

(i) Printed Pages: 7

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(ii) Questions : 14

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**Bachelor of Commerce 2<sup>nd</sup> Semester**  
**(2042)**

**CORPORATE ACCOUNTING**

**Paper—BCM-205**

**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 Sections B and C carries 15 marks.

**SECTION—A**

1. Following bills have been discounted by a bank during 2017 @ 5% p.a. :

	Date of Bill	Amount (Rs.)	Period in months
1.	Dec. 28, 2017	50,000	1
2.	July 27, 2017	1,00,000	4
3.	Oct. 27, 2017	4,00,000	6
4.	Dec. 20, 2017	30,000	2

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

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.



3. The Life Assurance Fund of Insurance Company as on 31<sup>st</sup> March, 2018 showed a balance of Rs. 87,76,500. It was later found that the following items were not considered :

- (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.

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.

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.

5. Define the term Firm Underwriting.
6. What is the treatment of Dividend and Corporate Dividend Tax while preparing final accounts of companies ?



## SECTION—B

7. What do you mean by profit prior to incorporation ? How is it computed ? Illustrate.
8. State the guidelines issued by SEBI for issue of bonus shares.
9. From the following Trial Balance of Bharat Brakes Limited, as at 31<sup>st</sup> March, 2018, prepare Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2018 and Balance Sheet as on that date :

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Stock (1-4-2017)	60,000	Sundry Creditors	45,000
Purchases	3,20,000	Surplus A/c (1-4-2017)	63,100
Wages	90,000	General Reserve	78,000
Manufacturing Expenses	50,000	Share Capital (fully paid	
Carriage Inward	10,000	equity shares of	
Carriage Outward	20,000	Rs. 10 each)	5,00,000
Salaries	60,000	6% Debentures	2,00,000
Insurance	10,000	Salaries Outstanding	25,000
Sundry Debtors	90,000	Sales	7,70,000
Bank Balance	21,000	Interest received on	
Sinking fund investment		sinking fund investments	2,000
(4% government securities		Sinking Fund	90,000
Rs. 1,00,000)	90,000		
Debenture Interest	6,000		



Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
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 31<sup>st</sup> March, 2018 was Rs. 58,000.
- (2) Make a provision for tax Rs. 50,000.
- (3) Depreciation is to be provided @ 2% on Land & Buildings and @ 10% on Plant & Machinery.
- (4) The directors recommended that Rs. 25,000 be transferred to General Reserve and Final Dividend @ 9% on equity shares (in addition to interim dividend) is to be provided. Assume tax on dividend @ 20.357%.
- (5) Rs. 10,000 is to be appropriated for sinking fund.
- (6) Debentures were issued six years ago.



10. Reliance Limited having a nominal capital of Rs. 4,00,000, divided into shares of Rs. 10 each offered for public subscription of 20000 shares payable at Rs. 2 on application; Rs. 3 on allotment and the balance in two calls of Rs. 2.50 each. Applications were received by the company for 24,000 shares. Applications for 20,000 shares were accepted in full and the shares allotted. Applications for the remaining shares were rejected and the application money was refunded. All moneys due were received except for the final call on 600 shares which were forfeited after legal formalities were fulfilled. 400 shares of the forfeited shares were reissued at Rs. 9 per share. Record necessary journal entries and prepare the Balance Sheet showing the amount transferred to capital reserve and the balance in share forfeiture account.

### SECTION—C

11. 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.



12. Following information has been extracted from the books of A.A.K.P. Insurance Co., Ltd. in respect of their marine business for 2018 :

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

taking into account 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.

13. How the life insurance companies prepare their accounts ?  
Illustrate.

14. Explain the sinking fund method of redemption of debentures.