

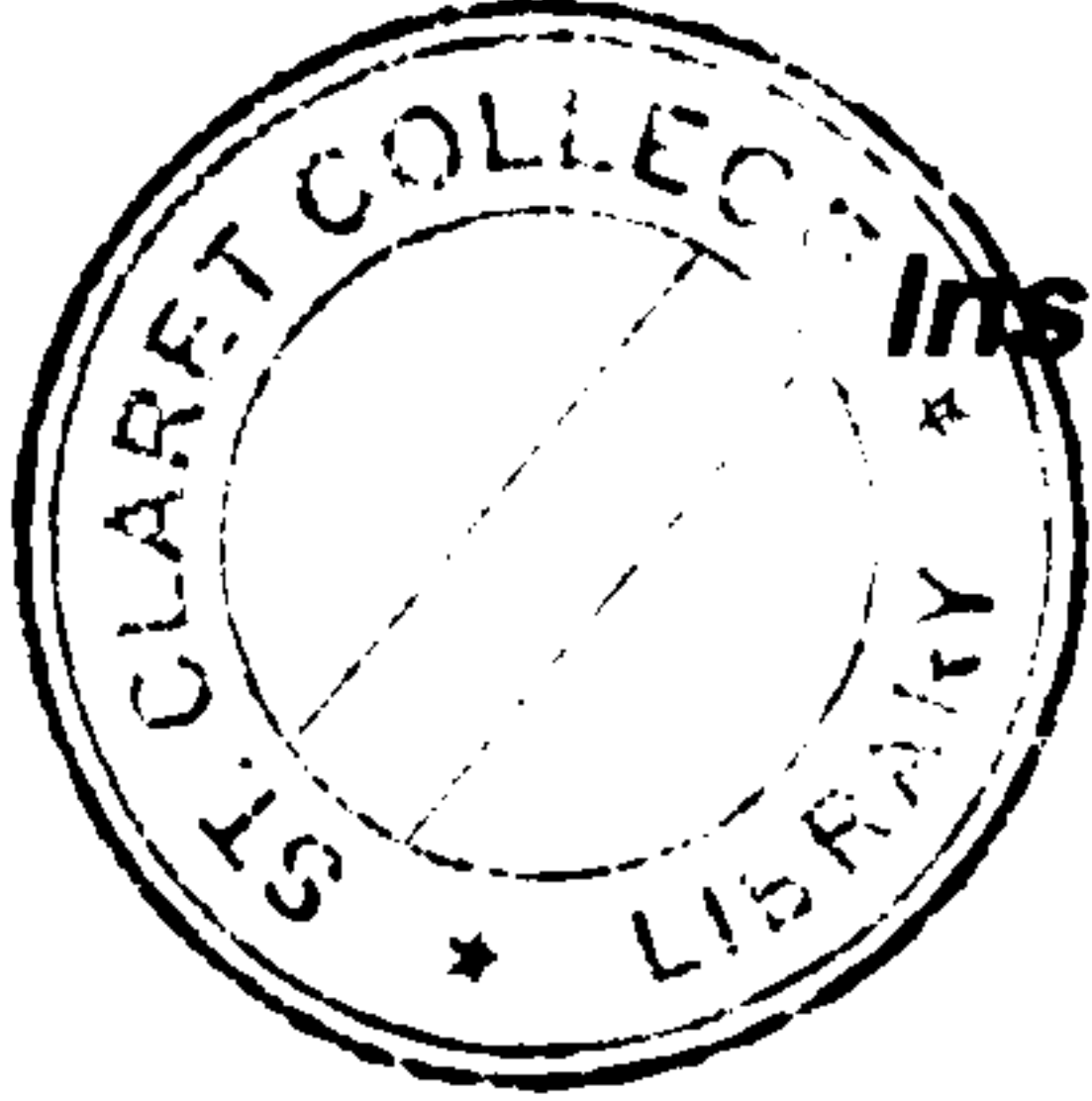
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**III Semester B.Com. Examination, Nov./Dec. 2015
(Repeaters) (2013-14 and Onwards)
COMMERCE**

3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100



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

SECTION – A

(2×10=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.

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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 31st 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
	19,00,000		19,00,000

- 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.

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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		
	2,40,000		2,40,000

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

Liabilities	₹	Assets	₹
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		
	9,20,000		9,20,000

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
	3,10,000	Preliminary Expenses	12,000
			3,10,000

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	
	2,50,000	2,50,000

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.

Particulars	Debit (₹)	Credit (₹)
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
	5,70,700	5,70,700

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.