

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(END SEMESTER EXAMINATION)**

**CLASS: MBA
BRANCH: MANAGEMENT**

**SEMESTER: IIIST
SESSION: MO 2025**

SUBJECT: MT510R1 CORPORATE ACCOUNTING

TIME: 3.00 Hours

FULL MARK: 75

INSTRUCTIONS:

1. The missing data, if any, may be assumed suitably.
2. Before attempting the question paper, be sure that you have got the correct question paper.
3. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.
5. Answer any five questions.

- | | | CO | BL |
|--|-----|----|-------|
| Q.1(a) Explain in brief the steps involved in the Formation of Company. | [5] | 1 | 1,2,2 |
| Q.1(b) Good Luck and Co. offered 30,000 shares of Rs. 10/- each to the public which were payable as :
On Application Rs. 2/-
On Allotment Rs. 5/-
The balance when required
Applications for 55,000 shares were received on which the directors allotted as follows :
Applications for 25,000 shares - Full
Applications for 25,000 shares - 20%
Applications for 5,000 shares - Nil
Record the journal entries. | [5] | 1 | 2 |
| Q.2(a) Explain and illustrate the process of issuing and redeeming preference shares. | [5] | 2 | 2 |
| Q.2(b) Show by means of Journal Entries, how you will record the following issues. Also show how they will appear in the respective Balance Sheet.
(a) P Ltd. Issues 5,000, 10% debentures of Rs. 100 each at a discount of 5% redeemable at the end of 5 years at par.
(b) Q Ltd. Issues 5,000, 11% debentures of Rs. 100 each at par. Redeemable at the end of 5 years at a premium of 5%.
(c) R Ltd. Issues 12% debentures at Rs. 100 each at a discount of 5%. Redeemable at the end of 5 years at a premium of 5%.
S Ltd. Issues 5,000, 13% debentures of Rs. 100 each at a premium of 5%. Redeemable at the end of 5 years at a premium of 5%. | [5] | 2 | 2,3 |
| Q.3(a) Discuss the meaning and salient features of Liquidation of a Company and it's standard format. | [5] | 3 | 2,3 |
| Q.3(b) Explore the concept of profits prior to incorporation, including the methods of ascertaining profit or loss prior to incorporation and the corresponding accounting treatment in the books of companies. | [5] | 3 | 3 |
| Q.4(a) XYZ Ltd. was agreed to be acquired by PQR Ltd. on 31 st March 2025. On this date, the Balance Sheet of XYZ Ltd. is as follows: | [5] | 4 | 2,3 |

Liabilities	Amount(₹)	Assets	Amount(₹)
50000 Equity Shares of ₹10 each	5,00,000	Fixed Asset	10,00,000
General Reserve	3,50,000	Current Asset	2,00,000
5% Debenture	2,20,000		
Sundry Creditors	1,30,000		
	12,00,000		12,00,000

PQR Ltd agreed to acquire the fixed assets of XYZ Ltd. at 20% above Book Value, but the current assets were valued at only ₹150000. The purchase consideration was paid 50% in Equity shares of ₹10 each and the balance in cash to XYZ Ltd. Calculate the Purchase Consideration and show the discharge of purchase consideration as well.

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|---|-----|---|----------|
| Q.4(b) Explain in brief the different methods of valuation of shares with suitable example. | [5] | 4 | 4
PTO |
|---|-----|---|----------|

- Q.5(a) Negotiation is going on for transfer of X Ltd. on the basis of the Balance Sheet and the additional information as given below; [5] 4 4

Balance Sheet of X Ltd. as on 31st March 2025.

	Rs.		Rs.
Share Capital Rs. 10 fully paid up share	10,00,000	Goodwill	1,00,000
Reserve & Surplus	4,00,000	Land & Building	3,00,000
Sundry Creditors	3,00,000	Plant & Machinery	8,00,000
		Investments	1,00,000
		Stock	2,00,000
		Debtors	1, 50,000
		Cash & Bank balance	50,000
	17,00,000		17,00,000

Profit before tax for 2024-25 amounted to Rs. 6,00,000 including Rs. 10,000 interest on investment. However, an additional amount of Rs. 50,000 p.a shall be required to be spent for running of the business.

Market value of land & buildings and plant and machinery are estimated at Rs. 9,00,000 and Rs. 10,00,000 respectively. In order to match the above further depreciation to the extent of Rs. 40,000 may be taken into consideration. Income tax rate may be taken at 50%. Return on capital employed at the rate of 20% before tax may be considered normal for the business at the present stage.

For the purpose of determining the rate of return, profit for this year after the aforesaid adjustments may be taken as expected average profit. Similarly average trading capital employed is also to be considered on the basis of the position in this year.

It has been agreed that 4 years purchase of super profit shall be taken as the value of goodwill for the purpose of the deal.

You are required to calculate the value of goodwill.

- Q.5(b) Explore the concepts of holding companies and subsidiary companies as per the Companies Act 2013. [5] 5 5

:::24/11/2025:::M