



K22U 1753

Reg. No. :

Name :

IV Semester B.B.A. Degree (CBCSS – Supplementary)

Examination, April 2022

(2016-18 Admissions)

Core Course

4B08 BBA : CORPORATE ACCOUNTING

Time : 3 Hours

Max. Marks : 40

SECTION – A

Answer **all** questions. **Each** question carries $\frac{1}{2}$ mark.

1. What is purchase consideration ?
2. What is external reconstruction ?
3. What is the journal entry for making provision for taxation ?
4. What is the net payment method in amalgamation ? (4× $\frac{1}{2}$ =2)

SECTION – B

Answer **any 4** questions. **Each** question carries **1** mark.

5. What is capital reduction ?
6. What is proposed dividend ? Show journal entry.
7. What is internal reconstruction ?
8. What is alteration of share capital ?
9. Pass journal entry for transfer of profit on realisation.
10. What is absorption ? (4×1=4)

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SECTION – C

Answer **any 6** questions. **Each** question carries **3** marks.

11. What is preliminary expense and pre-operating expense ?
12. A Ltd. takeover the business of B Ltd. at the following values

	Rs.
Fixed assets	3, 00,000
Current assets	1,00,000
Debentures	50,000
Current liabilities	1,00,000

Calculate the amount of purchase consideration.

13. What is the difference between amalgamation and external reconstruction ?
14. What are the different methods of calculating amount of purchase consideration ?
15. The paid up capital of Toy Ltd. amounted to Rs. 2,50,000 consisting of 25000 equity shares of Rs. 10 each.

Due to loss incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as follows :

- I) In view of their present holding, the shareholder are to receive
 - a) Fully paid equity shares equal to $\frac{2}{5}$ th of their holding.
 - b) 5% preference shares fully paid up to the extent of 20% of the above new equity shares.
 - c) 3,000, 6% second debentures of Rs. 10 each.
- II) An issue of 2,500, 5% first debentures of Rs. 10 each was made and fully subscribed in cash.
- III) The assets were reduced as follows :
 - a) Goodwill from Rs. 1,50,000 to Rs. 75,000
 - b) Machinery from Rs.50,000 to Rs. 37,500
 - c) Leasehold premises from Rs. 75,000 to Rs. 62,500.

Show the journal entries to give effect to the above scheme of reconstruction.



- 16. What is dividend ? Explain the sources out of which dividend can be declared.
- 17. What is reduction of share capital ? Explain what are the ways company can adopt to reduce share capital.
- 18. The following is the balance sheet of A Ltd. as on 31.03.2007

Liabilities	Rs.	Assets	Rs.
14,000 equity shares of Rs. 100 each fully paid	14,00,000	Sundry assets	18,00,000
General reserve	10,000	Discount on issue of debentures	10,000
10% debentures	2,00,000	Preliminary expenses	30,000
Sundry creditors	2,00,000	Profit or Loss a/c	60,000
Bank overdraft	50,000		
Bills payable	40,000		
	19,00,000		19,00,000

R Ltd. agreed to take over the business of A Ltd. Calculate purchase consideration under Net Asset method on the basis of the following :

The market value of 75% of sundry assets is estimated to be 12% more than the book value and that of the remaining 25% at 8% less than the book value. The liabilities are taken over at book values. There is an unrecorded liability of Rs. 25,000. (6×3=18)

SECTION – D

Answer **any 2** questions. **Each** question carries **8** marks.

- 19. Explain the difference between pooling of interest method and purchase method.
- 20. The following is the trial balance of Ram Cement Co. Ltd. on 31.03.2020

Debit Balance	Rs.	Credit Balance	Rs.
Stock (01.04.19)	75,000	Sales	3,50,000
Purchase	2,45,000	Profit and Loss	
Wages	50,000	(31.03.19)	15,030

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Furniture and fittings	17,000	Share capital (10,000	
Salaries	7,500	equity shares of Rs.10)	1,00,000
Rent	4,950	Sundry creditors	17,500
Sundry expenses	7,050	Reserve fund	15,500
Dividend paid	9,000	Discount received	5,000
Debtors	37,500		
Machinery	29,000		
Cash in hand	10,200		
Cash at bank	6,000		
Patent and trademark	4,830		
	5,03,030		5,03,030

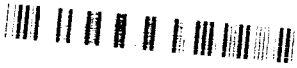
Additional information :

- Stock on 31st march 2020 was worth Rs.82,000
- Depreciate fixed assets at 10%
- Make provision for income tax @ 50%

Prepare statement of profit and loss for the year ended 31.03.2020, and the balance sheet as on the date in prescribed form.

21. Blue Ltd. and Star Ltd. were amalgamated on and from 1st April, 2002. A new company called Yellow Star Ltd. was formed to take over the business of the above said companies. The balance sheet of Blue Ltd. and Star Ltd. As on 31st March, 2002 are given here under

Liabilities	Blue Ltd. (in lakhs)	Star Ltd. (in lakhs)
Share capital :		
Equity shares of Rs. 100 each	2,000	1,600
15% preference shares of Rs.100 each	800	600
Revaluation reserve	200	160
General reserve	400	300
Profit and Loss a/c	160	120
12% debentures of Rs. 100 each	192	160
Current liabilities	408	190
Total	4,160	3,130



Assets :		
Fixed assets		
Current assets (loans and advances)	2,400	2,000
Total	1,760	1,130
	4,160	3,130

Additional information :

- Preference shareholders of Blue Ltd. and Star Ltd. have received same number of 15% preference shares of Rs.100 each.
 - 12% debentures of Blue Ltd. and Star Ltd. are discharged by new company by issuing adequate number of 16% debentures of Rs.100 each to ensure that the continue to receive same amount of interest.
 - Yellow Star Ltd. has issued 1.5 equity share for each equity share of Blue Ltd. and one equity share of each equity share of Star Ltd.
- The face value of shares issues by Yellow Star Ltd. is Rs. 100 each. You are require to prepare balance sheet of Yellow Star Ltd. as on 01-04-2002 after the amalgamation has been carried out using the pooling of interest method.

(2x8=16)