

**2025**

**BUSINESS ADMINISTRATION — HONOURS**

**Paper : BBAA-503-CC 11-F**

**(Corporate Accounting)**

**Full Marks : 75**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**Group - A**

1. Answer *any ten* questions :

2×10

- (a) What do you mean by Forfeiture of Shares?
- (b) What is Capital Reserve?
- (c) List down the various methods used for valuation of Goodwill.
- (d) What is Capital Redemption Reserve?
- (e) What is Sweat Equity Share?
- (f) What do you mean by rights share?
- (g) Write briefly on Employee Stock Option.
- (h) What is Debenture?
- (i) What is buy-back of shares?
- (j) What is sinking fund?
- (k) State the main heads under which the following items are shown in a company Balance Sheet as per Schedule III : (i) Patents, (ii) 12% Debentures.
- (l) Give two differences between Share and Stock.
- (m) What is bonus shares?
- (n) Which one is correct?  
After buy-back of shares the Debt-Equity ratio cannot exceed :  
(i) 1:1 (ii) 2:1 (iii) 1:2 (iv) 5:1.
- (o) What is preference shares?

**Please Turn Over**

**(3042)**

**Group - B**

2. Answer **any five** questions :

5×5

- (a) Magnamious Ltd. decided to issue rights shares to the existing shareholders in the ratio of 2 shares for every 5 shares held. The current market price per share is ₹ 240 (Face value ₹ 10). Issue price of each right is ₹ 200. Calculate the value of Right.
- (b) The following particulars have been submitted by a company :
- (i) Date of grant of option : 1st April, 2024
  - (ii) Vesting Period : 3 years.
  - (iii) No. of options granted : 2000 shares
  - (iv) Market price of each share : ₹ 230
  - (v) Exercise price : ₹ 80 per share
  - (vi) Exercise period : 1 year
  - (vii) Nominal value of each share : ₹ 10
- Calculate the amount to be recognized as expense of each year.
- (c) Modest Ltd. decided to buy-back 40,000 of its equity shares of ₹ 10 each at a premium of 20%. For this, it issues 3,000, 6% Preference Shares of ₹ 100 each at par. The company has ₹ 70,000 in General Reserve, ₹ 80,000 in Profit and Loss A/c (Cr), ₹ 50,000 in Capital Reserve, ₹ 35,000 in Export Profits Reserve and ₹ 65,000 in Securities Premium Account. It decides to utilize profits and Reserves also. Give the Journal entries assuming that the transactions have been duly carried out.
- (d) What is 'Redemption of Preference Share'? State the provisions of the Companies Act in this respect.
- (e) From the information given below, calculate Goodwill as per 'Capitalization of Average Profits' method :
- (i) Capital employed : ₹ 14,00,000.
  - (ii) Normal rate of profit : 10%.
  - (iii) Net profits before taxation (tax rate 40%) : 1st year : ₹ 2,20,000; 2nd year : ₹ 2,80,000; 3rd year : ₹ 2,60,000; 4th year : ₹ 3,00,000; 5th year : ₹ 2,75,000.
  - (iv) Non-trading income ₹ 10,000 and Debenture interest ₹ 20,000 on an average included in the Profit and Loss A/c.
- (f) What are the different modes for Redemption of Debentures?
- (g) The capital structure of White Ltd. is given below :
- Equity Share Capital (₹ 100 each) : ₹ 18,00,000.
  - 12% Preference Share Capital (₹ 10 each) : ₹ 9,00,00.
  - 10% Debentures : ₹ 13,00,000.

13% Term Loan : ₹ 24,00,000.

Reserves & Surplus : ₹ 6,00,000.

The average profit of the company before payment of interest and income tax is ₹ 14,00,000.

The income tax rate is 25%.

Calculate the value of equity shares of the company assuming Price Earning Ratio is 10.

- (h) X Ltd. issued 20,000 shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 3 per share on allotment and ₹ 4 per share on call.

Applications were received on 22,000 shares. The directors decided to reject the excess applications; the application money on 2,000 shares was refunded.

When the call was made all sums due were received except on 1000 shares. Show necessary Journal Entries (including for Cash transactions).

### Group - C

Answer *any three* questions.

10×3

3. The following figures are available from the Balance Sheet of Blue Chip Ltd. as on 31.03.2025 :

2,40,000 Equity Shares of ₹ 10 each, fully paid-up; ₹ 24,00,000

General Reserve : 36,00,000

Securities Premium : ₹ 12,00,000

14% Debentures : ₹ 50,00,000

Sundry Creditors : ₹ 22,00,000

Non-Current Assets (Tangible) : ₹ 72,00,000

Current Assets : ₹ 72,00,000

The company intends to buy-back 40,000 equity shares at a premium of ₹ 30 per share.

State whether the company can do so and if yes, pass journal entries in the books of the company.

4. The capital structure of a company as on 31.03.2024 consisted of 20,000 Equity shares of ₹ 10 each fully paid-up and 1,000, 8% Redeemable Preference Shares of ₹ 100 each, fully paid-up.

Undistributed reserves and surplus were as under :

General Reserves : ₹ 80,000

Balance in the Statement of Profit & Loss : ₹ 32,000

Cash at Bank amounted to ₹ 98,000. Preference Shares are to be redeemed at a premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of equity shares at par after utilizing the reserves and surplus subject to the condition that a sum of ₹ 25,000 shall be retained in General Reserve.

Pass the journal entries to give effect to the above arrangements (narration required) and also all relevant workings.

**Please Turn Over**

5. The following balances have been extracted from the books of Grand Company Ltd. as at 31st March, 2024 :

	Dr. ₹	Cr. ₹
Equity Share Capital		1,60,000
8% Preference Share Capital (shares of ₹ 100 each, fully paid)		80,000
Machinery	1,28,000	
Land & Building	5,28,000	
Calls-in-Arrear (on equity shares @ ₹ 5 each)	3,200	
Depreciation on Machinery	12,800	
Purchases (net)	3,28,000	
Closing Stock	1,20,000	
Wages	96,000	
Salaries	64,000	
Sales		8,00,000
Bank Overdraft		1,60,000
10% Debentures		80,000
<b>Total</b>	12,80,000	12,80,000

The Board of Directors have resolved—

- (i) To declare an Equity Dividend @ 10% on equity capital and to pay dividend on the preference shares in full.
- (ii) To transfer ₹ 20,000 to General Reserve.

You are required to prepare the Statement of Profit & Loss for the year ended 31st March, 2024 and the Balance Sheet of the company as at that date.

6. Care Ltd. invited applications for 10,000 shares of ₹ 10 each at 10% premium payable as— on application ₹ 4; on allotment ₹ 3 (including premium) and balance on one call.

Applications were received for 17,000 shares and after rejecting applications for 1,000 shares the company issued all the shares on proportionate basis. All the amount due was received except the following :

Mr. A holding 500 shares failed to pay allotment and call money.

Mr. B holding 400 shares failed to pay call money.

All these shares were forfeited after call. All forfeited shares were re-issued to Mr. C as fully paid @ ₹ 8 per share.

Show necessary journal entries (including cash transactions) in the books of Care Ltd.

7. The Balance Sheet of X Ltd. reflected the following balances :

Equity Shares of ₹ 10 each, ₹ 8 per share (called up and paid-up) : ₹ 8,00,000.

Capital Redemption Reserve : ₹ 1,50,000.

Securities Premium (fully realised) : ₹ 50,000.

Surplus in Statement of Profit & Loss : ₹ 1,60,000.

Capital Reserve (fully realised in cash) : ₹ 80,000.

General Reserve : ₹ 4,80,000

The Board of Directors resolved the following :

- (i) To make a call of ₹ 2 per share to the equity shareholders.
- (ii) To issue three Bonus shares for every five equity shares held.
- (iii) To utilize General Reserve as minimum as possible.
- (iv) To issue 40,000 Rights Shares of ₹ 10 each, fully paid-up at ₹ 13 per share of its equity shareholders.

Assuming, that all call moneys were collected in due time and the rights shares were duly taken up by the shareholders, pass necessary journal entries in the books of the company.

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