III Semester B.Com. Examination, Nov./Dec. 2016
(F+R) (CBCS) (2015-16 and Onwards)
COMMERCE
3.3 : Corporate Accounting

Time : 3 Hours   Max. Marks : 70

***Instruction**: Answer should be **completely** in **English** or **Kannada**.*

SECTION – A

Answer **any five** questions, **each** correct answer carries **2** marks. **(5×2=10)**

1. a) Give the meaning of firm underwriting.

   b) Distinguish between marked and unmarked applications.

   c) What is profit prior to incorporation ?

   d) What is corporate dividend tax ?

   e) How do you treat advance tax paid in company final accounts ?

   f) Why shares need to be valued ?

   g) State any two features of goodwill.

SECTION – B

Answer **any three** questions, **each** correct answer carries **6** marks. **(3×6=18)**

2. A company issued 50000 shares. These shares were underwritten as follows : X – 10000 shares ; Y – 15000 shares ; Z – 5000 shares. In addition there was a firm underwriting as : X – 5000 shares ; Y – 2000 shares ; Z – 1000 shares. The total subscription was 40000 shares and the forms included the following marked forms : X – 10000 shares ; Y – 10000 shares and Z – 5000 shares. Determine the total liability of underwriters and the company.

3. A company was incorporated on 1st April, 2016 to take over the business of a firm as from 1st January, 2016. All profits made from this earlier period were to the benefit of the company but interest on the purchase price of ₹ 5,00,000 were to be paid at 6% interest per annum to the vendor upto 1st June 2016. The following was the Profit and Loss Account for the year ended 31st December 2016.

Profit and Loss Account for the year ended 31st December, 2016

Particulars	₹	Particulars	₹
To Management expenses	30,000	By Gross profit	
To Bad debts	2,500	(Operating profit)	2,00,000
To Directors fees	10,000		
To Interest to vendor	12,500		
To Preliminary expenses	5,000		
To Depreciation	10,000		
To Net profit	1,30,000		
	2,00,000		**2,00,000**

Out of bad debts written off ₹ 1,000 related to the period prior to incorporation and the balance relating to the post incorporation period. Prepare Profit and Loss Account and apportion the profit between prior and post incorporation period assuming that the sales was spread evenly over the entire period.

4. X Limited agreed to purchase the business of a sole trader and for that purpose goodwill is to be valued at three years purchase of the average of previous 4 years adjusted profit. The profits for the years ending 31st March 2013 ; 2014 ; 2015 and 2016 were as follows :

₹ 40,000 ; ₹ 48,000 ; ₹ 50,000 and ₹ 60,000.

Following additional information is available :

a) On 1st January 2015 a major repair expenditure to Plant and Machinery for ₹ 12,000 were charged to Profit and Loss Account. This was agreed to be capitalized for goodwill subject to 10% per annum depreciation on reducing balance method.

b) The closing stock for the year ending 2014 was overvalued by ₹ 4,800.

c) In order to recover cost of management, an annual charge of ₹ 9,600 should be made for valuation of goodwill. Compute the value of goodwill.

5. Following is the Balance Sheet of a limited company as at 31st March, 2016. Calculate the value of the equity share under net assets method after taking the following data into consideration.

a) Debenture interest is due for two years.

b) Current assets include book debts of which ₹ 10,000 were bad but no provision has been made in this regard.

c) There was an outstanding liability of ₹ 8,000.

Balance Sheet as at 31-3-2016

Liabilities	₹	**Assets**	₹
10000, 8% Preference shares of ₹ 10 each	1,00,000	Fixed assets	4,00,000
		Current assets	2,50,000
30000 Equity shares of ₹ 10 each	3,00,000	Preliminary expenses	20,000
		Discount on debentures	5,000
Debenture redemption fund	50,000	Profit and Loss Account	25,000
6% Debentures	1,00,000		
Depreciation fund	1,00,000		
Current liabilities	50,000		
	7,00,000		**7,00,000**

6. State the heading under which the following items shown in the Balance Sheet of the company.

a) Preliminary expenses.

b) Discount on issue of shares.

c) Forfeited share capital.

d) Goodwill.

e) Bank overdraft.

f) Provision for taxation.

SECTION – C

Answer **any three** questions, **each** correct answer carries **14** marks. **(3×14=42)**

7. A limited company issued 100000 Equity shares of ₹ 100 each. M, N, O and P underwrite the entire issue in the proportion of 30%, 30%, 20% and 20% respectively in consideration of commission in cash @ 4%. They also apply for firm share application as follows :

   M – 3000 shares, N – 2000 shares, O – 2000 shares and P – 3000 shares. Besides the firm applications the public apply for 60000 shares of which marked applications are follows :

   M – 10000 shares, N – 6000 shares, O – 8000 shares, and P – 16000 shares.

   Show the number of shares to be taken up by each of the underwriters assuming firm applications as marked and unmarked and commission payable to underwriters under each case.

8. G Limited took over the business of H Limited on 1st April, 2015 and it was incorporated on 1st July, 2015. The Profit and Loss Account of G limited on 31st March 2016 was as follows :

   a) The average monthly sales after incorporation were twice the average monthly sales before.

   b) Rent, which was paid for the first three months at rate of ₹ 2,000 per month, and increased by ₹ 500 per month for the balance of the period.

   c) Bad debts of ₹ 3,500 related to the period after 1st September, 2015 and the balance related to the sales made up to 1st September, 2015.

   d) The bad debts recovered belonged to the bad debts which were written off in 2014.

   Find out the profits before and after incorporation of the company.

Profit and Loss Account for the year ended 31st March, 2016

Particulars	₹	Particulars	₹
To Commission on sales	26,250	By Gross profit	
" Advertising	52,500	(Operating profit)	9,80,000

" MD's Remuneration	90,000	" Bad debts recovered	5,000
" Depreciation	28,000		
" Salaries	1,80,000		
" Insurance	6,000		
" Preliminary expenses	7,000		
" Rent and taxes	30,000		
" Discount	3,500		
" Bad debts	12,500		
" Net profit	5,49,250		
	9,85,000		**9,85,000**

9. The Balance Sheet of a limited company as at 31st March, 2016 is as follows :

Liabilities	₹	**Assets**	₹
Equity shares of 10 each	5,00,000	Fixed assets	4,00,000
General Reserve	2,00,000	Investments (6% Bonds)	1,00,000
Profit and Loss A/c	1,00,000	Current assets	4,00,000
Current liabilities	1,00,000		
	9,00,000		**9,00,000**

Net profit after taxation : 2014 – 1,30,000 ; 2015 – 1,25,000 ; 2016 – 1,50,000

The normal rate of return is 15%

The current assets are taken at 4,50,000

Ascertain the value of goodwill under the following methods :

a) Five years purchase of simple average adjusted profits.

b) Five years purchase of super profits.

c) Capitalization of super profit at 15%.

d) Annuity method if present value of an annuity of Rupee one for five years at 16% is 3.274.

10. Following is the Balance Sheet of Adarsh Limited as at 31[st] March, 2016 :

Balance Sheet as at 31[st] March 2016

Liabilities	₹	**Assets**	₹
40000 Equity shares of ₹ 10 each fully paid up	4,00,000	Goodwill	1,00,000
		Fixed assets	4,50,000
Reserve fund	1,00,000	Current assets	1,90,000
Profit and Loss A/c	35,000	Preliminary expenses	25,000
6% Debentures	1,00,000		
Current liabilities	1,30,000		
	7,65,000		**7,65,000**

For the purpose of valuation of shares fixed assets were valued at ₹ 5,00,000 and goodwill at ₹ 1,50,000. There is a necessity of RBD at 10% on debtors of ₹ 75,000. It was found that stock was overvalued by ₹ 9,000.

The net profits for the three years were ₹ 69,000 ; ₹ 71,800 and ₹ 90,200 respectively, after taxation. Out of this profit 20% was placed to reserve, the proportion being considered reasonable in the industry in which the company is engaged and where the normal rate of return is 10%. Compute the value of each Equity share by net assets method ; yield method and fair value method.

11. The following ledger balances are extracted from the books of a trading company limited for the year ended 31[st] March, 2016. You are required to prepare company final accounts in the vertical format.

Particulars	**Debit**	**Credit**
Equity share capital	–	2,00,000
Gross profit (revenue profit)	–	2,00,000
General reserve	–	30,000
Buildings (original cost Rs. 2,00,000)	1,20,000	–
10% Debentures	–	1,00,000
Plant and Machinery	2,00,000	–

Rent, rates and insurance	20,000	–
Advertising	10,000	
Salary	20,000	–
Directors fees	10,000	–
General expenses	10,000	–
Profit and Loss A/c	–	50,000
Printing and stationery	10,000	–
Preliminary expenses	20,000	–
Goodwill	20,000	–
Cash and Bank balance	30,000	–
Debtors and Creditors	80,000	20,000
Investment	50,000	–
	6,00,000	**6,00,000**

Additional details :

a) Provide for bad debts Rs. 5,000.

b) Debenture interest is outstanding for the whole year.

c) Provide for income tax Rs. 15,000.

d) Outstanding salary Rs. 2,000 and prepaid insurance Rs. 1,000.

e) Depreciate Building by 10% on original cost and Plant and Machinery by 10% on reducing balance.

f) The directors propose 15% dividend to equity shareholders. Ignore corporate dividend tax.

g) Write off preliminary expenses by 25% and goodwill by 20%.

Note : Write notes to accounts **wherever** necessary.

III Semester B.B.A. Examination, Nov./Dec. 2018
(CBCS) (2015-16 and Onwards) (F + R)
BUSINESS ADMINISTRATION
3.3 : Corporate Accounting

Time : 3 Hours Max. Marks : 70

***Instruction** : Answer should be written in **English** only.*

SECTION – A

1. Answer **any five** questions, **each** question carries **two** marks : (5×2=10)

   a) What is an authorised capital ?

   b) What do you mean by Financial Analysis ?

   c) Define Goodwill.

   d) What is meant by valuation of shares ?

   e) Define a Holding Company.

   f) What is pre-acquisition profit ?

   g) Expand 'EBITDA'.

SECTION – B

Answer **any three** questions of the following **Each** question carries **six** marks. (3×6=18)

2. Differentiate between reserves and provisions.

3. Calculate the trend percentages from the following figures of 'X' Ltd. taking 2013-14 as the base year :

(₹ in lakhs)

Year	Sales	Stock	PBT
2013-14	1881	709	321
2014-15	2340	781	435
2015-16	2655	816	458
2016-17	3021	944	527
2017-18	3768	1154	672

P.T.O.

4. The profits disclosed by Sarnya Ltd. for the past 5 years were as follows :

   2013-14 – ₹ 40,000 (including abnormal profit ₹ 5,000)

   2014-15 – ₹ 50,000 (after charging abnormal loss ₹ 10,000)

   2015-16 – ₹ 45,000 (excluding ₹ 5,000 insurance premium)

   2016-17 – ₹ 60,000

   2017-18 – ₹ 80,000 (including profit on sale of building ₹ 20,000)

   You are required to calculate the value of goodwill at 2 years purchase of average profits.

5. The following is the Balance Sheet of MARIA Trading Co. Ltd.

Balance Sheet as on 31-3-2018

Liabilities	**Amount**	**Assets**	**Amount**
2000, 6% Preference shares of ₹ 100 each	2,00,000	Fixed Assets	3,00,000
30,000, Equity shares of ₹ 10 each	3,00,000	Current assets	3,00,000
Liabilities	1,00,000		
	6,00,000		**6,00,000**

   The market value of fixed assets are 10% more than book value.

   The market value of current assets is 5% less than book value. There is an unrecorded liability of ₹ 5,000. Assume preference shares have no priority. You are required to value the equity shares.

6. Under which heading the following items are shown in the Balance Sheet of a company :

   a) Sinking fund

   b) Debentures

   c) Fixed deposit from public

   d) Preliminary expenses

   e) Underwriting commission

   f) Tax deducted at source.

SECTION – C

Answer **any three** questions of the following. **Each** question carries **fourteen** marks. **(3×14=42)**

7. Premier Company Ltd. had an authorised capital of ₹ 6,00,000 in equity shares of ₹ 10 each. The Trial Balance on 31-03-2015 is given below :

Calls in arrears	7,500
Premises	3,00,000
P and M	3,30,000
Interim dividend (including corporate dividend tax)	37,500
Stock (1-4-2014)	75,000
Fixtures	7,200
Debtors	87,000
Goodwill	25,000
Cash in hand	760
Cash at bank	39,900
Purchases	1,85,000
Preliminary expenses	5,000
Wages	84,865
General expenses	16,835
Freight and carriage	13,115
Salaries	14,500
Director's fees	5,725
Bad debts	2,100

Debenture interest paid	9,000
Called up capital	4,00,000
6% Debenture	3,00,000
Profit and Loss A/c (1-4-2014) Cr.	14,500
Bills payable	38,000
Creditors	50,000
Sales	4,15,000
General Reserve	25,000
Bad debts provision (1-4-2014)	3,500

Adjustments :

1) Depreciate plant and machinery by 10%.
2) Write off preliminary expenses ₹ 500.
3) Provide for debenture interest due.
4) Of the debtors ₹ 500 are further bad.
5) Provide for R.D.D. at 5% on debtors.
6) Closing stock ₹ 95,000.

Prepare income statement and Balance Sheet.

8. The Balance Sheets of 'D' Ltd. and 'G' Ltd. as on 31-3-2017 are as given below :

Equity and Liabilities	**'D' Ltd.**	**'G' Ltd.**
Equity share capital	1,50,000	4,00,000
Preference share capital	1,20,000	1,60,000
Reserves	14,000	18,000
Long term loans	1,15,000	1,30,000

Bills payable	2,000	–
Creditors	12,000	4,000
Outstanding expenses	15,000	6,000
Proposed dividend	10,000	90,000
Total	**4,38,000**	**8,08,000**
Assets :		
Land and building	80,000	1,23,000
Plant and machinery	3,34,000	6,00,000
Temporary investments	1,000	40,000
Inventories	10,000	25,000
Book debts	4,000	8,000
Prepaid expenses	1,000	2,000
Cash and bank balance	8,000	10,000
Total	**4,38,000**	**8,08,000**

Compare the financial position of two companies with the help of common size Balance Sheet.

9. Following is the Balance Sheet of Shiva Ltd. as on 31-3-2015 :

Liabilities	**Amt.**	**Assets**	**Amt.**
Share capital	30,00,000	Fixed assets	20,00,000
Reserves and surplus	7,50,000	Current assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	50,00,000		**50,00,000**

The net profit after taxation for the past 4 years were ₹ 7,85,000, ₹ 8,45,000, ₹ 8,50,000 and ₹ 8,60,000 respectively. Normal rate of return on average capital employed is 20%. The investments are 8% Government Bonds. Calculate goodwill at 3 years purchase of super profits.

10. Following is the Summarised Balance Sheet of X Ltd. as on 31-3-2015

Liabilities	Amt.	Assets	Amt.
40,000 shares of ₹ 10 each	4,00,000	Goodwill	1,00,000
Reserve fund	1,00,000	Fixed assets	4,50,000
Profit and Loss A/c	35,000	Current assets	1,90,000
9% Debentures	1,00,000	Preliminary expenses	25,000
Current liabilities	1,30,000		
	7,65,000		**7,65,000**

For the purpose of valuation of shares, fixed assets were valued at ₹ 5,00,000 and G.W. at ₹ 1,50,000. There is a necessity of RBD at 10% on Debtors of ₹ 75,000. It is found that stock was overvalued by ₹ 9,000. The net profit for three years were ₹ 69,000, ₹ 71,800 and ₹ 90,200, respectively after taxation out of this profit 20% was placed to reserve, the proportion being considered reasonable in the industry in which the company is engaged and where the normal rate of return is 10%.

Compute the value of each Equity share by asset method and yield method and also calculate the fair value of share.

11. From the following information you are required to prepare consolidate Balance Sheet of 'P' Company Ltd. and its subsidiary 'Q' Company Ltd. as on 31-3-2018 :

Liabilities	P Ltd.	Q Ltd.	Assets	P Ltd.	Q Ltd.
Share capital :			G.W.	2,00,000	50,000
Shares of ₹ 100 each	8,00,000	4,00,000	Plant	5,00,000	2,50,000
General reserve	2,90,000	1,00,000	Buildings	2,00,000	1,00,000
P and L A/c	2,60,000	50,000	Investments		
Loans	2,00,000	1,00,000	3000 shares		
Creditors	1,50,000	60,000	in Q Ltd.	3,60,000	–

Bills payable	1,00,000	40,000	Loans and advances	–	60,000
			Stock	1,20,000	90,000
			Debtors	1,50,000	1,00,000
			B.R.	1,00,000	50,000
			Bank	1,70,000	50,000
	18,00,000	**7,50,000**		**18,00,000**	**7,50,000**

Additional Information :

1) Bills payable of Q Ltd. includes ₹ 30,000 due to ‘P’ Ltd.
2) Sundry Creditors of ‘P’ Ltd. includes ₹ 50,000 due to Q Ltd.
3) On the date of acquisition of shares (1-04-2017) ‘Q’ Ltd.’s Balance Sheet should a general reserve of ₹ 40,000 and P and L A/c credit balance of ₹ 20,000.

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Q.P. Code : 13321

Third Semester B.Com. Degree Examination, November/December 2019

(B.Com. Regular/Tourism/LS/SP)

(CBCS Scheme)

Commerce

Paper 3.3 – CORPORATE ACCOUNTING – I

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answers should be written in English only.

SECTION – A

I. Answer any **FIVE** sub-questions. Each sub-question carries **2** marks : **(5 × 2 = 10)**

1. (a) Differentiate between firm and general underwriting.

   (b) Mention the ratios required to calculate profit prior to incorporation.

   (c) How do you treat profit prior to incorporation and profit after incorporation?

   (d) Mention any four factors influencing goodwill.

   (e) What is super profit?

   (f) Mention any two methods of valuing shares.

   (g) How is the cost of goods sold calculated?

SECTION – B

II. Answer any **THREE** questions. Each question carries **6** marks : **(3 × 6 = 18)**

2. ATC Ltd. issued 50,000 equity shares. The issue was underwritten as follows :

   P – 40%, Q – 30%, R – 30%.

   Applications were received for 40,000 shares, out of which the following were the marked applications : P – 10,000 shares, Q – 5,000 shares, R – 10,000 shares.

   Unmarked applications had to be distributed in the gross liability ratio. Calculate the liabilities of the underwriters.

3. Calculate sales Ratio from the following :

   X Company was incorporated on 1.5.2009 and acquired a business with effect from 1.1.2009. Total sales from 1.1.2009 up to 31.12.2009 was Rs. 6,00,000.

   Sales for January and February 1½ times the average monthly sales. Sales from March to July ½ of average monthly sales.

   Sales for August and September ¼ of average monthly sales and sales from October to December double the average monthly sales.

4. A business was available for sale and it had earned the following profits in the past : 2009 – Rs. 7,10,000, 2010 – Rs. 6,90,000, 2011 – Rs. 7,50,000, 2012 – Rs. 7,30,000

   The business was managed by the proprietor himself and he could have earned Rs. 1,20,000 each year from an alternate job, if not engaged in the business.

   Calculate the goodwill of the business based on 2 years purchase of the simple average net profit of the previous 4 years.

5. The following is the Balance Sheet of Sunlight Ltd., as at 31.03.2013 :

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs. 10 each	2,00,000	L/B (Market value Rs. 1,50,000)	75,000
		P and M (Market value Rs. 1,00,000)	80,000
General reserve	50,000	Trade Marks (Market value Rs. 8,000)	10,000
Women savings a/c	50,000	Stock	1,00,000
P and L a/c	50,000	Debtors	54,000
Current liabilities	25,000	Investments	20,000
		Cash at Bank	20,000
		Preliminary expenses	16,000
	3,75,000		3,75,000

   Find out the intrinsic value of each share taking into account the following data :

	Rs.
Interest payable to creditors	1,000
Bad debts amounts to	2,000
Investments worth	16,000

6. Under which heading would you show the following in company final accounts :
   (a) Furniture
   (b) Purchases
   (c) Bonus to employees
   (d) General reserve
   (e) Electricity charges
   (f) Bank charges.

SECTION – C

Answer any **THREE** questions. Each question carries **14** marks : **(3 × 14 = 42)**

7. S Ltd. issued to public 1,50,000 equity shares of Rs. 100 each at par. The issue was underwritten equally by A, B and C for a 3% commission. Applications were received for 1,40,200 shares in all and the following details are available :

Names of the underwriters	Firm underwriting applications	Marked applications	Total applications
A	5,000	40,000	45,000
B	5,000	46,000	51,000
C	3,000	34,000	37,000
Unmarked applications	—	—	7,200
			1,40,200

It was agreed to credit the unmarked applications to A B and C equally and firm applications had to be treated as marked applications.

Calculate the total liabilities of the underwriters.

8. A company was incorporated on 1st May 2014 acquiring the business of a sole trader with effect from 1st January 2014. The accounts of the company were closed for the first time on 31.12.14 disclosing a gross profit Rs. 1,68,000. The establishment expenses were Rs. 42,660, Directors fees Rs. 3,000 per month, Preliminary expenses written off Rs. 4,000, rent to June 2004 was Rs. 300 per month which was thereafter increased to Rs. 750 per month. Included in the Directors fees was salary to the Manager at Rs. 1,500 per month who was appointed as a Director at the time of incorporation of the company.

   Prepare a statement showing profits prior and subsequent to incorporation. Included in the Directors fees was salary to the Manager at Rs. 1,500 per month who was appointed a Director at the time of incorporation of the company.

   Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs. 24,60,000, the monthly average of which for the first four months of 2014 was half of that of the remaining period.

9. Calculate the good will of the business carried on by Mr. Suman from the following information :

   Profits for the previous years : 2008 – Rs. 5,33,000, 2009 – Rs. 5,91,000, 2010 – Rs. 5,83,000, 2011 – Rs. 5,83,000, 2012 – Rs. 4,83,000 :

   (a) The profit of the year 2009 was reduced by Rs. 16,000 on account of goods destroyed in a small accidental fire in the business. The same year's profit also included casual income of Rs. 14,000

   (b) The profit of the year 2010 was increased by Rs. 10,000 on account of interest received on investments

   (c) It was decided that the business had to be insured in future at an annual premium of Rs. 7,000

   (d) Reasonable remuneration had to be provided to the proprietor at Rs. 96,000 p.a. in future.

   The goodwill has to be calculated on the basis of 3 years purchase of the average profit of the previous 5 years.

10. From the given Balance Sheet and other information, you are required to ascertain the value of equity share under :

    (a) Intrinsic value

    (b) Yield value and

    (c) Fair value methods. Ignore taxation.

Balance Sheet of RKS as at 31.03.2013

Liabilities	Amount Rs.	Assets	Amount Rs.
Share capital :		Land and Building	1,10,000
2,000 shares of Rs. 100 each	2,00,000	Plant and Machinery	1,30,000
General reserve	40,000	Patents and Trade Marks	20,000
P and L a/c	32,000	Stock	48,000
Creditors	1,28,000	Debtors	88,000
Bills payable	60,000	Cash and bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

An independent valuation of the Assets of the Company is as under ; Land and Building Rs. 2,40,000, Goodwill Rs. 1,60,000 and Plant and Machinery Rs. 1,20,000. The other assets were worth their book values.

The Profits of the company have been as follows :

Financial year	2010-11	2011-12	2012-13
Profit (Rs.)	80,000	90,000	1,06,000

The company follows the practice of transferring 25% of Profits to General Reserve. Normal Rate of Return is 12%.

11. On 31.03.2013 the following ledger balances were extracted from the books of Bhavani Manufacturing Company Ltd. :

Dr.	Rs.	Cr.	Rs.
Calls in arrears	37,500	Equity share capital	23,00,000
Plant and Machinery	18,00,000	Bills payable	1,90,000
Stock (1.4.2012)	3,75,000	General reserve	1,25,000
Furniture	36,000	Profit and loss a/c (1.4.2012)	72,500
Sundry debtors	4,35,000	6% debentures	15,00,000
Buildings	15,00,000	Sales	24,80,000
Purchases	9,25,000	Reserve for doubtful debts	17,500
Interim dividend paid	3,75,000	Sundry creditors	2,30,000
Rent	24,000		
General expenses	24,500		
Debenture interest	45,000		
Preliminary expenses	25,000		
Manufacturing expenses	65,500		
Goodwill	1,45,000		
Wages	4,24,000		
Cash in hand	39,500		
Cash at bank	1,91,500		
Director's fees	28,500		
Bad debts	10,500		
Commission paid	36,000		
Salaries	72,500		
4% Government securities	3,00,000		
	69,15,000		69,15,000

Adjustments :

(a) Depreciate Plant and Machinery by 10% and Furniture by 5%

(b) Write off Preliminary expenses by 20%

(c) Transfer Rs. 25,000 General reserve

(d) Provide for Income tax Rs. 62,500

(e) Half year's Debenture interest is outstanding

(f) Provide for final dividend at 5%. Ignore Corporate Dividend Tax

(g) Maintain provision for doubtful debts 5% on Sundry debtors

(h) The stock on 31.03.2013 was estimated at Rs. 5,04,000.

You are required to prepare the final accounts.

Reg. No. | | | | | | |

III Semester B.Com. Degree Examination, March - 2021

COMMERCE

Corporate Accounting

(CBCS Scheme 2019-20 and Onwards)

Time : 3 Hours **Maximum Marks : 70**

Instructions to Candidates:

Answer should be completely written in English

SECTION - A

1. Answer any **5** questions. Each question carries 2 marks. **(5×2=10)**

a) What do you mean by issue of shares at par?

b) What do you mean by complete underwriting?

c) What is meant by Goodwill?

d) State any 2 reasons for valuation of shares.

e) What is unclaimed dividend?

f) What is meant by normal rate of return?

g) Who is an underwriter?

SECTION - B

Answer any **3** questions. Each question carries 5 marks. **(3×5=15)**

2. A company issued 10,000 equity shares of Rs. 10 each @ premium of Rs. 2 per share, payable as Rs. 3 on application, Rs. 5 on allotment (including premium) and Rs. 4 as 1st & final call. All the shares were subscribed and money duly received. Pass journal entries.

3. X Ltd. issued 1,00,000 shares of Rs. 10 each Mr. Akshay underwrites 80% of the issue. The company received applications for 75% of the issue of which 50,000 applications bear the rubber stamp of Mr. Akshay underwriting commission is 4% of the issue price. Determine the liability of the underwriter and the underwriting commission.

4. Following particulars have been obtained from the books of a company.
Net profit after considering the following items is Rs. 5,00,000.

i.	Provision for Bad Debts	Rs. 15,000
ii.	Preliminary expenses written off	Rs. 25,000
iii.	Loss on sale of Investments	Rs. 40,000
iv.	Depreciation written off	Rs. 85,000
v.	Depreciation allowable	Rs. 75,000
vi.	Provision for taxation	Rs. 1,50,000
vii.	Managing director's Remuneration paid	Rs. 25,000

Compute the net profit for the purpose of managerial remuneration and calculate managing Director's Remuneration at 5% of net profit.

5. The profits disclosed by A Ltd. for the past 5 years are as follows :

2016 - Rs. 40,000 (including abnormal profit of Rs. 5,000)

2017 - Rs. 50,000 (after charging abnormal loss of Rs. 10,000)

2018 - Rs. 45,000 (excluding Rs. 5,000 insurance premium)

2019 - Rs. 60,000

2020 - Rs. 80,000 (including profit on sale of building Rs. 20,000)

You are required to calculate the value of Good will at 2 years purchase of adjusted average profits.

SECTION - C

Answer any 3 questions. Each question carries 15 marks. (3×15=45)

6. K Ltd. issued 5,00,000 shares of Rs. 10 each which was underwritten as follows :

A - 1,50,000 shares (firm underwriting - 16,000 shares)

B - 1,25,000 shares (firm underwriting - 24,000 shares)

C - 1,25,000 shares (firm underwriting - Nil)

D - 1,00,000 shares (firm underwriting - 50,000 shares)

The total applications excluding firm underwriting were for 3,60,000 shares of which the marked applications were A - 80,000 shares, B - 72,000 shares, C - 48,000 shares & D - 96,000 shares. Calculate the liability of each underwriter treating firm underwriting as

i. Marked Applications

ii. Unmarked Applications.

7. The Balance Sheet of Y Ltd. as at 31st March, 2020 was as follows :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity share capital	10,00,000	Fixed Assets	7,90,000
General Reserve	1,00,000	Goodwill	80,000
P & L A/c	20,000	Current Assets	4,90,000
10% Debentures	1,00,000	Discount on Debentures	10,000
Current Liabilities	1,50,000		
	13,70,000		13,70,000

Additional Information :

i. Fixed Assets & Goodwill were revalued at Rs. 7,50,000 & Rs. 1,00,000 respectively

ii. Net profit after tax for immediately preceding 3 years were Rs. 1,10,000, Rs. 1,05,000 & Rs. 1,45,000 respectively of which 25% was transferred to Reserves.

iii. The fair return in the industry to which the company belongs is considered to be 10%.

Compute the value of the company's equity share by :

a. Net Assets Method,

b. Yield Method and

c. Dual Method.

8. Following particulars are available in respect of business carried on by N Ltd :

a. Profits earned in 2018 - Rs. 1,00,000 ; 2019 - Rs. 96,000 & 2020 - Rs. 1,04,000.

b. Profit of 2019 is reduced by Rs. 10,000 due to stock destroyed by file and profit of 2018 included non - recurring income of Rs. 6;000. The profit of 2020 includes Rs. 4,000 income from investments.

c. The stock is not insured & it is thought prudent to insure the stock in future, the insurance premium is estimated at Rs. 1,000 p.a.

d. Normal Rate of Return - 10%

e. Average capital employed - Rs. 8,00,000

You are required to calculate Goodwill -

i. As per 5 year's purchase of super profits

ii. As per capitalisation of super profits

iii. As per Annuity method.

The present value of an Annuity of Rs. 1 for 5 years @ 10% is Rs. 3.78.

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9. Following is the Trial Balance of X Ltd as at 31st March, 2020.

Particulars	Debit (Rs.)	Credit (Rs.)
Stock as on 1-4-2019	2,08,000	
Purchases & sales	17,00,000	21,60,000
Freight charges	40,000	
Wages	3,00,000	
Discount	74,960	40,000
Furniture	4,00,000	
Salaries	1,48,000	
Rent	37,800	
Sundry expenses	20,280	
P & L A/c (1-4-2019)		2,04,240
Goodwill	2,60,000	
Share capital		10,00,000
Debtors & Creditors	2,94,000	2,86,000
Machinery	3,68,000	
Cash & Bank	1,05,200	
Reserve fund		2,06,000
Patents	1,20,000	
10% Debentures		2,00,000
Interest on Debentures	20,000	
	40,96,240	40,96,240

Adjustments :

a. Closing stock - Rs. 8,80,000

b. Depreciate furniture @ 10% & Machinery @ 15%.

c. Write off Goodwill Rs. 60,000.

d. Provision for Taxation - 30%

e. Proposed dividend - 15% (Ignore CDT)

Prepare final Accounts.