

Q.P. Code : 14322

**Third Semester B.B.A. Degree Examination,
November/December 2019**

(CBCS – 2018-19 – Semester Scheme)

Business Administration

Paper 3.3 – CORPORATE ACCOUNTING

Time : 3 Hours]

[Max. Marks : 70

Instructions to Candidates : Answers should be written in English only.

SECTION – A

Answer any **FIVE** sub-questions. Each sub-question carries **2** marks :

(5 × 2 = 10)

1. (a) What is Issued capital?
- (b) What is Minority interest?
- (c) State any two methods of valuations of shares.
- (d) Define goodwill.
- (e) Give the meaning of financial analysis.
- (f) What is post acquisition profit?
- (g) What are super profits?

SECTION – B

Answer any **THREE** questions. Each question carries **6** marks :

(3 × 6 = 18)

2. Discuss the factors to be considered in valuation of goodwill.
3. From the following information calculate value of an equity share under yield method :
 - (a) The paid up share capital of company consists of 1,000, 15% pref. shares of Rs. 100 each and 20,000 equity shares of Rs. 10 each
 - (b) The average annual profit of the company, after providing for depreciation and taxation amounted to Rs. 75,000. It is considered necessary to transfer Rs. 10,000 to general reserve before declaring dividend.
 - (c) The normal return expected by investors on Equity shares from this type of business carried on by the company is 10%.

Q.P. Code : 14322

4. Under which heading are the following items shown in the Balance sheet of a company?
- (a) Forfeited share account
 - (b) Under writing commission
 - (c) Share premium
 - (d) Discount on issue of debenture
 - (e) Unclaimed dividend
 - (f) Provision for taxation.
5. Calculate the trend percentages from the following figures of a company by assuming 2014 as base year :

₹ in lakhs

| Year | 2014 | 2015 | 2016 |
|------------------------|------|------|------|
| Net sales | 220 | 190 | 250 |
| Cost of goods sold | 120 | 110 | 150 |
| Gross profit | 100 | 80 | 100 |
| Operating expenses | 20 | 15 | 22 |
| Net operating income | 80 | 65 | 78 |
| Non operating income | 20 | 15 | 12 |
| Total | 100 | 80 | 90 |
| Non operating expenses | 10 | 12 | 15 |
| Net profit | 90 | 68 | 75 |

6. From the following particulars relating to the business of X compute the value of goodwill on the basis of 3 years purchase of super profit taking the average of 4 years. Capital invested Rs. 60,000 Managerial remuneration of proprietor if employed elsewhere Rs. 15,000 p.a.

Market rate of interest on investment is 15%

Trading results :

- 2011 - 30,000 (profit)
- 2012 - 36,000 (profit)
- 2013 - 4,000 (loss)
- 2014 - 44,000 (profit)

Q.P. Code : 14322

SECTION - C

Answer any **THREE** questions of the following. Each question carries **14** marks :
(3 × 14 = 42)

7. The Small Co. Ltd. gives below its Trial Balance for the year ending 31.3.2018 :

| Particulars | Dr. | Cr. |
|--------------------------------------|-----------------|-----------------|
| 10% preference shares | — | 10,000 |
| Equity shares | — | 49,000 |
| Stock (1.4.2017) | 6,000 | |
| Purchases and sales | 72,000 | 98,000 |
| Discount | 2,200 | 4,400 |
| Salaries | 12,000 | — |
| Rent | 6,000 | — |
| Miscellaneous expenses | 500 | — |
| Dividend | 4,900 | — |
| Debtors and creditors | 28,000 | 7,000 |
| Machinery | 25,000 | — |
| Cash and bank balances | 25,500 | — |
| Share premium | — | 2,500 |
| Debenture | — | 10,000 |
| Interest | 3,900 | — |
| Forfeited shares | — | 800 |
| Loan to director | 5,000 | — |
| Director's fees | 3,000 | — |
| Audit fees | 2,000 | — |
| Unclaimed dividend | — | 1,000 |
| P and L appropriation a/c (1.4.2017) | — | 13,300 |
| | <u>1,96,000</u> | <u>1,96,000</u> |

Q.P. Code : 14322

Adjustments :

- (a) Closing stock was valued at Rs. 12,000
- (b) Depreciate Machinery by 10%
- (c) Commission earned but not received Rs. 10,000
- (d) Credit Rs. 10,000 general reserve.

Prepare the final accounts of the company.

8. On 31.3.2015 Liabilities and Assets of 'H' Ltd. and its subsidiary 'S' Ltd. stood as follows :

| Liabilities | H Ltd. | S Ltd. | Assets | H Ltd. | S Ltd. |
|-----------------|------------------|-----------------|----------------------|------------------|-----------------|
| Share capital | 8,00,000 | 2,00,000 | Fixed assets | 5,50,000 | 1,00,000 |
| General reserve | 1,50,000 | 70,000 | Investment 75% | | |
| P and L a/c | 90,000 | 55,000 | shares in | | |
| Creditors | 1,20,000 | 80,000 | 'S' Ltd. (cost) | 2,80,000 | — |
| | | | Stock | 1,05,000 | 1,77,000 |
| | | | Other current assets | 2,25,000 | 1,28,000 |
| | <u>11,60,000</u> | <u>4,05,000</u> | | <u>11,60,000</u> | <u>4,05,000</u> |

Draw a consolidated B/S as on 31.3.2015 after taking into consideration the following information :

- (a) H Ltd. acquired the shares on 31.7.2014
- (b) S Ltd. earned a profit of Rs. 45,000 for the year ended 31.3.2015.

9. The B/S of Sri Ravi and Co. Ltd. for the years 2014 and 2015 are given below :

| Liabilities | 31.12.14 | 31.12.15 | Assets | 31.12.14 | 31.12.15 |
|---------------------|----------|----------|--------------------|----------|----------|
| Eq. share capital | 60,000 | 1,20,000 | Buildings | 60,000 | 1,20,000 |
| Pref. share capital | 50,000 | 90,000 | Machinery | 40,000 | 80,000 |
| Reserve | 40,000 | 50,000 | Investments | 40,000 | 50,000 |
| P and L a/c | 20,000 | 30,000 | Account receivable | 10,000 | 40,000 |

Q.P. Code : 14322

| Liabilities | 31.12.14 | 31.12.15 | Assets | 31.12.14 | 31.12.15 |
|----------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Long term loan | 20,000 | 50,000 | Cash at bank | 5,000 | 15,000 |
| Creditors | 10,000 | 30,000 | Stock | 45,000 | 65,000 |
| | <u>2,00,000</u> | <u>3,70,000</u> | | <u>2,00,000</u> | <u>3,70,000</u> |

You are required to prepare comparative Balance Sheets and comment on the financial position.

10. The following details are obtained from the books of Karthik Ltd. as on 30th June 2016 :

(a) Share capital :

- (i) 10,000 equity shares of Rs. 10 each fully paid Rs. 1,00,000
- (ii) 10,000 equity shares of Rs. 10 each Rs. 7.50 paid Rs. 75,000
- (iii) 10,000 equity shares of Rs. 10 each Rs. 5 paid Rs. 50,000

- (b) General reserve Rs. 50,000
- (c) Liabilities Rs. 1,25,000
- (d) Fixed assets Rs. 1,80,000
- (e) Current assets Rs. 22,000
- (f) Normal average profit Rs. 30,000
- (g) Rate of capitalisation 10%
- (h) Transfer to general reserve 20%.

Calculate the value of each type of share by

- (i) Asset backing method and
- (ii) Yield method.

11. The following particulars are available in respect of business carried on by Dhanush Ltd. :

(a) Profit for the years

| | |
|-----------|------------|
| 2011 - 12 | Rs. 50,000 |
| 2012 - 13 | Rs. 60,000 |
| 2013 - 14 | Rs. 55,000 |

(b) Profit of 2011-12 included a non-recurring income of Rs. 5,000

Q.P. Code : 14322

- (c) During the year 2012-13 closing stock was undervalued by Rs. 10,000
- (d) Normal rate of return 10%
- (e) Average capital employed Rs. 3,00,000
- (f) Present value of an annuity of one rupee for 5 years at 10% is Rs. 3.78

You are required to calculate the goodwill :

- (i) As per 5 year purchase of super profit
- (ii) As per capitalization of super profit and
- (iii) As per annuity method.