



SS – 565

III Semester B.B.M. Examination, Nov./Dec. 2018
(2013-14 and Onwards) (Repeaters)
BUSINESS MANAGEMENT
3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be in English only.

SECTION – A

I. Answer **any 8** sub-questions. **Each** sub-question carries **2** marks. (8×2=16)

- 1) a) What is the need for valuation of shares ?
b) Define the term Goodwill.
c) What is meant by pure underwriting and open underwriting ?
d) What are equity shares ?
e) Give the meaning of authorised capital.
f) How do you treat the following in the balance sheet of a company ?
a) Debentures
b) Preliminary Expenses
c) Mortgage loan
d) Short term investment.
g) What is meant by right issue ?
h) What is underwriting commission ?
i) What are the features of Goodwill ?
j) Give the meaning of fair value of a share.

SECTION – B

II. Answer **any 3** questions. **Each** question carries **8** marks. (8×3=24)

- 2) What are the types of valuation of Goodwill ? Explain briefly.
- 3) Pavithra Ltd. issued 40000 shares of ₹ 10 each for public subscription. The issues was underwritten as follows :
Sriram 25%, Raghu 30% and Tilak 25%. The company received a total of 28,000 applications of which marked applications are as follows :
Sriram 8000, Raghu 6000 and Tilak 8000 shares. Determine the liability of each underwriter.

P.T.O.



4) Following are the particulars of Manohar Ltd.

	₹
Equity shares of ₹ 10 each	10,00,000
5% Debentures	50,000
Current Liabilities	1,30,000
Current Assets	2,00,000
Fixed Assets	5,50,000
Goodwill	50,000

Compute the value per share under Net Assets Method.

5) Manvith Co. Ltd. issued 100000 equity shares of ₹ 10 each at ₹ 12 per share payable as follows :

₹ 2 per share on application

₹ 4 per share on allotment

₹ 5 per share on first call (including premium)

₹ 1 per share on final call.

All the shares were taken up by the public and the money was duly received except on 500 shares in final call. Make the necessary entries and cash book entries in the books of the company.

SECTION - C

III. Answer **any 4** questions. **Each** question carries **15** marks. (15×4=60)

6) The UBB Company Limited issued for public subscription 20000 shares of ₹ 10 each at a premium of ₹ 2 payable as follows :

On application ₹ 2 per share

On allotment ₹ 5 per share (including premium)

On first call ₹ 2 per share

On second call and final call ₹ 3 per share.

Applications were received for 30000 shares. 20000 shares were allotted and excess application money received is returned. The company made all the money due and duly received except the final call on 1000 shares. These shares were forfeited and later re-issued as fully paid at ₹ 8 per share.

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



7) On March 31, 2018, the B/S of Kooge Co. Ltd., reveals the following information.

Liabilities	Amount (₹)	Assets	Amount (₹)
Issued Capital ₹ 10 shares	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current Assets	2,00,000
Profit and Loss A/c	20,000	Goodwill	40,000
5% debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

On 31-3-2018, the fixed assets were independently valued at ₹ 3,50,000 and the Goodwill ₹ 50,000. The net profit for the 3 years were :

2015-16 – ₹ 51,600, 2016-17 – ₹ 52,000, 2017-18 – ₹ 51,650.

Of which 20% was placed under reserve, this proportion being considered reasonable in the industry in which the company is engaged and where NRR is 10%. Compute the value of shares (1) Under net assets method (2) Yield value method (3) Earning capacity method.

8) The following information is given :

- Capital employed 2,00,000
- NRR – 10%
- Present value of annuity is ₹ 1 for 5 years at 10% = 3.78
- Net profit for 5 year 2013 – ₹ 15,000, 2014 – ₹ 16,000, 2015 – ₹ 18,000, 2016 – ₹ 19,000, 2017 – ₹ 20,000

The profits included non-recurring profits on an average basis of ₹ 1,000 out of which it was declined that even non-recurring profits had a tendency of appearing at the rate of ₹ 600 p.a.

You are required to calculate Goodwill.

As per annuity method.

As per 5 year purchase of super profit method.

As per capitalization of super profit method.

9) Prepare the Final Accounts from the following Trial Balance as on 31-3-2018.

Particulars	Debit (₹)	Credit (₹)
Calls 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 and Creditors	60,000	75,000
B/R and B/P	13,000	10,000
Bad debts	2,000	—
Debenture Interest (upto 30-9-17)	15,000	—
Stock (1-4-17)	41,000	—
Share Capital	—	6,00,000
Sales	—	10,00,000
Reserve fund	—	1,50,000
P&L A/c	—	35,000
10% debentures	—	3,00,000
RDD (1-4-17)	—	1,000
	21,71,000	21,71,000

Adjustments :

- 1) The stock on 31-3-2018 was ₹ 80,000.
 - 2) Depreciate furniture and machinery by 10%.
 - 3) Maintain RDD at 5% on Debtors.
 - 4) The directors proposed a final dividend at 15%.
 - 5) The debenture interest is unpaid for 6 months.
- 10) Nirupama Ltd. issued 250000 shares of ₹ 10 each which was underwritten as follows :
- Mr. A 75000 shares (firm underwriting 8000 shares)
 - Mr. B 62500 shares (firm underwriting 12000 shares)
 - Mr. C 62500 shares (firm underwriting 0 shares)
 - Mr. D 50000 share (firm underwriting 30000 shares)
- The total application excluding firm underwriting but including marked applications were for 280000 shares. The marked applications were as under :
- Mr. A 40000 shares. Mr. B 36000 shares, Mr. C 24000 shares and Mr. D 48000 shares. Calculate the net liability of each underwriter treating.
- a) Firm underwriting as marked applications
 - b) Firm underwriting as unmarked applications.