TDC (CBCS) Even Semester Exam., 2019

COMMERCE

(2nd Semester)

Course No. : BCH–CC–201T

(Corporate Accounting)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

UNIT—I

1. Answer any *two* questions from the following : 2×2=4

(a) Explain the concept of 'book building'.

(b) Write two advantages of buyback of shares.

(c) State two conditions of redemption of preference shares.

2. What is 'sinking fund'? Explain the procedure of redemption of debentures by sinking fund method with accounting entries. 2+8=10

Or

From the following Balance Sheet of Estar Ltd. as on 31.03.2018, you are required to give effect to the proposal of bonus shares by passing Journal Entries. You are also required to show the amended Balance Sheet as on that date : 10

Balance Sheet
as on 31.03.2018 of Estar Ltd.

Particulars	*Note No.*	*Amount* ₹
I. Equity and Liabilities :		
(a) Shareholder funds :		
Share Capital :		
80000 Equity Shares of ₹ 10 each, ₹ 7·50 each called up and paid up		6,00,000
(b) Reserve and Surplus :		
Capital Redemption Reserve		1,50,000
Securities Premium		1,50,000
Development Rebate Reserve		2,30,000
Plant Revaluation Reserve		20,000
Investment Allowance Reserve		2,50,000
General Reserve		3,00,000
		17,00,000

Particulars	*Note No.*	*Amount* ₹
II. Assets :		
Non-current Assets :		
Tangible :		
Sundry Assets		17,00,000
		17,00,000

UNIT—II

3. Answer any *two* questions from the following : 2×2=4

(a) Differentiate between Capital Reserve and Reserve Capital.

(b) Explain the meaning of contingent liability with examples.

(c) What are the purposes served by Schedule VI of the Companies Act, 1956?

4. From the following balances extracted from the books of Swift Ltd. as on 31.03.2018 and additional information, prepare Profit & Loss A/c of the company : 10

Particulars	₹	*Particulars*	₹
Inventory (01.04.2017)	1,24,000	Office Furniture	5,000
Wages	37,450	Returns Inward	12,680
		Discount Allowed	600

Particulars	₹	*Particulars*	₹
Purchases	7,23,000	Insurance Premium	6,400
Audit Fees	14,600	Repairs	9,000
Carriage	6,410	Advertisement	8,000
Advance Income Tax	8,000	Calls in Arrear	10,000
Interest on Loan (Dr.)	9,000	Sales	12,70,000
Debtors	1,40,000	Royalty (Cr.)	2,000
Machinery	1,80,000	Profit & Loss A/c (Cr.) (01.04.2017)	41,600
Loose Tools	15,000	Office Expenses	24,620
Directors' Fees	1,250	Returns Outwards	9,850
Directors' Remuneration	26,250	Share Capital	6,00,000
Staff Salaries	48,350	Commission Received	3,000

Additional Information :

(i) Value of inventory on 31.03.2018—₹ 87,500

(ii) Staff salaries outstanding—₹ 6,500

(iii) Insurance premium prepaid—₹ 1,200

(iv) Depreciation to be charged on Machinery @ 10%

(v) Value of loose tools on 31.03.2018 stood at ₹ 12,000

(vi) Provision for bad debt @ 5% on debtors

(vii) Transfer ₹ 10,000 to General Reserve

(viii) Directors proposed, a dividend of 5% on the paid-up equity share capital

Or

From the following balances taken from the books of Escorts Ltd., prepare the Balance Sheet as at 31.03.2018 : 10

Particulars	₹	*Particulars*	₹
Land & Buildings	3,25,000	Patents	7,200
Plant & Machinery	2,90,000	Investments	70,000
Sundry Debtors	65,000	Preliminary Expenses	7,000
50000 Equity Shares of ₹ 10 each, ₹ 9 called up	4,50,000	Securities Premium	25,000
15% Debentures	1,00,000	Provision for Income Tax	24,000
Debenture Redemption Reserve	50,000	Closing Stock	1,28,000
Prepaid Insurance	4,800	Cash	12,000
Profit & Loss (Cr.)	1,13,000	Advance Income Tax	4,000
Bank Overdraft	15,000	Creditors	15,200
		General Reserve	1,00,000
		Outstanding Expenses	4,800
		Proposed Dividend	16,000

Further Information :

(i) Bills discounted but not yet matured ₹ 12,000

(ii) There is a claim against the company not acknowledged as debt ₹ 16,000

UNIT—III

5. Answer any *two* questions from the following : 2×2=4

(a) Explain why goodwill is considered as an asset.

(b) Mention four methods of valuation of goodwill.

(c) State the circumstances in which there may be need for valuation of shares in case of companies.

6. The following particulars have been extracted from the books of Sachin :

(i) Capital Invested—₹ 50,000

(ii) Trading results :

	₹
2015 profit	18,200
2016 profit	15,000
2017 loss	2,000
2018 profit	21,000

(iii) Market rate of interest on investment—8%

(iv) Rate of return on capital in business—2%

(v) Remuneration from alternative employment of the proprietor (if not engaged in business)—₹ 6,600 p.a.

Compute the value of goodwill of the business on the basis of three year's purchase of super profits taking average of last four years. 10

Or

From the following information, calculate the value of per equity share : 10

2000, 9% Preference Shares of ₹ 100 each—₹ 2,00,000

50000 Equity Shares of ₹ 10 each ₹ 8 paid up—₹ 4,00,000

Expected profits before tax—₹ 2,18,000

Rate of tax—50%

Transfer to General Reserve every year—20% of profit

Normal rate of earning—15%

UNIT—IV

7. Answer any *two* questions from the following : 2×2=4

(a) Write the situations under which an enterprise can become a holding company.

(b) Define the term 'minority interest'.

(c) Explain the objectives of preparation of Consolidated Financial Statements.

8. The Balance Sheet of *H* Ltd. and its subsidiary *S* Ltd. as on 31.03.2018 stood as follows :

	H Ltd. ₹	*S. Ltd.* ₹
I. Equity and Liabilities :		
(a) Shareholders funds :		
Share Capital, Equity Shares of ₹ 10 each	50,000	10,000
(b) Reserve & Surplus :		
General Reserve	10,000	—
Profit & Loss A/c	20,000	6,000
(c) Current Liabilities :		
Creditors	8,000	8,000
Bills Payable	3,000	2,000
	91,000	26,000
II. Assets :		
(a) Non-current assets :		
Tangible	76,500	22,000
(b) Non-current investments :		
Shares in *S* Ltd.	6,500	—
Preliminary expenses	8,000	4,000
	91,000	26,000

H Ltd. acquired 60% interest in *S* Ltd. All the profits of *S* Ltd. was earned after the shares were acquired by *H* Ltd..

Prepare the Consolidated Balance Sheet of *H* Ltd. and its subsidiary *S* Ltd. on 31.03.2018. 10

Or

Describe the provisions of Accounting Standard–21 in relation to the preparation of Consolidated Financial Statements. 10

UNIT—V

9. Answer any *two* questions from the following : 2×2=4

(a) State the main features of bank's accounting system.

(b) Explain two provisions of the Banking Regulation Act, 1949 relating to the annual accounts of a banking company.

(c) Explain the meaning of the terms 'Reinsurance' and 'Surrender value'.

10. From the following information, prepare Profit & Loss A/c of Money Plus Bank for the year ended 31.03.2018 : 10

	₹
Interest on loans	25,90,000
Interest on fixed deposits	31,70,000
Rebate on bills discounted	4,90,000
Commission	82,000
Payment to employees	5,40,000
Discount on bills discounted (Gross)	15,50,000

	₹
Interest on cash credits	22,30,000
Rent, taxes and lighting	1,80,000
Interest on overdrafts	15,40,000
Directors' fees and allowances	30,000
Auditors' fees	12,000
Interest on Savings Bank Deposits	6,80,000
Postage, telegrams and telephones	14,000
Printing and stationery	29,000
Sundry charges	17,000

Additional Information :

(i) Provide for contingencies—₹ 2,00,000

(ii) Transfer ₹ 15,57,000 to Reserves

(iii) Transfer ₹ 2,00,000 to Central Government

Or

How is profit or loss ascertained in life insurance business? Prepare with imaginary figures Revenue Account of a Life Insurance Company. 10

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