

P P SAVANI UNIVERSITY

Second Semester of B Com Examination

June 2022

SMBC1070 Corporate Accounting

29.06.2022, Wednesday

Time: 09:00 a.m. To 11:30 a.m.

Maximum Marks: 60

Instructions:

1. The question paper comprises of two sections.
2. Section I and II must be attempted in same answer sheets.
3. Make suitable assumptions and draw neat figures wherever required.
4. Use of simple calculator is allowed.

SECTION - I

Q - 1 Answer the following Questions (Any five) [05]

- (i) What is Preference Shares?
- (ii) What do you understand by Forfeited Shares?
- (iii) Explain Buy Back of Shares.
- (iv) Discuss the sources of Bonus Shares.
- (v) Enumerate IPO (Initial Public Offering).
- (vi) Define Private company and Public company.
- (vii) Explain Authorized share capital.

Q - 2 A limited makes a public issue of 1,00,000 Equity shares of ₹10 each at a discount of ₹1 per share, Payable as follows. [10]

On Application and Allotment	₹ 3
On First Call	₹ 4
On Second Call	₹ 2

Sunil holding 1,000 shares does not pay the second call. His shares are forfeited. Out of these forfeited shares, 500 shares are reissued as fully paid up at ₹ 5 per share. Set the necessary journal entries.

OR

Q - 2 (a) Explain Book-Building Process. [05]

Q - 2 (b) HK Ltd has an authorized Capital of ₹40,00,000 divided in equity shares of ₹100 each. The issued Capital of the company was ₹24,00,000 divided into shares of ₹100 each, ₹80 per share called and paid. [05]

A sum of ₹13,80,000 was capitalized out of Reserve Funds and out of the amount so capitalized, the director was authorized to

- (a) declare a Bonus Dividend to make the shares fully paid and
- (b) to issue 6,000 new Equity Shares of ₹100 each at a premium of ₹50 per share on the basis of one equity share for every four Equity shares held.

Assuming that the resolution was given effect to, you are requested to pass necessary Journal Entries in the books of company.

Q - 3 (a) Enumerate the classes of Preference Shares. [05]

Q - 3 (b) Distinguish between Equity Shares and Preference Shares. [05]

OR

Q - 3 AB Ltd. invited applications for 1,00,000 Equity Shares ₹10 each payable as ₹2 application, ₹3 on Allotment and the balance on first and final call. Application were received for [10]

3,00,000 shares and shares were allotted on pro-rata basis. The excess application money was to be adjusted against allotment only. Ram, a shareholder who has applied for 3,000 shares failed to pay the call money and his shares were forfeited and re-issued at ₹8 per share as fully paid. Pass necessary journal entries in the books of company.

- Q - 4** Attempt any one. **[05]**
- (i)** What is Bonus Shares? Explain the advantages of issuing Bonus shares.
- (ii)** The Indian Air services Ltd. having sufficient balance to the credit of Profit and Loss Account decided as under:
- (1) To redeem 12% 16,000 Redeemable preference shares of ₹10 each fully paid at a premium of ₹1 per share.
- (2) To apply the resultant Reserve Fund in paying the unissued shares of the company distributed as fully paid Equity shares of ₹10 each by way of bonus to its members.
- Show the journal entries required to record the redemption and Bonus Issue.

SECTION - II

- Q - 1** Answer the following Questions (Any five) **[05]**
- (i)** What is Debenture?
- (ii)** What are the financial statements of company?
- (iii)** What do you mean by debenture redemption reserve (DRR).
- (iv)** Explain the term over subscription.
- (v)** What do you mean by current Assets?
- (vi)** What do you understand by redemption of debentures?
- (vii)** What do you mean by debentures issued as collateral security?
- Q - 2** What is a 'Debenture'? Describe the different types of Debenture. **[10]**

OR

- Q - 2** R K Ltd. redeemed L 25, 00,000; 12% Debentures at a premium of 5% out of profit on 30th Sept., 2020. Pass the necessary journal entries for the redemption of debentures in the books of company. **[10]**
- Q - 3** Explain in detail about the significance of the financial statements of company. **[10]**

OR

- Q - 3** Draw the Performa of Balance-Sheet as per the revised Schedule-III of the Companies Act, 2013. **[10]**
- Q - 4** Attempt any one. **[05]**
- (i)** Explain the following:-
- i. Treatment of over subscription of debenture
- ii. Issue of debenture for consideration other than cash
- (ii)** CLS Ltd. issued 5,000 14% Debentures of L100 each at a discount of 10%. Pass the necessary journal entries in the books of the company for the issue of debentures when debentures were to be:
- i. Redeemed at par.
- ii. Redeemed at a premium of 5%.
