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SARDAR PATEL UNIVERSITY
BBA (ITM) (3 Years) (SEMESTER II) EXAMINATION (NC)
Tuesday, 18th Oct, 2016
2:00 PM to 4:00 PM

UM02CBBI05 – Corporate Accounting – I

Total Marks: 60

Note: (1) Figure in the right indicates mark. (2) Working Notes should be part of your Answer.

Q-1 [A] Give meaning of Debentures and discuss types of Debentures. (08)

[B] Radha Krupa Ltd. Issued 10%, 6000 Debentures of Rs.100 each at a discount of 5½% on 1-1-2011. These debentures are redeemable as follows: (07)

On 31-12-2011 Rs. 1,20,000

On 31-12-2012 Rs. 1,80,000

On 31-12-2013 Rs. 90,000

On 31-12-2014 Rs. 1,50,000

On 31-12-2015 Rs. 60,000

Give journal entry of issue of debentures and prepare the Debenture Discount A/c for the period of duration of the debentures.

OR

Q-1 Following were the balances in the books of Hemangi limited on 31st March, 2014. (15)

8% mortgage debentures	10,00,000
Interest received on debenture redemption fund investment	30,000
Discount on issue of debentures	40,000
Debenture redemption fund	7,20,000
Debenture redemption investments:	
9% Central govt. loan (purchase at par)	2,40,000
11 % National Defense Bonds (face value Rs.5,00,000)	4,80,000
	7,20,000

On the same day the investments were sold as follows:

Central govt. loan at Rs.105 and National Defense Bonds at Rs.95

On the 1st April 2014, the debentures of Rs. 7,00,000 were redeemed at a premium of 5%. On the same day Gujarat Govt. loan of Rs.2,40,000 were purchased at 5% premium. Annual contribution for redemption of debentures was Rs.1,20,000.

Pass journal entries in the books of the company to record the above transactions. Show your working.

Q-2 The Balance sheet of Mukesh Ltd as on 31.12.2015. (15)

Balance Sheet

Liabilities	Rs.	Assets	Rs.
6000 Equity Shares of Rs.100 each fully paid	6,00,000	Land and Building	7,00,000
2000, 9% Redeemable pref. Shares of Rs.100 each full paid	2,00,000	Plant & Machinery	2,00,000
2000, 7% Red. Pref. Shares of Rs.100 each, Rs.80 per Share Paid up	1,60,000	Investments	1,50,000
Shares Premium	40,000	Stock	1,20,000
General Reserve	2,00,000	Debtors	2,80,000
Profit & Loss Account	1,00,000	Cash balance	1,50,000
10% Debentures	1,00,000		
Creditors	2,00,000		
	16,00,000		16,00,000

On this date, the company decided to redeem both the classes of preference shares at 10% premium after complying with the provision laid down under Sec. 80 of the Companies Act 1956 and also decided to redeem 10% Debentures at 3% premium.

For this purpose necessary number of equity shares of Rs.100 each is issued at par. Cash balance of Rs.7,000 is to be maintained in the business. All investments are sold away for Rs.1,60,000. All the Preference Shareholders are paid in full.

The company then decided to utilize the resultant reserve created out of redemption of preference shares for issuing fully paid Bonus share to its Equity Shareholders. Pass necessary journal entries and prepare revised Balance Sheet.

OR

Q-2 [A] Give meaning of Bonus Shares. Write down the sources available for issuing Bonus Shares with Performa journal entries of issuing fully paid bonus share. (08)

[B] IK Ltd declared bonus to make its partly paid shares as fully paid shares out of General reserve. Then capital redemption reserve account and share premium account were utilized to issue 2 fully paid equity shares for each of 5 shares held as bonus. (07)

The balance as on 31st December, 2015 is given below:

Share capital (Rs.100) Rs. 80 paid up	4,00,000
General reserve	1,50,000
Capital redemption reserve	2,00,000
Share premium	40,000

Pass necessary entries in the books of company.

Q-3 The Vivan Company Limited has an authorized, issued, subscribed and paid up capital Rs. 4,50,000 divided into 45,000 equity shares of Rs. 10 each. The following has been extracted from the books of the company on 31st March 2015 (15)

Trial Balance as on 31-3-2015

	Rs.		Rs.
Purchase	4,00,000	Equity share capital	4,50,000
Goodwill	75,000	Sales	6,10,000
Stock (as on 1-4-2014)	90,000	Creditors	1,80,000
Salary	30,000	General Reserve	2,25,000
Debtors	2,40,000	Purchase return	15,000
Furniture	60,000	Bills payable	30,000
Wages	75,000	P&L appropriation account	30,000
Investment	45,000	(1-4-2014)	
Audit fees	15,000		
Railway freight	22,500		
Director Fees	22,500		
Building	1,20,000		
Sales return	30,000		
Bills receivable	75,000		
interims dividend paid	15,000		
Plant machinery	1,20,000		
Cash and Bank	87,000		
Telephone Deposit	18,000		
	15,40,000		15,40,000

Prepare Trading Account, Profit and Loss account and Profit and loss appropriation account of the company for the year ended 31-3-2015 and balance sheet as on that date in horizontal format.

1. Write off Rs. 10,000 as bad debts.
2. Make a provision for income tax Rs. 40,000.
3. Transfer Rs. 30,000 to general reserve.
4. Depreciate plant and machinery by 5% building by 10% and furniture by 2.5%.
5. Stock on 31-3-2015 was Rs. 2,00,000.
6. Directors of the company have declared 10% dividend on equity shares.

OR

Q-3 Draft format of balance sheet and profit and loss account as per revised format in vertical form with imaginary figures. (15)

Q-4 Following are the summarized Balance Sheets of Dhruven Ltd. (15)

Liabilities	2014	2015	Assets	2014	2015
Equity Shares of Rs. 10 each	8,00,000	10,00,000	Buildings	7,00,000	8,00,000
10% Preference Shares Capital	2,00,000	2,00,000	Machinery	5,00,000	6,00,000
General Reserve	2,50,000	2,80,000	Furniture	80,000	1,60,000
P & L A/c.	1,50,000	1,20,000	Stock	2,00,000	2,40,000
12% Debentures	4,00,000	4,00,000	Debtors	3,00,000	3,00,000
Bank Overdraft	1,20,000	1,20,000	Bill Receivable	1,00,000	1,20,000
Other Current Liabilities	1,40,000	2,00,000	Cash & Bank	2,40,000	1,80,000
Provisions	60,000	80,000			
	21,20,000	24,00,000		21,20,000	24,00,000

Additional Information:

Abstract from Income Statement

	2014 (Rs.)	2015 (Rs.)
Total sales (cash sales 20%)	22,50,000	25,00,000
Gross Profit	8,25,000	10,00,000
Net profit before Interest & Tax	4,08,000	5,98,000

Stock on 1-1-2014 was Rs.1,80,000. Company is liable to 40% tax. Take 360 days a year.

Calculate the following ratios for both years and make comments.

- 1) Net profit ratio
- 2) Earnings per share
- 3) Debt- equity ratio
- 4) Debtors' ratio
- 5) Current ratio
- 6) Stock turnover

OR

Q-4 [A] Give meaning, utility and limitations of accounting ratios. (10)

[B] UV Ltd. has a current ratio of 4:1. If its stock is Rs.50,000 and total current Liabilities are Rs.1,00,000. Find out liquid ratio. (there is no bank overdraft) (05)

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