

III Semester B.Com. Examination, April/May 2021

(CBCS) (2015 – 16 and Onwards) (F+R)

COMMERCE

3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer **any five** sub-questions. **Each** sub-question carries **two** marks. **(5×2=10)**
- Give the meaning of underwriting.
 - What is the partial underwriting ?
 - Mention the Ratios required to calculate profit prior to Incorporation.
 - State any 4 factors determining the value of Goodwill.
 - How do you calculate Intrinsic value of shares ?
 - State under what heading the following items will appear in the Balance Sheet of a company.
 - Calls unpaid
 - Loose tools.
 - What is the fair value of shares ?

SECTION – B

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

2. Ganesh Co. Ltd. issued 50,000 shares of ₹ 10 each. The whole issue was fully under written by ABC and D as follows.

A – 20,000 shares B – 15,000 shares

C – 5,000 shares and D – 10,000 shares

The company received applications for 45,000 shares of which marked applications were as follows.

A – 22,000 shares, B – 11,000 shares,

C – 1,000 shares and D – 9,000 shares.

Determine the liability of each underwriter.

3. Shiva Ltd. had purchased a business on 1.4.2019. The company received its certificate of Incorporation on 1.9.2019. The average monthly sales for the period before Incorporation was 25% more than the average monthly sales for the period after Incorporation. The total sales during the year was ₹ 26,50,000.

Ascertain :

- Time Ratio
- Sales Ratio
- Pre and post Incorporation sales.

P.T.O.



4. From the following information calculate the Value of Goodwill under,
- 3 year purchase of super profit method.
 - Capitalisation of super profit method.
 - Average capital employed – ₹ 4,35,000.
 - Net profit of the firm for the past 3 years were ₹ 61,000, ₹ 49,250 and ₹ 87,750.
 - Managerial remuneration of employed Elsewhere ₹ 9,000 P.a.
 - Normal rate of return 8%.
5. From the following particulars of Karunya Ltd., compute the value of shares under Yield Method.
- Equity shares of ₹ 10 each.
 - Profit for the last 3 years ₹ 75,000, ₹ 78,000 and ₹ 87,000.
 - 20% is transferred to Reserve.
 - Normal rate of return – 10%.
6. Under which heading would you show the following in company final account.
- Provision for taxation
 - Underwriting commission
 - Work in progress
 - Pension fund
 - Loan to employees
 - Unclaimed dividend.

SECTION - C

Answer any 3 questions. Each question carries 14 marks.

(3×14=42)

7. A Ltd. Co. issued 1,00,000 equity shares of ₹ 100 each. M, N, O and P underwrites the entire issue in the proportion of 30%, 30%, 20% and 20% respectively. They also apply for firm share application as follows.
- M – 3,000 shares N – 2,000 shares
O – 2,000 shares and P – 3,000 shares.
- Asides the firm application, the public apply for 60,000 shares of which marked applications are as follows.
- M – 10,000 shares N – 6,000 shares
O – 8,000 shares and P – 16,000 shares.
- Calculate the Net Liability of each underwriter treating
- Firm underwriting as marked application.
 - Firm underwriting as unmarked application.
8. 'A' Ltd. took over the business of B on 1.4.2019 and it was incorporated on 1.7.2019. The P/L A/c of 'A' Ltd. on 31.3.2020 was as follows.

| Particulars | ₹ | Particulars | ₹ |
|-----------------------|--------|------------------------|----------|
| To Commission (sales) | 5,250 | By Gross profit | 1,96,000 |
| To Advertisement | 10,500 | By Bad debts recovered | 1,000 |
| To M.D. Remuneration | 18,000 | | |
| To Depreciation | 5,600 | | |



| | | |
|-----------------------------|-----------------|-----------------|
| To Salaries | 36,000 | |
| To Insurance | 1,200 | |
| To Preliminary Expenses w/o | 1,400 | |
| To Rent and taxes | 6,000 | |
| To Discount | 700 | |
| To Bad debts | 2,500 | |
| To Net profit | 1,09,850 | |
| | 1,97,000 | 1,97,000 |

Further details :

- The average monthly sales after incorporation was twice the average monthly sales before.
- Rent which was paid for the first 3 months at ₹ 400 P.M. Increased by ₹ 100 per month for the balance of period.
- Bad debts of ₹ 350 related only to the period after 1.9.2019 and the Balance related to the sales made upto 1.9.2019.
- The Bad debts realised belong to the bad debts which were written off in 2019-20.

Find out the profit before and after incorporation.

9. The B/S of Divya Co. Ltd. as on 31.3.2020 is as under.

| Liabilities | ₹ | Assets | ₹ |
|---------------------------------|------------------|---------------|------------------|
| 6,000 pre shares of ₹ 100 each | 6,00,000 | Fixed assets | 10,00,000 |
| 10,000 Eq. shares of ₹ 100 each | 10,00,000 | Stock | 3,50,000 |
| General reserve | 80,000 | Debtors | 4,50,000 |
| P/L A/c | 1,60,000 | Cash at Bank | 2,00,000 |
| S. Creditors | 1,60,000 | | |
| | 20,00,000 | | 20,00,000 |

The profit of the company (before providing for tax 40%) and the rate of dividend declared in respect of the last 5 financial year are as follows.

| Year | Profit | Rate of dividend |
|-------------|---------------|-------------------------|
| 2015 - 16 | 2,70,000 | 8% |
| 2016 - 17 | 3,10,000 | 10% |
| 2017 - 18 | 3,40,000 | 12% |
| 2018 - 19 | 3,30,000 | 15% |
| 2019 - 20 | 3,60,000 | 15% |

You are required to find out the value of Goodwill of the company on the basis of

- 5 years purchase of super profits.
- Capitalisation of super profit method.
- As per annuity of super profit taking P.V of annuity of Re. 1.00 for 5 years at 10% is as 3.78.



10. On 31.3.2020 the Balance Sheet of Jagadish Ltd. was as follows.

| As at 31.12.2020 the Balance Sheet of Jagadish Ltd. was as follows. | | | |
|---|----------|---------------------|----------|
| Liabilities | | Assets | |
| | ₹ | | ₹ |
| 5,000 shares of ₹ 100 each | 5,00,000 | Land and Building | 2,20,000 |
| P/L A/c | 1,03,000 | Plant and Machinery | 95,000 |
| Bank over draft | 20,000 | Stock | 3,50,000 |
| Creditors | 77,000 | Debtors | 1,55,000 |
| Provision for tax | 45,000 | | |
| Provision for dividend | 75,000 | | |
| | 8,20,000 | | 8,20,000 |
| The 5 years net profit of the company is ₹ 8,20,000. | | | |

The 5 years net profit of the company after deducting all working charges and providing for depreciation and taxation were as under.

| | | |
|-----------------------|-----------------|-----------------|
| 2016 - ₹ 85,000 | 2017 - ₹ 96,000 | 2018 - ₹ 90,000 |
| 2019 - ₹ 1,00,000 and | 2020 - ₹ 95,000 | |

on 31.3.2020 Land and Building was revalued at ₹ 2,50,000. Plant and Machinery at ₹ 1,50,000 and Goodwill at ₹ 1,50,000. The normal rate of return is 10%.

You are required to ascertain the value of equity shares under

a) Intrinsic value method b) Yield value method c) Fair value method.

11. Following are the B/S of Karunya Ltd. as on 31.3.2020. You are required to prepare Final Account of the company after taking additional Information into consideration.

| Debits | | ₹ | Credits | ₹ |
|--------------------------|--|-------------|-----------------------|-------------|
| Premises | | 30,72,000 | Share capital | 40,00,000 |
| Plant | | 33,00,000 | 12% debenture | 30,00,000 |
| Stock on 1.4.2019 | | 7,50,000 | P/L A/c | 2,62,500 |
| Debtors | | 8,70,000 | Creditors | 7,70,000 |
| Goodwill | | 2,50,000 | Sales | 41,50,000 |
| Bank balance | | 4,06,500 | General Reserve | 2,50,000 |
| Calls in arrears | | 75,000 | R.D.D. as on 1.4.2019 | 35,000 |
| Interim Dividend | | 3,92,500 | | |
| Purchases | | 18,50,000 | | |
| Preliminary expenses | | 50,000 | | |
| Wages | | 9,79,800 | | |
| General expenses | | 68,350 | | |
| Salaries | | 2,02,250 | | |
| Bad debts | | 21,100 | | |
| Debenture Interest paid | | 1,80,000 | | |
| | | 1,24,67,500 | | 1,24,67,500 |
| Additional Information : | | | | |

Additional Information :

- Closing stock is valued at ₹ 10,50,000.
- Depreciate plant at 15%.
- Write off ₹ 5,000 from preliminary expenses.
- Half year debenture interest is due.
- Transfer ₹ 25,000 to General Reserve.
- Ignore Corporate Dividend Tax (CDT).