

# St. Claret College

Autonomous, Bengaluru

UG END SEMESTER EXAMINATION-NOV 2025

B.COM III SEMESTER

BC3125: CORPORATE ACCOUNTING

8

Roll No: \_\_\_\_\_

Date: \_\_\_/\_\_\_/\_\_\_



TIME: 3 hours.

MAX. MARKS: 80

This paper contains FIVE printed pages and FOUR parts

**Instructions:**

1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

**PART-A**

Answer ALL questions. Each answer carries ONE mark.

[ 10 x 1 = 10 ]

1. Preference shareholders have:
  - a) Voting rights only
  - b) Rights similar to debenture holders
  - c) Preferential right to dividend and repayment of capital
  - d) None of these
2. When shares are issued at a premium, they are issued at:
  - a) Less than face value
  - b) More than face value
  - c) Equal to face value
  - d) None of these
3. The yield method of share valuation primarily focuses on:
  - a) Earnings and dividends
  - b) Capital structure
  - c) Goodwill
  - d) Assets only
4. The process of estimating the worth of a company's share is called:
  - a) Capital budgeting
  - b) Share valuation
  - c) Dividend declaration
  - d) Amortization
5. Applications bearing the name and rubber stamp of an underwriter are called:
  - a) Direct applications
  - b) Bonus applications
  - c) Unmarked applications
  - d) Marked applications
6. Redemption of debentures means:
  - a) Repayment of debentures by the company
  - b) Issue of new debentures
  - c) Conversion of shares into debentures
  - d) Writing off preliminary expenses
7. The advantage of underwriting to the company is:
  - a) Ensures full subscription of shares
  - b) Saves advertisement cost.
  - c) Guarantees dividend payment
  - d) Avoids the issue of the prospectus

8. Redemption of debentures can be done:
- a) Out of profits  
b) Out of a fresh issue of shares or debentures  
c) By purchasing in the open market  
d) All of the above
9. The format of the Balance Sheet of a company is prescribed under which Schedule of the Companies Act, 2013?
- a) Schedule II  
b) Schedule III  
c) Schedule IV  
d) Schedule V
10. The Statement of Profit and Loss shows:
- a) Assets and Liabilities  
b) Cash inflows and outflows  
c) Profit earned or loss incurred during a period  
d) Changes in equity

### PART-B

Answer any THREE questions. Each answer carries EIGHT marks. [ 3 x 8= 24]

11. Raj Co. Ltd. Issued 10,000 equity shares of ₹10 each, and the money was payable as under:
- On Application ₹2  
On allotment ₹3  
On first and final call, ₹5 per share.  
9,000 shares were subscribed by the public. All the shares were allotted, and the money was duly received. Pass journal entries.
12. Deva Ltd, incorporated on 1-4-25, issued a prospectus inviting applications for 10,00,000 equity shares of ₹ 10 each. The whole issue was underwritten by A, B, C, and D as follows:
- A-4,00,000, B-3,00,000, C-2,00,000 and D-1,00,000 shares.  
Applications were received for 9,00,000 shares, of which marked applications were as follows:
- A-4,40,000 shares, B-2,20,000 shares, C-1,80,000 shares and D-20,000 shares.  
You are required to find out the liability of the underwriters.
13. Following is the balance sheet of Fortune Ltd as on 31-03-25

Liabilities	₹	Assets	₹
Share capital: 3000 equity shares of Rs 100 each	3,00,000	Fixed assets: Land and building	1,50,000
General reserve	50,000	Machinery	1,00,000
Profit and Loss Account	25,000	Investment at cost (market value of Rs 40,000)	45,000
Creditors	40,000	Debtors	1,00,000
Provision for taxation	20,000	Stock	40,000
Provident fund	10,000	Cash	10,000
	<b>4,45,000</b>		<b>4,45,000</b>

Additional information:

- i. Goodwill is taken at ₹ 50,000
  - ii. Depreciate machinery at 10% and increase land and building to ₹1,80,000.
  - iii. Provide 8% towards bad debts
- Calculate the intrinsic value of shares of the company

14. Pass journal entries at the time of redemption of debentures for the following transactions:

P Company Ltd., issued 10% debentures of the total value of ₹2,00,000 at a premium of 5% to be redeemed at par at the end of the 4 years.

Q Company Ltd., issued 15,000, 9% debentures of ₹100 each at par and redeemable at par at end of 5 years.

R Company Ltd., issued 5,000, 12% debentures of ₹100 each at par. These debentures are redeemable at 10% premium at the end of 4 years.

S Company Ltd., issued 8% debentures of ₹4,00,000 at a premium of 10% to be redeemed at par at the end of 4 years.

15. Under which heading and sub-headings will the following items appear in the Balance sheet of a company as per schedule III of the Companies Act, 2013?

- a) Furniture
- b) Trade Marks
- c) Stores & Spare Parts
- d) Work-in-progress
- e) Prepaid Expenses
- f) Debentures
- g) Provision for Taxation
- h) Equity Share capital

### PART-C

Answer any THREE questions. Each answer carries TWELVE marks [ 3 x 12 = 36]

16. The UB Co. Ltd issued for public subscription 20,000 shares of ₹10 each at a premium of ₹2 per share payable as follows:

On application, ₹ 2 per share

On allotment, ₹5 per share (including premium). On first call, ₹2 per share

On final call, ₹3 per share.

Applications were received for 30,000 shares. 20,000 shares were allotted, and the excess application money received is returned.

The company made all the calls, and the money due were duly received except for the final call on 1000 shares. These shares were forfeited and later reissued as fully paid at ₹ 8 per share.

Pass the Journal entries and also show how share capital appears in the Balance Sheet.

17. Balance sheet of Lucky Ltd. as on 31. 12. 2020

Liabilities	₹	Assets	₹
Share Capital:	2,00,000	Land and buildings	1,10,000

Issues, Subscribed and paid 2,000 shares of ₹ 100 each			
General Reserve	40,000	Plant & Machinery	1,30,000
Profit & Loss A/c	32,000	Patents & Trade Marks	20,000
Sundry Creditors	1,28,000	Stock	48,000
Income tax reserve	60,000	Debtors	88,000
		Bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

The expert valuer valued the land and buildings at ₹ 2,40,000, Goodwill at ₹1,60,000, and Plant and machinery at ₹1,20,000. Out of the total debtors, it is found that debtors of ₹ 8,000 are bad. The profits of the company are as follows:

2017 – 18 ₹ 90,000

2018 - 19 ₹ 80,000

2019 – 20 ₹ 1,06,000

The company follows the practice of transferring 25% of profits to the general reserve. Similar types of companies, each at 10 % of the value of their shares. Ascertain the value of shares of the company under:

- (i) Intrinsic value method
- (ii) Yield value method
- (iii) Fair value method.

18. Trishitha Company Ltd issued 1,00,000 equity shares of ₹ 60 each. The whole issue was underwritten by A, B, C, and D as follows: A-40,000 , B-30,000 , C-20,000 and D-10,000 shares. They also apply for firm underwriting as follows: A-3,000 shares, B-2,000 shares, C-2,000 shares, and D-3,000 shares.

The total applications, excluding firm underwriting, were 60,000 shares, of which marked applications are as follows: A-10,000 shares, B-6,000 shares, C-8,000 shares, and D-16,000 shares.

Show the number of shares to be taken up by each of the underwriters, treating

- a) Firm applications as marked applications
- b) Firm applications as unmarked applications.

19. On 1st January 2022, a company issued ₹20,00,000 7% Debentures at 5% discount repayable in five years at par. The company reserved the right to redeem to the extent of ₹2,00,000 in any year by purchase of the open market. The interest was payable half-yearly on 30th June and 31st December and the same was duly paid. On 31st December 2022, the company purchased ₹2,00,000 debentures at a cost of ₹1,91,000.

Pass necessary journal entries in the books of the company upto 31st December 2022 including closing entries on that date of the above redemption was out of profit.

20. From the following trail balance prepare final accounts of Kamal trading company limited for the accounting period 31<sup>st</sup> March, 2023

Particulars	Debit(₹)	Credit(₹)
Sales	-	3,27,000
General reserves	-	6,000

Opening inventories	29,200	-
Trade payables	-	12,945
Purchase of goods	1,16,040	-
Depreciation on tangible assets	7,750	-
Trade receivables	42,500	-
Salary expenses	49,235	-
Provision for bad and doubtful debts	-	2,500
Cash and cash equivalents	17,750	-
Tangible assets	77,500	-
Freight	24,440	-
Amortisation on tangible assets	9,250	-
Sundry expenses	21,430	-
Share capital	-	1,25,000
P/L a/c	-	3,500
Preliminary expenses	10,000	-
Power fuel	27,100	-
Bad debts	1,750	-
Intangible assets	43,000	-
<b>Total</b>	<b>4,76,945</b>	<b>4,76,945</b>

Adjustments:

1. Closing inventories ₹14,440
2. Create provisions for taxation at 30%
3. Write off 1/5<sup>th</sup> of preliminary expenses
4. Directors proposed a dividend of 15%
5. Write off ₹ 1250 as bad debts and maintain PBDD @ 10% on debtors.

#### PART-D

**Analyze the case and answer the sub questions**

[1 x 10 =10]

21. Background:

In January 2008, Reliance Power Ltd., part of the Reliance Anil Dhirubhai Ambani Group, launched one of India's largest IPOs — worth ₹11,700 crore. Due to its massive size and uncertain market conditions, the company appointed several underwriters and lead managers to ensure the issue was fully subscribed. Total shares issued: 30 crore equity shares of ₹10 each (₹300 crore face value). Underwriters: Kotak Mahindra Capital – 12 crore shares, ICICI Securities – 10 crore shares, Enam Securities – 8 crore shares. Public subscription received: 24 crore shares (under-subscribed by 6 crore shares). Marked applications: Kotak – 10 crore shares, ICICI Securities – 8 crore shares, Enam – 6 crore shares.

- a) Based on the Reliance Power case, explain how underwriting helps companies manage the risk of under-subscription, and calculate the liability of each underwriter. (5 Marks)
- b) Explain the meaning of underwriting of shares and discuss its advantages to the company and investors. (5 Marks)

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