltd. as on 31-3-2016 :

— Paid-up Capital 9,00,000 Equity Shares @ ₹ 10 each is ₹ 90,00,000.

— General Reserve ₹ 15,00,000; Surplus A/c ₹ 5,00,000; Securities Premium Reserve ₹ 3,00,000; 14% Debentures ₹ 10,00,000; Bank Balance ₹ 20,00,000.

The company decided to buy-back 25% of its paid-up capital at face-value. It was also decided to issue further 14% debentures of ₹ 10,00,000 at par for the purpose of buy-back of shares. Journalise the above transactions related to buy-back of shares. 5

SECTION—B

7. What do you mean by buy back of shares ? State the conditions to be fulfilled for buy back of shares. 15
8. Under what conditions may a company issue the Redeemable Preference Shares and in what manner they may be redeemed ? 15

9. XYZ Ltd. issued to public 3,00,000 equity shares of ₹ 10 each at a premium of ₹ 1 per share. The amount was payable as to ₹ 2 with application ₹ 4 (including premium) on allotment and ₹ 5 on first and final call.

Applications totalled 6,11,000 shares. The board of directors rejected applications for 11,000 shares and made allotment on all the remaining applications on a *pro rata* basis.

P to whom 300 shares had been allotted did not pay the balance of allotment money and subsequently the call money. Q, who held 450 shares, did not pay the call. Their shares were forfeited three months after making of the call. All the forfeited shares were re-issued as fully paid-up to R at the rate of ₹ 11 per share.

You are required to Pass Journal Entries for all the transactions including cash transactions. 15

10. The following is the trial balance of R Ltd. as on Dec. 31, 2013 :

	Dr.	Cr.
Stock	12,500	—
Sales		40,000
Purchases	34,500	
Wages	5,000	
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	Dr.	Cr.
Discount	700	500
Salaries	750	
Rent	495	
General Expenses	1,705	
Profit and Loss Account		1,503
Dividend Paid	900	
Capital 1,000 shares of ₹ 10 each		10,000
Debtors and Creditors	3,750	1,750
Machinery	2,900	
Cash	1,620	
Reserve		11,550
Bad Debts	483	
	<u>65,303</u>	<u>65,303</u>

Prepare Profit & Loss A/c and Balance Sheet after taking into account the following information :

- (a) Stock ₹ 30,000.
 (b) Purchases include ₹ 500 machinery purchased on 1-7-2013.

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- (c) On 31-12-2013 goods worth ₹ 3,000 were sold to a customer. He has taken away the goods. But no entry is recorded.
- (d) Directors declare 10% of final dividend.
- (e) Income Tax ₹ 3,000.
- (f) Reserve Fund ₹ 2,000.

SECTION—C

11. Give the specimen proforma of Profit and Loss Account of a banking company. 15
12. Define Underwriting. How the liability of underwriters is determined? Give advantages of underwriting. 15
13. From the following particulars prepare the Fire Revenue Account for 2007-08 : 15

	₹ Lakhs
Claims Paid	325
Legal Expenses Regarding Claims	8
Premium Received	950
Reinsurance Premium	70
Commission	200
Expenses of Management	125
Provision for unexpired risk on April 1, 2007	280
Claims unpaid on April 1, 2007	30
Claims unpaid on March 31, 2008	55
	15

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14. On 1st April, 2011, Metal Products Ltd. Issued Debentures for ₹ 1,00,000 redeemable at par at the end of 5 years and it was resolved that a Sinking Fund should be formed and invested in tax-free securities.

Give Journal Entries for 5 years, assuming that the interest received on the investments was at the rate of 5 per cent on cost, that the interest was received yearly and immediately invested and that the investments were realised at a loss of ₹ 300 at the end of five years.

Reference to the Sinking Fund Table shows that ₹ 0.180975 invested at the end of year, at 5% compound interest will produce ₹ 1 at the end of 5 years. 15

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