



SN – 591

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III Semester B.Com. Examination, November/December 2014
(2013-14 & Onwards) (New Syllabus) (F+R)

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. (10×2=20)

1. a) Give the meaning of acquisition of business.
- b) Give the journal entry for the discharge of purchase consideration in the books of the company.
- c) What is time ratio ? Give an example.
- d) Mention any two expenses charged only to post incorporation period.
- e) Mention any two circumstances necessitating the valuation of goodwill.
- f) What do you mean by 'maintainable profits' ?
- g) Given, closing capital employed Rs. 5,00,000 and net profit for the current year is Rs. 2,25,000, what is the average capital employed ?
- h) How do you calculate the value of shares (face value same) when they are differently paid ?
- i) State any four reasons for valuation of shares.
- j) What is meant by 'contingent liability' ? Give an example,
- k) What do you mean by calls-in-arrears ?

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- l) State under what heading the following items will appear in the balance sheet of a company :
- i) Fixed deposits accepted from public
 - ii) Securities premium
 - iii) Proposed dividend
 - iv) Calls-in-advance.

SECTION – B

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

(4×8=32)

2. X Ltd. was formed to take over the running business of M/s X & Y who shared profits in the ratio of 3 : 2. Their Balance Sheet as on 31-3-2014 was as follows :

Liabilities	Rs.	Assets	Rs.
Creditors	20,000	Buildings	42,000
Bills Payable	10,000	Machinery	20,000
Mrs. X's loan	4,000	Stock	22,000
X's Capital	60,000	Debtors	28,000
Y's Capital	40,000	Goodwill	15,000
		Investments	5,000
		Cash	2,000
	1,34,000		1,34,000

The company agreed to take over the assets excluding investment as under :

Machinery Rs. 15,000; Buildings Rs. 60,000; Stock Rs. 20,000; Cash Rs. 2,000; Debtors Rs. 25,000 and Goodwill Rs. 20,000. The company also agreed to take over the creditors and bills payable at book values. The purchase consideration was settled by the issue of 10,000 equity shares of Rs. 10 each and the balance in cash, shares being distributed in profit sharing ratio to partners.

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



3. Bangalore Trading Co., was incorporated on 1-4-2013 to take over the business of an existing business as from 1-1-2013. It was agreed that the company must pay interest on purchase consideration of Rs. 60,000 @ 5% p.a. until the final settlement, which took place on 1-6-2013. The Profit and Loss Account for the year ending 31-12-2013 was as under.

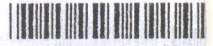
	Rs.		Rs.
To Management expenses	3,000	By Gross profit b/d	20,000
" Interest to vendors	1,250		
" Director's fees	750		
" Debenture interest	2,000		
" Bad debts	450		
" Preliminary expenses			
written off	500		
" Depreciation	1,000		
" Net profit c/d	11,050		
	20,000		20,000

Sales from 1-1-2013 to 31-3-2013 was Rs. 5,000 and sales for the remaining period was Rs. 20,000.

Bad debts of Rs. 100 relate to the debts taken over by the company and is included in bad debts of Rs. 450.

Prepare a statement showing pre and post incorporation profits.

4. From the following information, calculate the value of goodwill under :
- Three years purchase of super profits method.
 - Capitalisation of super profits method.
 - Average capital employed Rs. 8,70,000.
 - Net profits of the firm for the past 3 years were : Rs. 1,22,000; Rs. 98,500 and Rs. 1,75,500.
 - Managerial remuneration if employed elsewhere Rs. 18,000 p.a.
 - Normal rate of return 10%.



5. Following are the particulars of SR Ltd. :

	Rs.
Fixed Assets	4,00,000
Current Assets	2,50,000
50,000 equity shares of Rs. 10 each	5,00,000
5,000, 8% preference shares of Rs. 100 each	5,00,000
Bank Overdraft	40,000
6% Debentures	2,00,000
Other Current Liabilities	60,000
Goodwill	1,00,000

The market value of fixed assets is 12% more than the book value and that of current assets is 5% less than the book value. There is an unrecorded liability of Rs. 5,000.

Assuming that preference shares have no priority as to dividend or to repayment of capital, ascertain the value of equity shares.

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

	Rs.
Remuneration of Managing Director	20,000
Provision for bad debts	10,000
Provision for taxation	1,50,000
Depreciation written off	80,000
Loss on sale of investments	70,000
Depreciation allowable as per income tax provisions	70,000
Net profit after considering the above items	4,50,000

Calculate remuneration of Managing Director at 5% of net profit as per provisions of Companies Act.



SECTION – C

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

7. Swetha Ltd. was incorporated on 1-8-2013 to take over the running business of Sowmya Ltd. as from 1-4-2013. Figures of the company for the year ending 31-3-2014 were as follows :

	Rs.		Rs.
To Salaries and Allowances	60,000	By Gross Profit	2,00,000
" Rent and Taxes	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 written off	3,300		
" Interest on debentures	1,400		
" Interest to Vendors (upto 30-9-2013)	6,000		
" Repairs to buildings	1,200		
" Depreciation	2,400		
" Net Profit	80,000		
	2,00,000		2,00,000

Additional Information :

- Rent was paid at Rs. 1,000 p.m. upto 1-8-2013 and thereafter it was increased to Rs. 2,000 p.m.
- The average monthly sales during the pre-incorporation period was Rs. 60,000 and the average monthly sales of post-incorporation period was Rs. 70,000.

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



8. The Balance Sheet of Zed Ltd. is as follows on 31-12-2013.

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	5,00,000	Fixed Assets	4,00,000
General Reserves	2,00,000	Investments (8% Govt. Bonds)	1,00,000
Profit & Loss Account	1,00,000	Current Assets	4,00,000
Current Liabilities	1,00,000		
	9,00,000		9,00,000

- a) Net profit after taxation :

2011 – Rs. 1,30,000; 2012 – Rs. 1,25,000; 2013 – Rs. 1,50,000.

- b) Normal rate of return is 10%.

- c) Current assets are to be taken at Rs. 4,20,000.

Ascertain the goodwill under –

- 4 years purchase of super profits.
- Capitalisation of super profits.
- Annuity of super profits taking annuity factor of Re. 1 for five years at 10% as Rs. 3.78.

9. From the Balance Sheet and other information given, you are required to find out the Intrinsic Value, Yield Value and Fair Value of equity shares. Ignore taxation.

Balance Sheet of SRG Ltd. as at 31-3-2014

Liabilities	Rs.	Assets	Rs.
2000 equity shares of		Land and Buildings	1,10,000
Rs. 100 each	2,00,000	Plant and Machinery	1,30,000
General Reserve	40,000	Patents and Trade Marks	20,000
Profit & Loss A/c	32,000	Stock	48,000
S. Creditors	1,28,000	S. Debtors	88,000
Bills Payable	60,000	Cash at Bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000



Assets of the company are valued as under :

Land and Buildings Rs. 2,40,000; Goodwill Rs. 1,60,000; and Plant and Machinery Rs. 1,20,000. The other assets are worth their book value.

The profits of the company have been as follows :

2011-12 – Rs. 90,000

2012-13 – Rs. 80,000

2013-14 – Rs. 1,06,000

The company follows the practice of transferring 25% of profits to general reserve. Normal rate of return is 12%.

10. Following is the Trial Balance of P. K. Ltd. as at 31-3-2014.

Debit Balances	Rs.	Credit Balances	Rs.
Opening Stock	1,50,000	Equity Share Capital	5,00,000
Purchases	3,80,000	Purchase return	10,000
Wages	60,000	Sales	11,50,000
Carriage	2,000	Discount Received	6,300
Furniture	25,000	Surplus Account	1,70,000
Salaries	12,000	Sundry Creditors	33,700
Rent	15,000	General Reserve	82,000
Trade Expenses	11,000	Bills Payable	13,000
Sundry Debtors	54,000	Provision for doubtful debts	3,000
Plant & Machinery	12,00,000		
Cash at Bank	21,500		
Patents	9,000		
Bills Receivable	14,000		
Bad Debts	6,500		
Discount allowed	8,000		
	19,68,000		19,68,000

**Additional Information :**

- a) Stock on 31-3-2014 – Rs. 2,00,000.
- b) Depreciate Plant and Machinery at 12%, Furniture at 10% and Patents at 20%.
- c) Further bad debts amounted to Rs. 4,000. Provide 5% on debtors for bad debts.
- d) Provide for income tax @ 35% and for corporate dividend tax @ 16.2225%.
- e) The Board of Directors recommended a dividend of 25%.

Prepare Final Accounts of the company.