III Semester B.Com. Examination, Nov./Dec. 2017
(F + R) (CBCS) (2015-16 and Onwards)
COMMERCE
3.3 : Corporate Accounting

Time : 3 Hours Max. Marks : 70

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

SECTION – A

Answer **any five** sub-questions, **each** sub-question carries **two** marks. **(5×2=10)**

1. a) Who is an underwriter ?
   b) What is sales ratio ? Give an example.
   c) State any four factors affecting goodwill.
   d) How do you ascertain the intrinsic value of shares ?
   e) Distinguish between interim dividend and final dividend.
   f) What is contingent liability ? Give an example.
   g) Given the closing capital employed ₹ 7,50,000 and the net profit for the current year is ₹ 2,80,000, what is the average capital employed ?

SECTION – B

Answer **any three** questions, **each** question carries **six** marks. **(3×6=18)**

2. ABC Ltd. issued 100000 shares of ₹ 10 each. These shares were underwritten as under

   P – 50000 shares and Q – 30000 shares

   The public applied for 80000 shares which included marked applications as under

   P – 12000 shares and Q – 4000 shares

   You are required to determine the liability of the underwriters.

3. A limited company was registered on 1-1-2016 to buy the business of Govind Bros. from 1-10-2015.

   The accounts of the company for the period ended 30-9-2016 disclosed a gross profit ₹ 95,820 and the following expenses were incurred :

   a) Salary ₹ 15,000 (there were 4 employees in the pre-incorporation period and 7 in the post incorporation)

   b) Wages – ₹ 5,280 (there were 4 workers in the pre-incorporation period at ₹ 80 per month per worker and 5 workers in the post-incorporation period at ₹ 100 per month per worker).

   c) Director's fees – ₹ 8,000.

   d) Sales were ₹ 2,40,000 of which ₹ 40,000 related to pre-incorporation period.

   You are required to prepare statement of profit and loss showing the apportionment between pre and post incorporation periods.

4. The net profits of a business for the past five years are ₹ 80,000, ₹ 84,000, ₹ 90,000, ₹ 94,000 and ₹ 92,000 respectively. The capital employed in the business is ₹ 8,00,000. Normal rate of return expected is 10% of average capital employed. It is expected that the company will be able to maintain its super profits for the next five years. Calculate goodwill on the basis of

   a) 5 years purchase of super profits.

   b) Annuity of super profits (p.v. of annuity of one rupee for 5 years at 10% is ₹ 3.78)

5. Following are the particulars of Anurag Co. Ltd.

	₹
Fixed assets	8,00,000
Current assets	5,00,000
50000 equity shares of ₹ 10 each	5,00,000
5000, 8% preference shares of ₹ 100 each	5,00,000

Bank O.D.	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 ₹ 5,000. Determine intrinsic value of equity shares.

6. State the heading under which the following items shown in the Balance Sheet of the company.
   a) Prepaid expenses
   b) Proposed dividend
   c) Calls-in-advance
   d) Patents
   e) Short term investments
   f) Loan to employees.

SECTION – C

Answer **any three** questions, **each** question carries **fourteen** marks. **(3×14=42)**

7. Ram Ltd. issued 100000 equity shares of ₹10 each at a premium of ₹ 5 per share. The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3000, 2000, 1000 and 1000 shares respectively. The underwriters were entitled to a commission at 2.5% on issue price of shares.

   The company received applications for 70000 shares from public, out of which applications for 19000, 10000, 21000 and 8000 shares were marked in favour of A, B, C and D respectively.

Calculate the net liability of the underwriters – If

a) Firm applications are treated as marked forms.

b) Firm applications are treated as unmarked forms.

c) Also calculate underwriting commission payable.

8. MK Ltd. was incorporated on 1-8-2016 to take over the running business of PQ Ltd. as from 1-4-2016. Prepare a statement of profit and loss showing the profit prior to and after incorporation of the company, with the help of the following additional information and for details for the year ended 31-3-2017.

Additional Information :

a) Rent was paid at ₹ 1,000 p.m. upto 1-8-2016 and thereafter it was increased to ₹ 2,000 p.m.

b) The average monthly sales upto 1-8-2016 were ₹ 60,000 and since then, the average monthly sales were ₹ 70,000.

Profit and Loss Account for the year ending 31-3-2017

Particulars	₹	Particulars	₹
To Salaries and allowances	60,000	By gross profit b/d	2,00,000
" Rent and taxes	23,000		
" 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 30-9-2016)	6,000		

" Repairs to buildings	2,400		
" Depreciation	8,400		
" Net profit c/d	80,000		
Total	**2,00,000**		**2,00,000**

9. The Balance Sheet of Sadanand Co. Ltd., as on 31-3-2017 is as under

Liabilities	₹	**Assets**	₹
6000 pref. shares of ₹100 each	6,00,000	Fixed Assets	10,00,000
10000 equity shares of ₹ 100 each	10,00,000	Stock	3,50,000
General reserve	80,000	Debtors	4,50,000
Profit and loss A/c	1,60,000	Cash at Bank	2,00,000
Sundry creditors	1,60,000		
Total	**20,00,000**	**Total**	**20,00,000**

The profits of the company (before providing for taxation at 40%) and the rate of dividend for the past five years are as under :

Financial Year	**Profit (₹)**	**Rate of dividend (X)**
2012-13	3,70,000	8%
2013-14	4,10,000	10%
2014-15	4,40,000	12%
2015-16	4,30,000	15%
2016-17	4,60,000	15%

You are required to calculate the goodwill of the company on the basis of

a) 5 years purchase of super profits

b) Capitalization of super profits method

c) Annuity method (p.v. of annuity of ₹ 1 for 5 years at 10% is 3.78).

10. The following details are obtained from RK Ltd. as on 31-12-2016.

	₹
20000 equity shares of ₹10 each fully paid up	2,00,000
20000 equity shares of ₹ 10 each ₹ 7.50 paid up	1,50,000
20000 equity shares of ₹ 10 each, ₹ 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 profits (after tax) of the company is estimated at ₹ 60,000 and the estimated rate of capitalization is 10%. Transfer to general reserve 20%. Calculate the value of each type of shares by

a) Asset backing method and

b) Yield method

11. From the following Trial Balance of Sony Co. Ltd. as at 31-3-2017, prepare final accounts in the prescribed form (Vertical format)

Particulars	**Dr. (₹)**	**Particulars**	**Cr. (₹)**
Buildings	5,00,000	Equity share capital	3,00,000
Plant and machinery	2,00,000	12% pref. share capital	2,00,000
Purchases	2,50,000	Reserve fund	1,50,000
Salary	60,000	10% debentures	2,00,000
Sundry debtors	2,30,000	Sales	6,00,000
Bills receivable	80,000	Sundry creditors	1,75,000

Directors fees	20,000	Bills payable	90,000
Bad debts	5,000	Purchase returns	20,000
Sales returns	15,000	Profit and Loss A/c on 1-4-2016	60,000
Wages	15,000	Interest on investments	18,000
Opening stock (1-4-2016)	45,000		
Loose tools	60,000		
Goodwill	80,000		
Discount on issue of shares	20,000		
Cash and bank balance	33,000		
12% investments (1-4-2016)	2,00,000		
	18,13,000		**18,13,000**

Adjustments:

a) Closing stock is valued at ₹ 1,40,000.

b) Outstanding wages ₹ 2,500.

c) Write off 10% of goodwill and 10% of discount on issue of shares.

d) Debenture interest is outstanding for the whole year.

e) Buildings and plant and machinery to be depreciated by 5% and 10% respectively.

f) Transfer ₹ 25,000 to reserve fund.

g) The directors propose 15% dividend to equity shareholders.