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Electronics City P.O., Bengaluru - 560 100, Karnataka, INDIA (+91) 8088140679 pro@sfscollege.in www.sfscollege.in

END SEMESTER EXAMINATION – NOV/DEC 2025

BUSINESS ADMINISTRATION - III SEMESTER BBA

25BBA33A-CORPORATE ACCOUNTING

Time: 3 Hours **Max. Marks: 80**

Instruction: *Answer should be written completely in English*

SECTION – A

1. Answer any **SEVEN** questions. Each question carries **TWO** marks. **(7X2=14)**
   a) State two objectives for a company undertaking to buy back of its own shares.
   b) What is Issue of Shares?
   c) What is the maximum rate of commission payable to an underwriter to underwrite shares and debentures of company as per law?
   d) What is Firm Underwriting?
   e) What is meant by valuation of shares?
   f) What is valuation of warrants?
   g) Mention any four expenses apportioned on time ratio.
   h) What is post incorporation period?
   i) What are current liabilities?
   j) What is financial Cost? Give example.

SECTION -B

Answer any **THREE** questions. Each question carries **EIGHT** marks. **(3X8=24)**

2. Mysore sugar Company Limited issued 20,000 shares of Rs 100 each at a discount of Rs 5 per share. The amount was to be paid as follow:
   Rs 20 on application
   Rs 35 on allotment
   Rs 40 on first and final call
   Give the journal entries.

3. Akshara Ltd issued 80,000 shares of Rs 10 each at a premium of 20%. Mr A underwrite 80% of the issue. The company receives applications for 75% of the issue of which 40,000 applications bear the rubber stamp of A. Underwriting commission is 4% of the issue price. Determine the liability of A and Calculate the underwriting commission.

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4. Following is the balance sheet of Fast Grow Limited as on 31st March,2025.

Liabilities	Amount	Assets	Amount
Capital: 3,000 shares of Rs 100 each	3,00,000	Land & 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
Total	4,45,000	Total	4,45,000

Additional Information:

I. Goodwill is taken at Rs 50,000.

II. Depreciation Machinery @10% and increase Land and Building to Rs 1,80,000.

III. Provide 8% towards bad debts.

IV. 20% is the normal rate of dividend declared by similar type of business on their paid-up capital; however, the company could declare only 18% dividend for the current year.

Calculate the intrinsic value of shares of the company.

5. A Company was incorporated on 30th September,2024 to acquire the business of Mohan as from 1st April, 2024. The account for the year ended 31st March, 2025 disclosed the following:

I. There was a gross profit of Rs 2,40,000.

II. The sales for the year amounted to Rs 12,00,000 of which 5,40,000 were for the first six months.

III. The expenses charged to Profit and Loss account include Directors fees Rs 15,000, Bad Debts Rs 3,600, Advertising Rs 12,000 (under a contract amounting to 1000 p.m.), salaries and general expenses Rs 64,000, Preliminary expenses written off Rs 5,000 and donation to political party given by the company Rs 5,000.

Prepare a statement showing the amount of profit made before and after incorporation.

6. Under which heading and sub heading will the following items appears in the balance sheet as per schedule III, Part-I of the companies Act, 2013?

Debentures

Sinking fund

Interest accrued on investment

Outstanding expenses

Bank overdraft

Proposed dividend

SECTION – C

Answer any **THREE** questions. Each question carries **FOURTEEN** marks. **(3X14=42)**

7. Use the provisions of the Companies Act 2013 to prepare a short note on the following:
   I. Initial Public Offer(IPO)
   II. Further Public Offer
   III. Right Issue
   IV. Private Placement
   V. Book Building Process
   VI. Bonus Issue of Shares
   VII. Red Herring Prospectus

8. Chaitanya Chemicals Limited planned to set up a unit for manufacture of bulk drugs. For the purpose of financing the units the board of directors have issued 15,00,000 equity shares of Rs 10 each. 30% of issue was reserved for promoters and the balance were offered to public, Aditya, Diwan and Anoop have come forward to underwrite the public issue in the ratio of 3:1:1 and also agreed for firm underwriting of 30,000; 20,000 and 10,000 shares respectively. The underwriting commission was fixed at 4%. The amount payable on application was Rs 2.5 per share. The details of subscription are:
   Marked forms of Aditya 5,50,000 shares
   Marked forms of Diwan 2,00,000 shares
   Marks forms of Anoop 1,50,000 share
   Unmarked forms 90,000 shares
   You are required to show the allocation of liability among underwriters with workings:
   1. For underwriters' net liability and the receipt or payment of cash to or from underwriters.
   2. Determining the liability towards the payment of commission to the underwriters

9. The following particulars are available in relation to X Ltd.
   i. Capital, 450, 6% preference shares of Rs 100 each fully paid and 4,500 equity shares of Rs 10 each fully paid.
   ii. External liabilities Rs 7,500
   iii. Reserves and Surplus Rs 3,500
   iv. The average expected profit (after taxation) earned by the company Rs 8,500
   v. The normal profit earned on the market value of equity shares (fully paid) of the same type of companies is 9%.
   vi. 10% of the profits after tax each year is transferred to reserves.

   Calculate the intrinsic value per equity share and the value per equity share according to yield basis. Assume that out of total assets, Assets worth Rs 350 are fictitious.

10. Shankar PVT Limited took over the business of Shankar on 1.4.2024 and it was incorporated on 1.7.2024.
    The profit and loss account of Shankar PVT Limited as on 31.3.2025 was as follow:

Particulars	Amount	Particulars	Amount
To Commission(Sales)	2,625	By Gross Profit	98,000
To Advertisement	5,250	By Bad Debts Recovered	500

To M.D. Remuneration	9,000		
To Depreciation	2,800		
To Salaries	18,000		
To Insurance	600		
To Preliminary Expenses	700		
To rent and taxes	3,000		
To discount allowed	350		
To Bad Debts	1,250		
To Net Profits	54,925		
Total	98,500	Total	98,500

Further Details:

1. The average monthly sales after incorporation were twice the average monthly sales before.
2. Rent, this was paid for first three months at Rs 200 p.m., increased by Rs 50 p.m. for the balance of the period.
3. Bad debts of Rs 350 related to the period after1.9.2024 and the balance related to the sales made up 1.9.2024.
4. The bad debts realized belongs to the bad debts which was written off in 2022-23.

Find out the profits before and after incorporation.

11. Prepare Final account of Hindustan Company Ltd, from the following trial balance as on 31st March 2025.

Debit Balance	Amount
Call in arrears	5,000
Premises	7,50,000
Machinery	1,50,000
Furniture	50,000
Purchases	6,80,000
Wages	1,25,000
Salaries	60,000
Interim Dividend	20,000
Goodwill	2,00,000
Debtors	60,000
Bills receivable	38,000
Bad Debts	2,000
Debenture Interest (up to 30.9.2025)	20,000
Stock	41,000
Total	22,10,000
Credit Balance	
Share Capital	5,00,000
Sales	10,00,000
Reserve fund	1,80,000
Profit and Loss Account	35,000

Creditors	75,000
10% Debentures	4,00,000
Bills payable	10,000
Reserve for doubtful debts (1.4.2024)	1,000
Total	22,01,000

Adjustment:

1. The stock on 31.3.2025 was valued at Rs 80,000.
2. Depreciate machinery and furniture by 10 %
3. Maintain reserve for doubtful debts at 5% on debtors
4. The directors proposed a final dividend at 15%.
5. The debenture interest is unpaid for 6 months.