

(i) Printed Pages : 8

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(ii) Questions : 14 Sub. Code :

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Bachelor of Commerce (FYUP) 2nd Semester

(2055)

CORPORATE ACCOUNTING

Paper : NBCM201

Time Allowed : Three Hours] [Maximum Marks : 80

Note :— Attempt any **FOUR** questions from Section A, **TWO** questions from Section B and **TWO** questions from Section C. Each question in Section A carries **5** marks, whereas each question in Section B & C carries **15** marks.

SECTION—A

1. Prepare the Fire Insurance Revenue A/c of Gupta Fire Insurance Co. Ltd. as per IRDA regulations for the year ended 31st March, 2019 from the following details :

(Amount Rs.)

Claims Paid 5,00,000

Expenses of Management 2,00,000

Legal Expenses regarding Claims 10,000

Provision against Unexpired Risk as on

1 st April, 2018	5,75,000
Premiums received	12,50,000
Reinsurance Premium paid	50,000
Claims unpaid on 1st April, 2018	50,000
Commission	3,00,000
Claims unpaid on 31 st March, 2019	80,000

Provide for unexpired risk @ 50% less reinsurance.

- XYZ Company Ltd. has decided to issue rights shares to its existing shareholders in proportion to one share for every five shares held at a premium of Rs. 50 for a nominal value of Rs. 100 per share. Calculate the value of the right if the market value of the share at the time of announcement of rights issue by the company is Rs. 250.
- The partners of Shri Enterprises decided to convert the partnership firm into a Private Limited Company Shreya Ltd. with effect from 1st January 2017. However, company could be incorporated only on 1st June, 2017. The business was continued on behalf of the company and the consideration of Rs. 6,00,000 was settled on that day along with interest @ 12% per annum. The company

availed loan of Rs. 9,00,000 @ 10% per annum on 1st June, 2017 to pay purchase consideration and for working capital. The company closed its accounts for the first time on 31st March 2018 and presents you the following summarised profit and loss account :

	Rs.	Rs.
Sales		19,80,000
Cost of goods sold	11,88,000	
Discount to dealers	46,200	
Salaries	90,000	
Interest	1,05,000	
Office Expenses	1,05,000	
Profit		4,45,800

Sales from June 2017 to December 2017 were 2.5 times of the average sales, which further increased to 3.5 time in January to March quarter, 2018. The company recruited additional work force to expand the business. The salaries from July 2017 doubled.

You are required to prepare a statement of profit and loss account showing apportionment of cost and revenue between pre-incorporation and post-incorporation periods. Also suggest how the pre-incorporation profits/losses are to be dealt with.

4. A company had as part of its share capital 1,000 redeemable preference shares of Rs. 100 each fully paid. When the shares became due for redemption, the company had Rs. 60,000 in its reserve funds, the company issued necessary equity shares of Rs. 25 specifically for the purpose of redemption and received cash in full. The redeemable preference shares were then paid out of the new issue, the balance being met from the reserve fund. Make the necessary Journal Entries recording the above transactions.
5. Differentiate between partial underwriting and complete underwriting.
6. Illustrate the treatment of final dividend given in adjustments, while preparing final accounts of companies.

SECTION—B

7. Roy Ltd. invited applications for 80,000 shares of Rs. 10 each at premium of Rs. 2.50 payable as follows : Application Rs. 3.00; Allotment Rs. 4.50 (including premium); First Call Rs. 2.00; Final call Rs. 3.00.

Applications were received for 1,70,000 shares, out of which applications for 10,000 shares were rejected. The allotment was made pro-rata to the remaining applicants. Money overpaid was adjusted on allotment. Anil to whom 2,000 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the 1st call, his shares were forfeited.

Sunil, the holder of 1,200 shares did not pay the two calls and his shares were also forfeited after the 2nd call. Of these forfeited shares 2,400 shares were reissued @ Rs. 8,00 per share as fully paid up, including the whole of Anil's shares. Show necessary journal entries and Balance Sheet not giving notes to accounts.

8. Following balances were extracted from the books of E. Chandra Ltd. for the year ended 31st March 2019 :

	Rs.
Buildings	6,00,000
Furniture	60,000
Motor Vehicles	60,000
Equity Shares of Companies	4,00,000
Stock-in-trade at Cost	4,00,000
Sundry Debtors, Unsecured Considered Good	2,80,000
Cash at Bank	1,72,000
Advance against Construction of Building	1,30,000
Share Capital : 10,000 Equity Shares of Rs. 100 each	10,00,000
Sundry Creditors	3,50,000
Surplus Account (Credit balance)	20,000
Gross Profit	10,00,000

	Rs.
Dividend received on investments	10,000
Salaries and Wages	2,20,000
Directors' Fees	8,000
Electricity Charges	25,000
Rent, Taxes, and Insurance	10,000
Auditor's Fees	15,000

Prepare Statement of Profit and Loss of the company for the year ended 31 March, 2019 and Balance Sheet as at that date after the following adjustments :

- (i) Provide 10% depreciation p.a.
 - (ii) Stock has been revalued as Rs. 3,60,000. This has not been considered yet.
 - (iii) Debts more than 6 months are Rs. 80,000.
9. What do you mean by buyback of shares ? State the conditions to be fulfilled for buyback of shares.
 10. Explain the provisions regarding redemption of preference shares.

SECTION—C

11. The following balances appeared in the books of Mehta Ltd. as on April 1, 2013 :

	Rs.
12% Debentures	1,50,000
Debenture Redemption Fund	1,25,000
Debenture Redemption Fund Investments	1,25,000

The Debenture Redemption Fund Investments were represented by Rs. 1,30,000, 9% Government Securities.

The annual installment added to the fund was Rs. 20,600. On 31st March 2014, the bank balance before the receipt of interest on investments was Rs. 40,000. On the date, all the investments were sold at 84% and the debentures were duly redeemed.

Prepare Debentures Account, Debenture Redemption Fund Account, Debenture Redemption Fund Investments Account and Bank Account for 2013-2014. The company closes its books on 31st March every year.

12. Following ledger balances of ABC Bank Ltd. as at 31st March, 2019, are furnished to you. Prepare Profit and Loss Account and Balance Sheet as per requirements of law :

Item	Amount in Rs. (000)
Statutory Reserve	1,200
Bad Debts written off	128
Operating Expenses	182
Current Accounts	20,245
Interest Paid	160
Deposits Accounts	6,920
Profit and Loss Account, Balance B/F	229
Bills Receivable for Customers	1,500
Discount	244
Endorsements and guarantees	575
Premises	2,217

Item	Rs.
Commission	45
Cash	225
Interest earned	550
Balance with Reserve Bank	2,030
Balance with Foreign Banks	1,206
Bills for collection	1,500
Borrowings from Banks	6,482
Cash Credits and Overdrafts	15,457
Investments	9,882
Bills Discounted	6,228
Share Capital	2,000

Following further information is furnished :

- (1) Rebate on Bills Discounted to be provided Rs. 64,000.
- (2) The Bank had paid an interim dividend of Rs. 2,00,000 during the year.

13. What important points should be kept in mind while preparing annual accounts of General Insurance Companies ?

Write short notes on the following :

- (a) Statutory Reserve
- (b) Restriction on loan and advance
- (c) Statutory Liquidity Ratio
- (d) Customers' Acceptances & Endorsements
- (e) Unexpired rebate on bills discounted.

14. What do you mean by redemption of debentures ? Also discuss the various methods for redemption of debentures.