UNIVERSITY OF NORTH BENGAL

B.Com. Honours Part-II Examination, 2020

B.COM.

PAPER-2H1

CORPORATE ACCOUNTING

Time Allotted: 2 Hours | Full Marks: 50

The figures in the margin indicate full marks.

GROUP-A

Answer any *two* questions from the following 15×2 = 30

1. (a) Mr. X furnishes the following details relating to his holding in 6% Government Bonds: 10+5=15

Opening balance: 1,200 bonds of Rs. 100 each at a cost of Rs. 1,18,000.

1.06.2017- 200 bonds purchased ex-interest at Rs. 98.

1.10.2017- Sold 400 bonds ex-interest out of the original holding at Rs. 100.

1.01.2018- Purchased 100 bonds at Rs. 98 cum-interest.

1.02.2018- Sold 400 bonds ex-interest at Rs. 99 out of the original holdings.

Interest dates are 30^{th} June and 31^{st} December.

Mr. X closes his books on every 31^{st} March. Show the investment account as it would appear in his books.

(b) Write a short note on Non-performing Assets.

2. From the following balance sheets as on June 30, 2018 of A Ltd. and its subsidiary B Ltd., prepare a consolidated Balance Sheet: 15

Balance Sheets

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Share Capital (Share of Rs. 10 each)	6,00,000	3,20,000	Fixed Assets	3,31,000	3,30,000
General Reserve	70,000	40,000	Investment 25,600 shares in B Ltd.	3,10,000	-
Profit & Loss A/c	80,000	75,000	Stock	70,000	60,000
Creditors	60,000	40,000	Debtors	80,000	90,000
Bills Payable	-	15,000	Cash & Bank	19,000	10,000
	8,10,000	**4,90,000**		**8,10,000**	**4,90,000**

When shares were acquired, B Ltd. had Rs. 30,000 in general reserve and Rs. 40,000 in profit and loss account. Immediately on purchase of shares A Ltd. received Rs. 20,000 dividend from B Ltd. Debtors of A Ltd. include Rs. 25,000 due from B Ltd., whereas creditors of B Ltd. include Rs. 15,000 due to A Ltd., a payment of Rs. 10,000 being in transit at this stage. Bills Payable of B Ltd. are in favour of A Ltd. which has discounted them all at its bank.

3. The following particulars are available in relation to a company: 8+7=15

(i) Capital: 450, 6% preference shares of Rs. 100 each, fully paid; 4,500 equity shares of Rs. 10 each, fully paid
(ii) External liabilities Rs. 7,500
(iii) Reserve and surplus Rs. 3,500
(iv) The average normal profit (after taxation) earned every year by the company Rs. 8,505
(v) The normal profit earned on the market value of equity shares, fully paid, of the same type of companies is 9%

Calculate the value of each type of shares by:

(i) The assets-backing method assuming that, out of the total assets, those worth Rs. 350 are fictitious;
(ii) The earning-capacity method.

4. X Ltd. went into liquidation on the 31st December, 2018 when the following balance sheet was prepared: 15

Liabilities		Rs.	**Assets**	Rs.
Authorised Capital:			Goodwill	50,000
30,000 shares of Rs. 10 each		**3,00,000**	Leasehold Property	48,000
			Plant & Machinery	65,500
Subscribed and Paid-up Capital:			Stock	56,800
19,500 shares of Rs. 10 each			Sundry debtors	64,820
		1,95,000	Cash	2,600
Sundry Creditors:			Profit & Loss A/c	98,580
Preferential	24,200			
Partly secured	55,310			
Unsecured	99,790	1,79,300		
Bank overdraft (unsecured)		12,000		
		3,86,300		**3,86,300**

The liquidator realised the assets as follows:

	Rs.
Leasehold property which was used in the first instance to pay the partly secured creditors pro-rata	35,000
Plant & Machinery	51,000
Stock	39,000
Sundry debtors	58,000

The expenses of liquidation amounted to Rs. 1,500 and the liquidator's remuneration was agreed at 2% on the amount realised (excluding cash) and 2% on the amount paid to the unsecured creditors.

You are required to prepare the liquidator's final account showing the distribution.

5. (a) List out the important provisions regarding accounts of banking companies as per the Banking Regulations Act, 1949. 9+6=15

(b) In what respect a Bank Balance Sheet differs from a Company Balance Sheet?

6. (a) Distinguish between Revenue A/c of Life Insurance Business and Revenue A/c of General Insurance Business. 5+5+5=15

(b) Define Life Assurance Fund.

(c) How is profit ascertained by the Life Insurance Companies?

7. (a) What do you mean by Accounting Standards? 3+7+5=15

(b) Explain the necessity and scope of Accounting Standards.

(c) Write a short note on AS-14.

8. X Co. Ltd. invited applications for 4,00,000 equity shares of Rs. 10 each on the following terms: 6+5+4=15

Payable on application on 31.01.19 Rs. 5 per share

Payable on allotment on 28.02.19 Rs. 3 per share

(including Rs. 1 per share as Premium)

Payable on final call on 30.06.19 Rs. 3 per share

Applications for 5,00,000 shares were received. It was decided:

(i) To refuse allotment to the applicants for 20,000 shares

(ii) To allot in full to applicants for 80,000 shares

(iii) To allot the balance of the available shares pro rata among other applicants

(iv) To utilise excess application moneys in part payment of allotment money.

One shareholder to whom shares had been allotted on pro rata basis failed to pay the amount due on allotment and on call and his 400 shares were forfeited. 300 of these shares were reissued on 31.10.19 at Rs. 9 per share.

Show journal entries in the books of the company, prepare cashbook and present the balance sheet.

GROUP-B

9. Answer any ***two*** questions from the following: 5×2 = 10

(a) Distinguish between Shares and Debentures. 5

(b) State the features of double-account system. 5

(c) The life assurance fund of an insurance company on 31.03.2019 showed a balance of Rs. 87,76,500. It was later found that the following were not taken into account: 5

(i) Dividend from investments Rs. 4,80,000

(ii) Income tax on above @ 10%

(iii) Bonus in reduction of premium Rs. 8,77,500

(iv) Claim covered under reinsurance Rs. 4,23,000

(v) Claim intimated but not accepted by the company Rs. 7,62,000

Ascertain correct balance of fund.

(d) Write a short note on profit prior to incorporation. 5

(e) X Ltd. had in their capital, 50,000 equity shares of Rs. 10 each and 3,000, 10% preference shares of Rs. 100 each, all shares being fully called up and paid up. The company had also Rs. 50,000 in their Profit & Loss A/c (Cr), Rs. 1,20,000 in General Reserve and Rs. 20,000 in Securities Premium A/c. 5

Now the directors have decided to issue 1,500, 16% preference shares of Rs. 100 each for cash and to redeem the existing preference shares at Rs. 105 each. The bank balance of the company was Rs. 1,85,000.

Show the necessary journal entries in the books of the company.

(f) Can a company buy its own shares? State the provisions of the Companies Act, 1956 in this regard. 5

(g) Write a note on dividend equalization reserve. 5

(h) How are unclaimed dividends treated in the books of accounts of a company? 5

GROUP-C

10. Answer any ***ten*** questions from the following: $1\times10 = 10$

(a) What is SEBI?

(b) Define Goodwill.

(c) State the two differences between Preference share and Equity share.

(d) What is rights share?

(e) Define the term ‘Own debenture’.

(f) When is Capital Redemption Reserve account created?

(g) What do you mean by commission ceded?

(h) Name four items to be shown under the head ‘Reserve and Surplus’ of a company Balance Sheet.

(i) Can a company pay dividend on calls-in-advance?

(j) What do you mean by capital employed?

(k) What is Shareholders’ Fund?

(l) Name fixed interest-bearing securities.

(m) What is re-insurance?

(n) Name two methods of liquidation of companies.

(o) Write two examples of contingent liabilities.

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