

2071
Bachelor of Commerce
Second Semester
BCM-205: Corporate Accounting

Time allowed: 3 Hours

Max. Marks: 80

NOTE: Attempt four short answer type questions from Section-A. Attempt two questions each from Section B and C respectively.

x-x-x

SECTION A

Q.1 Following bills have been discounted by a bank during 2019 @ 5% p.a.:

	Date of Bill	Amount (Rs.)	Period in months
1.	Dec. 28, 2019	50,000	1
2.	July 27, 2019	1,00,000	4
3.	Oct. 27, 2019	4,00,000	6
4.	Dec. 20, 2019	30,000	2

Find out the amount of unexpired discount and pass its entry.

Q.2 The nominal value of the equity shares of a company is Rs. 10 and the current market price is Rs. 40. The company issues right shares at the rate of 1 equity share for every 2 existing shares held, the right shares being issued at a premium of 10%. From the above, calculate the value of Right Shares.

Q.3 The Life Assurance Fund of Insurance Company as on 31st March 2020 showed a balance of Rs. 87, 76,500. It was later found that the following items were not taken in to account:
(1) Dividend from investments Rs. 4,80,000. (2) Income tax on above Rs. 48,000. (3) Bonus in reduction of premium Rs. 8,77,500 (not taken as expense). (4) Claims covered under reinsurance Rs. 4,23,000. (5) Claims intimated, but not accepted by the company Rs. 7,62,000.
Ascertain the correct balance of fund.

Q.4 C Ltd. had issued 50,000 shares of Rs. 10 each, Rs. 7 paid up. It passed the following resolutions:

- Existing shares to be made fully paid up without shareholders having to pay anything.
- That further 4,000 fully paid bonus shares of Rs. 10 each at a premium of Rs. 4 per share be issued to existing shareholders.

(2)

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

You are required to pass Journal Entries in the books of the Company.

Q.5 Define the term Firm Underwriting.

Q.6 How the provision is created on different class of assets by a banking company?

SECTION B

Q.7 From the following Trial Balance of Bharat Brakes Limited, as at 31st March, 2020 prepare Statement of Profit and Loss for the year ended 31st March, 2020 and Balance Sheet as on that date:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Stock (1-4-2019)	60,000	Sundry Creditors	45,000
Purchases	3,20,000	Surplus A/C (1-4-2019)	63,100
Wages	90,000	General Reserve	78,000
Manufacturing expenses	50,000	Share Capital (fully paid equity shares of Rs. 10 each)	5,00,000
Carriage Inward	10,000	6% Debentures	2,00,000
Carriage Outward	20,000	Salaries Outstanding	25,000
Salaries	60,000	Sales	7,70,000
Insurance	10,000	Interest received on sinking fund investments	2,000
Sundry Debtors	90,000	Sinking fund	90,000
Bank Balance	21,000		
Sinking Fund investments (4% Government securities Rs. 1,00,000)	90,000		
Debenture Interest	6,000		
Land & Building	3,00,000		
Plant & Machinery	4,50,000		
Director Fee	15,000		
Audit Fee	6,000		
Interim dividend on equity shares	30,000		
Tax on interim dividend	5,100		
Goodwill	1,40,000		
Total	17,73,100	Total	17,73,100

Additional Information:

1. Closing Stock on 31st March 2020 was Rs. 58,000.
2. Make a provision for tax Rs. 50,000

(3)

3. Depreciation is to be provided @2% on Land & Buildings and @ 10% on Plant & Machinery.
4. The directors recommended final dividend @ 9% on equity shares (in addition to interim dividend) is to be provided.
5. Rs. 10,000 is to be appropriated for sinking fund.
6. Debentures were issued six years ago.

Q. 8 On 1st January, 2018 ABC Company Ltd. Offered 40,000 equity shares of Rs. 10 each at a premium of Re. 1 each for public subscription; applications were received for 1,10,000 shares and the directors decided not to reject outright any application and to allot on 14-3-2018 the shares in the following manner:

- 10,000 shares to applicants for 55,000 shares
- 170,000 shares to applicants for 40,000 shares
- 13,000 shares to other applicants on pro-rata basis.

After retaining the amounts payable on allotment in respect of shares allotted on pro rata basis only, the balance sum received from these shareholders as application money was refunded to them by 31-3-2018. Amount due on the shares was recoverable as follows:

With Application Rs. 3; On Allotment Rs. 2 due on 20-4-2018 including premium; On first call Rs. 3 due on 30-6-2018; on final call Rs. 3 not yet called. On 30th June 2018, all money excepting the following were received:

Shri Onkar Nath (category b) failed to pay the sum due on allotment of 300 shares and Shri Som Nath (category c) who applied for 750 shares failed to pay the sum due on allotment. On 15th July, 2018 shares allotted to Shri Onkar Nath and Shri Som Nath were duly forfeited on 2nd August 2018, 850 of these shares were issued to Shri Sanjay Gupta for cash at Rs. 8 each fully paid including 300 shares of Shri Onkar Nath.

You are required to pass the necessary Journal Entries and Prepare Balance Sheet.

Q.9 What do you mean by buyback of shares? State the conditions to be fulfilled for buyback of shares.

Q.10 State the guidelines issued by SEBI for issue of bonus shares.

SECTION C

Q.11 Following information has been extracted from the books of A.A.K.P. Insurance Co., Ltd. in respect of their marine business for 2019:

Particulars	(in lakhs Rs.)	Particulars	(in lakhs Rs.)
Direct Premium received	100	Income tax deducted from dividend	6

P.T.O.

(4)

Reserve for unexpired risk as on 1-1-2018	120	Profit and Loss A/c as on 1-1-2018 (Credit)	20
Claim outstanding as on 1-1-2018 (net)	40	Other expenses	2.50
Bad debts	20	Reinsurance premium received	10
Income from investments and dividend (gross)	20	Direct Claims paid (gross)	50
Commission paid on direct business	10	Reinsurance claims paid	8
Expenses of management	10	Rent received	10

Prepare a Revenue Account, Profit & Loss Account and Profit and Loss Appropriation Account for the year after considering the following further information:

(1) All direct risks are re-insured for 20% of the risk. (2) Claim a commission of 25% on reinsurance ceded. (3) Provide 25% commission on reinsurance accepted. (4) Provide 65% for income tax. (5) Outstanding claim on 31-12-2018 Rs. 60 lakhs.

Q.12 ABC Ltd. Issued 40000 shares which were Underwritten as follows: -

P: 24000 shares Q: 10000 shares R: 6000 shares

The Underwriters made applications for Firm Underwriting as under: -

P: 3200 shares Q: 1200 shares R: 4000 shares

The Total subscriptions excluding Firm Underwriting were 20000 shares.

The Marked applications were as under: -

P: 4000 shares Q: 8000 shares R: 2000 shares

Prepare a statement showing the Net Liability of Underwriters if:

(A) Shares Underwritten are Treated as Unmarked Applications

(B) Shares Underwritten are Treated as Marked Applications

Q:13 Briefly give the provisions of the Companies Act, 2013 relating to underwriting of shares and debentures.

Q.14 What important points should be kept in mind while preparing annual accounts of General Insurance Companies?