

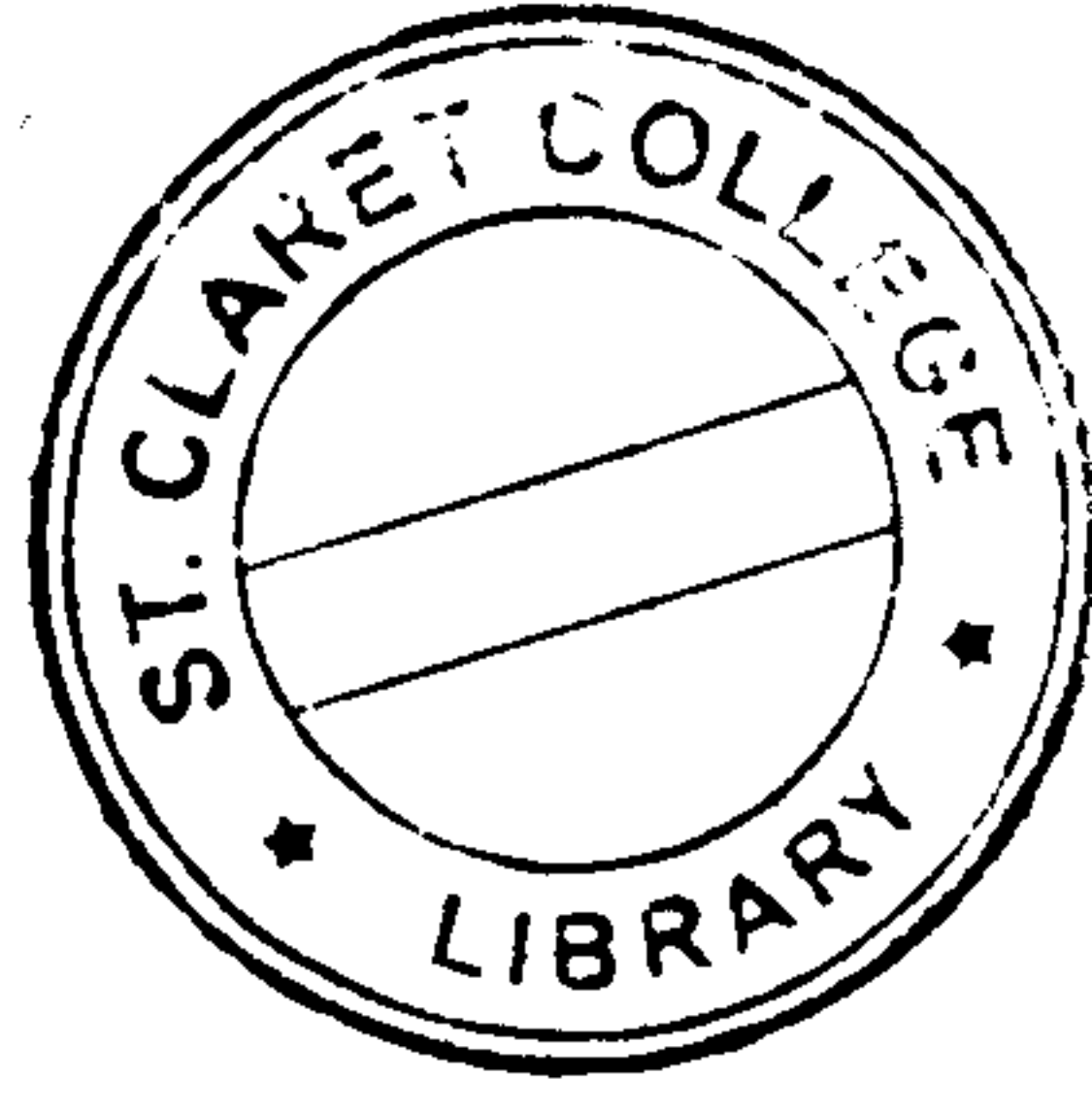


SN – 667

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III Semester B.Com. Examination, Nov./Dec. 2013
(New Syllabus) (2013-14 & Onwards)

COMMERCE

3.3 : Corporate Accounting



Time : 3 Hours

Max. Marks : 100

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

SECTION – A

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

1. a) Give the meaning of Purchase Consideration.
- b) How is purchase consideration determined under net assets method ?
- c) How is excess of net assets over purchase consideration treated in the books of account of a company ?
- d) Give the meaning of profit prior to incorporation.
- e) How is pre-incorporation loss treated in the books of account ?
- f) State any four circumstances that necessitate the valuation of Goodwill in case of Joint Stock Companies.
- g) How is Goodwill calculated under Weighted average method ?
- h) How is value of shares determined under Yield value method ?
- i) Profit available to equity shareholders Rs. 4,50,000; normal rate of return 15% and number of equity shares 25,000. Find out value of Equity Shares.
- j) Distinguish between Interim Dividend and Final Dividend.
- k) What is the maximum rate of managerial remuneration payable as per Companies Act, 1956 ?
- l) State any four non-current assets.

P.T.O.



SECTION – B

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

2. Mr. A and Mr. B are equal partners in M/s AB and Company. They agree to sell their business to AB Ltd., which agrees to take over all the assets and liabilities of the firm at the values agreed as under :

Goodwill Rs. 75,000; Buildings Rs. 1,25,000; Machinery Rs. 1,90,000; Stock Rs. 85,000; Debtors Rs. 45,000; Bills receivable Rs. 40,000; Creditors Rs. 60,000 and Bills payable Rs. 30,000.

AB Ltd., discharges the purchase consideration as under: Issue of 30,000 equity shares of Rs. 10 each at a premium of 10%; 1,200 12% Debentures of Rs. 100 each and the balance in cash.

Calculate purchase consideration and show the journal entry for discharge of purchase consideration in the books of AB Ltd.

3. SS Ltd., was incorporated on 1-7-2012 to take over the running business of M/s SK & Co., with effect from 1-4-2012. The company closes its books of account on 31-3-2013.

There were 50 employees during the pre-incorporation period and it was increased to 70 employees during the post incorporation period.

Average monthly sales during the pre-incorporation period was Rs. 1,00,000 and the average monthly sales of post-incorporation period was Rs. 2,50,000.

Prepare a statement showing how the following expenses are allocated between pre and post incorporation periods:

Rent Rs. 96,000; Salary Rs. 3,12,000; Salesman commission Rs. 1,02,000 and Directors fees Rs. 25,000.



4. Nischal Ltd., proposed to purchase the business of Nishanth Ltd., For this purpose, Goodwill is agreed to be valued at 2 years purchase of the weighted average profits of the past 3 years.

The weights to be used are: 2010 – 1; 2011 – 2 and 2012 – 3.

The profits were: 2010 – Rs. 46,000; 2011 – Rs. 56,000 and 2012 – Rs. 45,000.

It is ascertained that the closing stock of 2011 was overvalued by Rs. 7,000.

You are required to calculate the value of Goodwill assuming that Rs. 10,000 should be provided to cover management expenses.

5. From the following information calculate the value of Equity Shares under Yield Method.

a) The paid up share capital of X Ltd., consists of 10,000 15% Preference Shares of Rs. 100 each fully paid and 2,00,000 Equity Shares of Rs. 10 each Rs. 6 paid up.

b) The average profits of the last 3 years before tax was Rs. 8,50,000. Provision for taxation is made at 30% and 20% of the profit after tax is transferred to reserves every year. Normal rate of return is 8%.

6. Under what heading the following items (given in trial balance) are shown in the final accounts of the Joint Stock Company.

- a) Discount on issue of shares
- b) Livestock
- c) Discount earned
- d) Accrued interest on investments
- e) Goodwill written-off
- f) Patents and Trademarks
- g) Work-in-progress
- h) Goodwill.



SECTION – C

Answer **any three** of the following. **Each** question carries **sixteen** marks. (16×3=48)

7. RKS Ltd., was incorporated on 1-9-2012 to take over the running business of M/s SK & Co., with effect from 1-4-2012. The company closed its books of account on 31-3-2013. Following are the incomes and expenses of RKS Ltd., for the year ending 31-03-2013.

Particulars	Rs.	Particulars	Rs.
Gross profit	24,00,000	Interest to vendors	
Discount earned	1,14,000	(up to 31-1-2013)	60,000
Interest on investments	1,20,000	Rent paid	96,000
Salary & wages	3,60,000	Selling expenses	54,000
Discount Allowed	2,16,000	Directors fees	30,000
Preliminary expenses		Auditors fees	24,000
written off	10,000	Depreciation	1,44,000
General expenses	24,000	Insurance	12,000
Carriage outward	5,400	Carriage inward	2,280
Bad debts	3,600	Interest on debentures	24,000



Additional information :

- 1) Average monthly purchases during the pre-incorporation period was Rs. 1,50,000 and the average monthly purchases of post-incorporation period was Rs. 3,00,000.
- 2) Average monthly sales during the pre-incorporation period was Rs. 2,00,000 and the average monthly sales of post-incorporation period was Rs. 5,00,000.

Prepare a statement showing the allocation of above items between pre and post-incorporation periods and state how the pre and post incorporation profits are dealt within the books of accounts.

8. The net profits of SN Ltd., before providing for taxation at 30% are as follows :

Financial Year	Profits (Rs.)	Weights
2008-09	1,60,000	1
2009-10	1,68,000	2
2010-11	1,80,000	3
2011-12	1,84,000	4
2012-13	1,88,000	5

The present value of assets and liabilities of the company are as under: Buildings Rs. 12,00,000; Machinery Rs. 6,00,000; Furniture Rs. 2,00,000; Stock Rs. 3,00,000; Debtors Rs. 1,00,000; Cash & Bank Rs. 50,000; Debentures Rs. 5,00,000; Creditors Rs. 3,00,000; Bills Payable Rs. 80,000 and Bank Loan Rs. 7,70,000.



Normal rate of return on net capital employed is 10%.

You are required to find out the value of goodwill under the following methods:

- a) 2 years purchase of the Simple Average Profits
- b) 2 years purchase of the Weighted Average Profits
- c) 5 years purchase of Super Profits of the past 5 years.

9. The Balance Sheet of NV Ltd., as on 31-03-12 is as under :

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 100 each	10,00,000	Fixed Assets	11,00,000
15% Pref. Shares of Rs. 100 each	6,00,000	Stock	3,50,000
General Reserve	80,000	Debtors	4,50,000
Profit & Loss A/c	1,60,000	Cash and Bank	2,00,000
Sundry Creditors	1,40,000		
Bills Payable	1,20,000		
	21,00,000		21,00,000

Additional information :

- a) Realisable Value of Fixed Assets is Rs. 17,00,000 and of Stock is Rs. 3,00,000.
- b) Of the Debtors Rs. 50,000 is doubtful.



c) The average profits of the company (before providing for taxation at 30%) is Rs. 6,50,000.

d) The company transfers 20% of profits after tax to Reserve Fund.

e) Normal Rate of Return is 12% on Net Capital Employed.

Find out the Intrinsic Value, Yield Value and Fair Value of equity shares.

10. Following is the Trial Balance of XYZ Ltd., as at 31-3-2013

Particulars	Dr.(Rs.)	Cr. (Rs.)
Stock as at 1-4-2012	2,08,000	—
Sales	—	21,60,000
Excise Duty	40,000	—
Purchases	17,00,000	—
Wages	3,00,000	—
Discount	74,960	40,000
Furniture	4,00,000	—
Salary	1,48,000	—
Rent	37,800	—
Sundry expenses	20,280	—



P & L A/c as at 1-4-2012	—	2,04,240
Goodwill	2,60,000	—
Share capital	—	10,00,000
Debtors and Creditors	2,94,000	2,86,000
Machinery	3,68,000	—
Cash and 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

Additional information :

- Closing Stock as at 31-3-2013 Rs. 8,80,000
- Depreciate Furniture at 10% and Machinery at 15%
- Write off Rs. 60,000 from Goodwill and Rs. 20,000 from Patents.
- Provision for taxation 30%
- Proposed dividend 15%
- Corporate Dividend Tax 16.225%.

Prepare Final A/c.