



QP – 327

**III Semester B.Com. Examination, April/May 2021
(Semester Scheme) (2013-14 and Onwards) (Repeaters)**

COMMERCE

3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100

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

SECTION – A

Answer **any ten** sub-questions. **Each** sub-question carries **2** marks. **(10×2=20)**

1. a) What is partial underwriting ?
- b) Give the meaning of firm underwriting.
- c) What do you mean by bonus shares ?
- d) What is redeemable preference shares ?
- e) Pass the journal entry for issue of equity shares at discount.
- f) State the meaning of forfeited shares.
- g) Mention the methods of valuation of Goodwill.
- h) What do you mean by Average Capital Employed ?
- i) Why do you prepare profit and loss appropriation account ?
- j) State the factors affecting the valuation of shares.
- k) How do you treat preliminary expenses in company final accounts ?
- l) What is TDS ?

SECTION – B

Answer **any four** of the following questions. **Each** question carries **8** marks. **(4×8=32)**

2. A company issued 2,00,000 shares. These shares are underwritten as follows :

A – 1,20,000 shares, B – 50,000 shares, C – 30,000 shares.

In addition to the above, there is firm underwriting A – 16,000 shares,
B – 6,000 shares, C – 20,000 shares.

The total subscription including the firm underwriting was 1,42,000 shares and the forms are included the following marked forms :

A – 20,000 shares, B – 40,000 shares, C – 10,000 shares.

Find out the net liability of underwriters.

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3. ABC Co. Ltd., is having 1500, 8% redeemable preference shares of ₹ 100 each fully paid. These shares were redeemed at a premium of 5%. For this purpose, the company issued 400 equity shares of ₹ 100 each at a premium of ₹ 4 per share. The company had a balance of ₹ 8,000 in security premium account and ₹ 1,75,000 in profit and loss account.

Give the journal entries to record the above redemption.

4. Sneha Ltd. agreed to purchase the business of Rajesh. For this purpose, Goodwill is to be valued at three years purchase, of the average profits of last 4 years adjusted profits.

The profits for the year ending 31-03-2013 to 31-3-2016 were ₹ 25,000, ₹ 32,000, ₹ 30,000 and ₹ 26,000.

The following additional information is available :

- On 1-9-2015, a major repair expenditure on plant and machinery of ₹ 10,000 was charged to revenue account. Now it is to be capitalised subject to 10% p.a. depreciation on diminishing balance method for valuation of Goodwill.
- The closing stock for the year ended 31-03-2014 was over valued by ₹ 5,000
- In order to cover cost of management an annual charge of ₹ 6,000 is made for Goodwill purpose.

Calculate the value of Goodwill.

5. From the following particulars, compute the value of equity share under Net Assets method :

	₹		₹
Land and Building	2,00,000	Bills Receivable	1,00,000
Plant and Machinery	2,50,000	Sundry Debtors	1,00,000
Furniture	1,00,000	Debentures	80,000
Goodwill	50,000	S. Creditors	1,20,000
		Equity shares of ₹ 10 each	4,00,000

6. How do you show the following items while preparing Company Final Account

- Goods distributed as free samples
- Transfer fees
- Preliminary expenses
- Discount on issue of shares
- Calls in arrears
- Interim dividend
- Debenture interest
- Goods destroyed by fire.



SECTION - C

Answer **any three** of the following questions. **Each** question carries **16** marks.

(3×16=48)

7. A company issued 2,70,000 shares of ₹ 10 each which were underwritten as follows :

P – 90,000 shares (firm underwriting 9,000 shares)

Q – 67,500 shares (firm underwriting 7,200 shares)

R – 45,000 shares (firm underwriting 1,800 shares)

S – 67,500 shares (firm underwriting 18,000 shares)

The total applications excluding firm underwriting but including marked applications were for 2,07,000 shares. The marked applications were as under :

P – 31,500 shares, Q – 22,500 shares, R – 13,500 shares, S – 27,000 shares.

Calculate the net liability of each under if firm underwriting is treated as

a) Marked applications

b) Unmarked applications.

8. Following is the Balance Sheet of Sharma Ltd. for the year ended 31-03-2016.

Liabilities	₹	Assets	₹
Share Capital :		Building	2,00,000
20,000 shares of ₹ 10 each	2,00,000	Machinery	1,00,000
P and L A/c	2,00,000	Debtors	1,00,000
6% Debentures	1,00,000	Stock	80,000
Creditors	1,00,000	Cash	1,20,000
	6,00,000		6,00,000

Normal rate of return on average capital employed is 10%. Find out the value of Goodwill on the basis of 2 years purchase of super profits. Building is revalued at ₹ 3,50,000 and Machinery at ₹ 90,000.

9. On 31-03-2016, the Balance Sheet of TRISHA Company Ltd., shows the following position :

Liabilities	₹	Assets	₹
Share Capital (of ₹ 10 each)	16,00,000	Fixed Assets	20,00,000
Reserves	2,60,000	Current Assets	8,00,000
P and L A/c	80,000	Goodwill	1,60,000
5% debentures	5,00,000		
Current Liabilities	5,20,000		
	29,60,000		29,60,000

On 31-03-2016, Fixed Assets were revalued at ₹ 18,00,000. The profit for the three years were 2014 – ₹ 2,10,000, 2015 – ₹ 2,20,000 and 2016 – ₹ 2,40,000.

Of the above 20% was placed to the Reserve account. The fair return on Capital employed is at 10%.

Calculate the value of equity shares of a company under :

a) Net Assets method

b) Yield method.



10. Lakshmi Company Ltd. gives the following Trial Balance for the year ending 31-03-2016.

Particulars	Dr. ₹	Cr. ₹
10% Preference share capital (of ₹ 10 each)	—	10,000
Equity share capital (of ₹ 10 each)	—	48,000
Stock (1-4-2015)	6,000	—
Purchases and sales	72,000	98,000
Discount	2,200	5,400
Salaries	12,000	—
Rent	6,000	—
Miscellaneous expenses	500	—
Dividend for previous year	4,900	—
Debtors and creditors	28,000	7,000
Machinery	25,000	—
Cash and Bank Balance	25,500	—
Share premium	—	2,500
Debentures	—	10,000
Interest	3,900	—
Forfeited shares	—	800
Loan to Director	5,000	—
Director's fees	3,000	—
Audit fees	2,000	—
Unclaimed dividend	—	1,000
P and L Appropriation A/c (1-4-2015)	—	13,300
	1,96,000	1,96,000

Adjustments :

- 1) Closing stock was valued at ₹ 12,000
- 2) Depreciate machinery by 10%
- 3) Commission earned but not received ₹ 10,000
- 4) Transfer ₹ 10,000 to General Reserve.

You are required to prepare Company's Final Account in vertical format.