

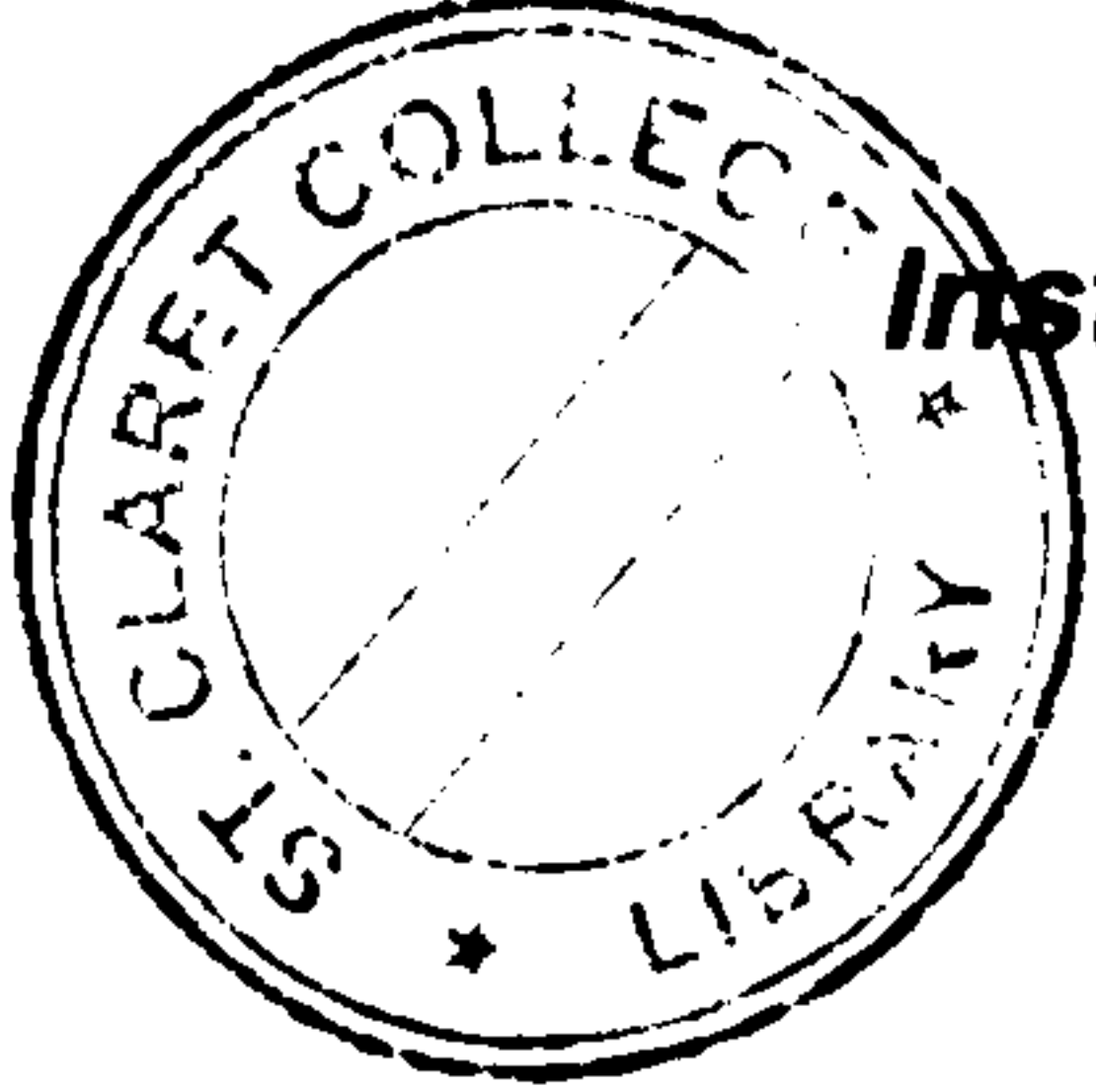
- 45 -

III Semester B.Com. Examination, Nov./Dec. 2015  
(Repeaters) (2013-14 and Onwards)  
COMMERCE

3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100



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

SECTION – A

(2x10=20)

Answer **any ten** sub-questions. **Each** sub-question carries **two** marks.

1. a) State any two reasons for valuation of shares.
- b) What do you mean by profit prior to incorporation ?
- c) Define the term Goodwill.
- d) What is time ratio ?
- e) What is the meaning of Acquisition of Business ?
- f) Closing capital employed is ₹ 6,00,000, Net profit for the current year is ₹ 1,20,000. What is Average Capital Employed ?
- g) Mention the different methods of valuation of goodwill.
- h) What do you mean by calls-in-arrears ?
- i) State the methods of valuation of shares.
- j) How do you calculate purchase consideration under Net Assets method ?
- k) Mention any two expenses charged only to post incorporation period.
- l) How do you treat the following items in the companies balance sheet ?
  - a) Debenture
  - b) preliminary expenses
  - c) securities premium
  - d) call-in-arrears.

P.T.O.



## SECTION – B

(4×8=32)

Answer **any four** of the following. **Each** question carries **8** marks.

2. Muni and Vinu, sharing profits and losses equally, decided to sell their business to a joint stock company on 31<sup>st</sup> March 2015 when their Balance Sheet stood as follows.

Liabilities	₹	Assets	₹
S/Creditors	4,80,000	S/Debtors	6,00,000
Bills Payable	4,00,000	Bills Receivable	1,00,000
BOD	1,60,000	Stock	3,60,000
Reserve Fund	60,000	Patents	80,000
Muni's Capital	4,00,000	Machinery	1,60,000
Vinu's Capital	4,00,000	Land and Building	6,00,000
	<b>19,00,000</b>		<b>19,00,000</b>

- The Goodwill of the firm was valued at ₹ 7,60,000.
- Land and Building and Machinery are taken over at ₹ 10,00,000 and ₹ 2,40,000 respectively.
- The Vendor's were to be allotted Equity share of the value of ₹ 21,00,000.

You are required to pass incorporation entries in the books of the company.

3. The Net Profits of Karthik Ltd. after providing for taxation for the past five years were ₹ 1,00,000, ₹ 1,20,000, ₹ 1,28,000, ₹ 1,40,000 and ₹ 1,36,000. The capital employed in the business is ₹ 8,00,000. The normal rate of return in this type of business is 10%.

Calculate the value of goodwill on the basis of,

- 5 year's purchase of super profit method.
- Annuity method by taking the present value as 3.78.



4. Praveen Ltd., was incorporated on 1-7-2014 to takeover the business of G. K. Ltd. as a going concern with effect from 1-4-2014 their profit and loss account for the year ended 31-3-2015 is as follows :

	₹		₹
To Directors fees	15,000	By Gross Profit	2,40,000
" Bad debts	3,600		
" Advertisement (under a contract amts. to ₹ 1,000 p.m.)	12,000		
" Interest to Vendor (Upto 31-10-15)	10,000		
" Salaries	64,000		
" Preliminary Expenses	5,000		
" Donation to political party	5,000		
" Net Profit	1,25,400		
	<b>2,40,000</b>		<b>2,40,000</b>

Sales for the year amounted to ₹ 12,00,000 of which ₹ 5,40,000 was for the first six months.

Prepare a statement showing the amt. of profit prior to and after incorporation.

5. From the following details, calculate the value of each Equity Share on yield basis method.
- 1) 5000, 9% Preference Share of ₹ 100 each ₹ 5,00,000.
  - 2) 125000 Equity Shares of ₹ 10 each ₹ 12,50,000.
  - 3) Expected Average Profit before tax ₹ 5,45,000.
  - 4) Rate of taxation 40%.
  - 5) Transfer to General Reserve 20%.
  - 6) Normal rate of return 15%.



6. Following particulars have been obtained from the books of a company.

Remuneration of M.D. ₹ 20,000

Provision for bad debts ₹ 10,000

Provision for taxation ₹ 1,50,000

Depreciation written off ₹ 80,000

Preliminary Expenses written off ₹ 20,000

Loss on sale of investments ₹ 50,000

Depreciation Allowable as per income tax provisions ₹ 70,000

Net profit after considering the above items ₹ 4,50,000

Calculate Remuneration of Managing Directors @ 5% of net profit as per provisions of Companies Act.

SECTION – C

(16×3=48)

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

7. The Balance Sheet of 'Z' Ltd. is as follows on 31-3-2015

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Equity Shares of ₹ 10 each	5,00,000	Fixed Assets	4,00,000
General Reserve	2,20,000	Investment	1,00,000
Profit and Loss A/c	1,00,000	Current Assets	4,20,000
Current Liability	1,00,000		
	<b>9,20,000</b>		<b>9,20,000</b>

a) Net Profit After Taxation 2012 – ₹ 1,00,000, 2013 – ₹ 1,50,000, 2014 – ₹ 1,25,000.

b) Normal rate of return 10%.

c) Interest on investment is ₹ 8,000 p.a.

Ascertain the goodwill under :

i) 4 years purchase of Super Profit.

ii) Capitalisation of Super Profit.

iii) Annuity method (Annuity value is ₹ 3.78).

8. From the Balance Sheet and other information given, You are required to find out :
- Intrinsic value per share
  - Yield value
  - Fair value (ignore taxation).

**Balance Sheet of Shiva Ltd. as on 31-3-15**

Liabilities	₹	Assets	₹
2,000 Equity Shares of ₹ 100 each	2,00,000	Land and Building	1,10,000
Profit and Loss A/c	22,000	Stock	48,000
S. Creditors	28,000	Debtors	88,000
Bills Payable	60,000	Cash at Bank	52,000
	60,000	Preliminary Expenses	12,000
	<b>3,10,000</b>		<b>3,10,000</b>

**Other information :**

- Assets of the company are valued as; Land and Building ₹ 2,40,000, Goodwill ₹ 1,60,000 and other assets are worth their book value.
  - The profits of the company have been as follows : 2013 – ₹ 90,000, 2014 – ₹ 80,000, 2015 – ₹ 1,06,000.
  - Transfer to General Reserve is 25%.
  - Normal rate of return is 12%.
9. Roja Ltd., was incorporated on 1-8-14 to takeover the running business of Raja Ltd., from 1-4-14. The following are the Ledger balances of the company for the year ended 31-3-15

	₹		₹
To Salaries	60,000	By Gross Profit	2,50,000
" Rent	23,000		
" General Expenses	7,200		
" Director's fees	3,000		



" Selling Expenses	4,000	
" Discount on Sales	1,000	
" Advertisement	7,500	
" Preliminary Expenses	3,300	
" Interest to Vendors (upto 30-9-15)	6,000	
" Repairs to Machinery	2,600	
" Depreciation	2,400	
" Net Profit	1,30,000	
	<b>2,50,000</b>	<b>2,50,000</b>

**Additional Information :**

- The average monthly sales during the pre-incorporation period was ₹ 60,000 and the average monthly sales of post-incorporation period was ₹ 70,000.
- Rent was paid at ₹ 1,000 p.m. upto 1-8-15 and thereafter balance included in the above rent.

Prepare a statement to showing profit prior to and after incorporation of the company.

10. Following is the Trail Balance of Sunrise Co. Ltd. as on 31-12-15.

<b>Particulars</b>	<b>Debit (₹)</b>	<b>Credit (₹)</b>
Share Capital	—	80,000
Stock on 1-1-15	51,000	—
Purchase and Sales	2,20,000	3,30,000
General Expenses	5,600	—



Wages	12,000	–
Salaries	18,700	–
Travelling Expense	3,200	–
Advertisement	1,550	–
Rent and taxes	4,900	–
Discount paid	850	–
Discount Received	–	2,200
Bad Debts	2,500	–
Buildings	95,000	–
Debtors	45,000	–
Creditors	–	55,500
Plant and Machinery	98,000	–
Loan	–	75,000
Cash	12,400	–
Reserve Fund	–	23,000
Profit and Loss A/c	–	5,000
	<b>5,70,700</b>	<b>5,70,700</b>

**Adjustments :**

- 1) Provide 5% for Doubtful debts.
- 2) Depreciate Buildings 5%, Plant and Machinery 10%.
- 3) Wages O/S ₹ 500, Salaries O/S ₹ 1,000.
- 4) Closing Stock ₹ 22,000.

Prepare Final Accounts of the company.