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**Bachelor of Commerce 2nd Semester
Examination**

1047

CORPORATE ACCOUNTING

Paper : BCM-205

Time : 3 Hours]

[Max. Marks : 80

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

(ii) Attempt any *two* questions each from Sections B and C carrying 15 marks each.

Section-A

1. Explain the uses of 'Securities Premium Account'. 5
2. Explain the meaning of 'Commission on Re-insurance ceded'. 5

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(1)

Turn Over

3. Binani Metals Limited has offered 4000 equity shares of Rs. 100 each. The issue was fully underwritten by K & Co. at an agreed commission of 5% payable as to 75% in cash and rest in fully paid shares. The public subscribed for 1600 shares and balance shares had to be taken by underwriters.

Give necessary journal entries in the Books of Company (Binani Metals Limited).

5

4. Pass journal entries for the following :

A company took over assets of Rs. 4,70,000 and liabilities of Rs. 70,000 of Rana Trading for a purchase consideration of Rs. 4,20,000. Purchase consideration was satisfied by issuing debentures of Rs. 100 each at 5% premium.

5

5. A Ltd. issued 1,00,000 equity shares. Whole issue was underwritten as follows :

X—40%

Y—30%

Z—30%

Applications for 80,000 shares were received out of which applications for 20,000 shares had the stamp of X those for 10,000 shares that of Y and 20,000 shares that of Z. Remaining application did not bear any stamp. Show the liability of underwriters.

5

6. A company offers to its shareholders the right to buy one share of Rs. 10 each at Rs. 12 for every two shares held. The company declared a dividend of Rs. 4 per share. On the declaration of dividend and recommendation of the right the old shares were quoted at a price of Rs. 88 cum-dividend and cum-right. Calculate the value of the right. 5

Section-B

7. What is share capital ? Explain the meaning of different types of share capital. How is it shown in the Balance Sheet. 15
8. Discuss the legal provisions regarding capitalisation of profits. 15
9. The following is the Balance Sheet of DCM Limited as on June 30, 2016 :

Liabilities	Rs.	Assets	Rs.
200, 12% redeemable preference share of Rs. 100 each	20,000	Fixed assets	1,50,000
5,000 equity shares of Rs. 10 each fully paid	50,000	Investments	32,000
		Stock in Trade	47,000
		Sundry Debtors	18,000

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(3)

Turn Over

Securities Premium A/c	39,000	Cash at Bank	23,000
General Reserve	45,000		
Profit & Loss A/c	29,500		
Capital Reserve	61,000		
Sundry Creditors	25,500		
	2,70,000		2,70,000

The company decided to redeem its preference shares on July 1, 2016 at a premium of 5%. For this purpose company sold its investments for Rs. 29,500.

On September 1, 2016 the company made a bonus issue of 5 equity shares for every 4 equity shares held on that date.

Pass journal entries to record the above transactions and prepare the Balance Sheet.

10. Raj Kapoor formed a private limited company under the name of R.K. Pvt. Ltd. to take over the business as from January, 2016, but the company could not be incorporated like April 1, 2016. No entries relating to transfer of the business were entered in

the books which were continued without break till December 31, 2016.

The following Trial Balance was extracted from the books on Dec. 31, 2016 :

	Debit	Credit
	Rs.	Rs.
Stock on January 1, 2016	8,000	
Sales		55,000
Purchases	38,000	
Carriage outward	800	
Traveller's commission	1,600	
Office Salaries and Commission	4,200	
Rent and Rates	2,400	
Raj Kapoor's capital on Jan. 1, 2016		46,000
Director fees	3,500	
Fixed assets	30,000	
Current liabilities		17,500
Current Assets (other than stock)	28,800	
Preliminary expenses	1,200	
	<u>1,18,500</u>	<u>1,18,500</u>

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(5)

Turn Over

You are also given the following informations :

- (a) Stock on Dec. 31, 2016 – Rs. 9,500.
- (b) The purchase consideration was agreed at Rs. 58,000 to be satisfied by issue of 5,800 equity shares of Rs. 10 each.
- (c) The gross profit margin is constant and the monthly sales for February, March, November and December are thrice the monthly sales of remaining months of the year.
- (d) The preliminary expenses are to be written off.

You are required to prepare Trading and Profit and loss account for the year ended on 31st Dec., 2016 apportionise the profit of pre- and post-incorporation period and Balance Sheet of the company.

15

Section-C

11. Explain the main provisions governing the preparation of annual accounts of a banking company.

15

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(6)

12. What is an underwriting contract ? Discuss various types of underwriting contracts. 15

13. Suraj Diamonds Limited had Rs. 75,000, 10% Debentures outstanding on July 1, 2016. The Debenture Redemption Fund Account of the company stood at Rs. 39,000 on the same date represented by investments in securities of Rs. 100 each. The directors of company decided to sell Rs. 25,000 worth of securities at Rs. 102 and redeem Rs. 25,000 debentures at a premium of 5%.

You are required to show the journal enteries and prepare necessary ledger accounts relating to these transactions. 15

14. From the figures set out below prepare Revenue Account of Southern India Life Insurance Co. for the year ending 31st March, 2016 :

	Rs.
Life Assurance fund as on 1st April, 2015	75,00,000
Premiums	37,20,000
Interest Dividend and Rent	22,60,000
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Consideration for Annuities granted	1,25,000
Fines for revival of lapsed policies	2,000
Claims paid	4,25,000
Bad Debts	4,000
Expenses of Management	3,50,000
Commission	1,60,000
Bonus in reduction of Premiums	5,000
Annuities paid	1,85,000
Surplus on revaluation of reversions purchased	15,000
Surrenders	2,55,000
Income Tax paid	3,20,000
Bonus in cash	1,80,000
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