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III Semester B.Com. Examination, Nov./Dec. 2014
(Prior to 2013-14) (Repeaters)
COMMERCE
3.3 : Corporate Accounting – I
(100 – 2012-13 Only)
(90 – Prior to 2012-13)

Time : 3 Hours Max. Marks : 90/100

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

SECTION – A

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

1. a) State the various types of underwriting.

   b) Distinguish between gross liability and net liability.

   c) What do you mean by redemption of preference shares ?

   d) Give the meaning of divisible profits.

   e) What is the normal rate of return ?

   f) State the four features of goodwill.

   g) What is meant by valuation of shares ?

   h) State any two factors to be considered for valuation of shares.

   i) How do you treat preliminary expenses in the final accounts of company ?

   j) What is meant by unclaimed dividend ? Where do you show the same in the company's Balance Sheet ?

   k) How do you calculate the value of shares under break-up value method ?

   l) What is the permissible monthly remuneration to a managerial person in case of inadequate profits ? (If the effective capital is 5-25 crores)

P.T.O.

SECTION – B

Answer **any five** of the following. **Each** question carries **5** marks. **(5×5=25)**

2. State any five circumstances necessitating valuation of shares.

3. What is under writing commission ? What are the legal provisions relating to it ?

4. The profits disclosed by Naik Ltd. for the past 5 years were as follows :

   2009 – Rs. 20,000 (Including abnormal profit Rs. 2,500)

   2010 – Rs. 25,000 (after charging abnormal loss Rs. 5,000)

   2011 – Rs. 22,500 (excluding Rs. 2,500 insurance premium)

   2012 – 30,000

   2013 – Rs. 40,000 (including profit on sale of building Rs. 10,000)

   You are required to calculate the value of goodwill at 3 years purchase of average profits.

5. From the following particulars, prepare Profit and Loss Appropriation Account.

   a) Profit and loss account balance brought forward 50,000

   b) Net profit before tax 4,37,500

   c) Provision for taxation 40%

   d) Transfer to Reserve fund 67,500

   e) The share capital consists of the following :

      1) 5000 12% preference shares of Rs. 100 each fully paid.

      2) 5000 equity shares of Rs. 100 each Rs. 80 paid up.

   f) The directors propose a dividend of 10% on equity shares.

6. A company issued 50,000 shares of Rs. 10 each. The whole issue was fully under written by P Q R and S as follows :

   P – 20,000, Q – 15,000, R – 5,000 and S – 10,000 shares. The company received applications for 45,000 shares of which marked applications were as follows :

   P – 22,000, Q – 11,000 R – 1,000 and S – 9,000 shares.

   Determine the liability of each underwriter.

7. A company has to redeem Rs. 1,00,000 worth of preference shares at a premium of 10%. The amount of divisible profits and securities premium account available in Balance Sheet is Rs. 20,000 and Rs. 1,000 respectively.

   Find out the sufficient number of equity shares of Rs. 10 each to be issued at a premium of 5% in order to redeem the preference shares.

8. Following information relates to Sudeep Ltd., 8000 10% preference shares of Rs. 100 each 8,00,000

   10000 equity shares of Rs. 100 each 10,00,000

   Average profit before tax 6,45,160

   Rate of tax 40%

   Transfer to be made to reserve 25%

   Normal rate of return 20%

   Ascertain the value of each equity share under yield method.

SECTION – C

Answer **any three** of the following. **Each** question carries **fifteen** marks. **(3×15=45)**

9. Sooraj Ltd. issued 200000 equity shares of Rs. 100 each. ABC and D underwritten the entire issue in proportion of 40%, 30%, 20% and 10% respectively in consideration of commission in cash at 4%, they also apply for firm shares as under :

   A – 6000 shares, B – 4000 shares, C – 4000 shares and D – 6000 shares. Besides, the firm applications from the underwriters, the public apply for 120000 shares of which marked applications are as under :

   A – 20000 shares, B – 12000 shares, C – 16000 shares and D – 32000 shares.

   Show the number of shares to be taken up by each of the underwriters treating.

   a) Firm underwriting as marked applications

   b) Firm underwriting as unmarked applications

   c) Find out the commission payable to the underwriter.

10. The Balance Sheet of Aryan Ltd. as on 31-3-2014 is as under :

Liabilities	Amt.	Assets	Amt.
1500 Pref. shares of		Fixed assets	2,50,000
Rs. 100 each	1,50,000	Stock	87,500
2500 equity shares		Debtors	1,12,500
of Rs. 100 each	2,50,000	Bank	50,000
General Reserve	20,000		
Profit and Loss a/c	40,000		
Creditors	40,000		
	5,00,000		**5,00,000**

The profits of the company (before providing for tax 40%) and the rate of dividend declared in respect of the past 5 years are as under :

Year	08 – 09	09 – 10	10 – 11	11 – 12	12 – 13
Profits	67500	77500	85000	82500	90000
Rate of dividend	8%	10%	12%	15%	15%

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

a) 3 years purchase of super profits.

b) Capitalisation of super profits method.

c) As per annuity of super profits taking PV of annuity of Rs. 1.00 for 5 years at 10% as Rs. 3.78.

11. Following is the Balance Sheet of Ram Ltd. as on 31-3-2014.

Liabilities		Amt.	Assets	Amt.
Pref. Shares			Fixed assets	2,25,000
15000 shares of			Investments	2,50,000
Rs. 10 each 1,50,000			Stock and Debtors	1,00,000
(–) calls in			Cash and Bank	25,000
arrears	12,500	1,37,500		

Equity shares		
20000 shares of		
Rs. 10 each	2,00,000	
General Reserve	1,00,000	
Current liabilities	1,62,500	
	6,00,000	**6,00,000**

On the above date the preference shares are redeemed. Calls in arrears were recovered in full and sufficient number of equity shares of Rs. 10 each are issued at a premium of 25%. For the purpose making payment to preference share holders, BOD is arranged to the extent necessary so as to leave cash and bank balance at Rs. 15,000.

You are required to pass necessary Journal Entries and show the Balance Sheet after redemption.

12. The following details are obtained from the books of Radhakrishna Ltd. as on 30-6-2013.

Share Capital :	**Rs.**
20000 Equity shares of Rs. 10 each fully paid up	2,00,000
20000 Equity shares of Rs. 10 each Rs. 7.50 paid up	1,50,000
20000 Equity shares of Rs. 10 each Rs. 5 paid up	1,00,000
General Reserve	1,00,000
Liabilities	2,50,000
Fixed assets	3,60,000
Current assets	4,40,000

The normal average profit (less tax) of the company is estimated at Rs. 60,000 and the estimated rate for capitalisation purpose is 10, transfer to general reserve 20%.

Calculate the value of each type of shares by

a) Assets backing method (excluding goodwill)

b) Yield method

c) Fair value method.

13. Prepare the Final Accounts from the following Trial Balance as on 31-3-2013.

Calls in arrears	5,000	Share capital	5,00,000
Premises	7,50,000	Sales	10,00,000
Machinery	1,50,000	Reserve fund	1,80,000
Furniture	50,000	Profit and Loss a/c	35,000
Purchases	6,80,000	Creditors	75,000
Wages	1,25,000	10% Debentures	4,00,000
Salaries	60,000	Bills payable	10,000
Interim dividend (including corporate dividend tax)	20,000	Reserve for doubtful debts (1-4-2012)	1,000
Goodwill	2,00,000		
Debtors	60,000		
Bills receivable	43,000		
Bad debts	2,000		
Debentures interest (upto 30-9-2012 – after 25% tax)	15,000		
Stock on 1-4-2012	41,000		
	22,01,000		**22,01,000**

Adjustments :

1) The stock on 31-3-2013 was valued at Rs. 80,000
2) Depreciate machinery and furniture by 10%
3) Maintain RBD at 5% on debtors
4) Directors proposed a final dividend at 15%
5) Debenture interest is unpaid for 6 months.

SECTION – D

(Compulsory for 2012-13 Students)

Answer the following question which carries **10** marks. **(1×10=10)**

14. State the headings under which the following items are shown in the Balance Sheet of the company.

a) Plant and machinery

b) Reserve fund

c) Debenture

d) Preliminary expenses

e) Loos tools

f) Prepaid expenses

g) Provision for tax

h) Creditors

i) Debtors

j) Fixed deposits from public.