



71321

III Semester B.C.L.S. Examination, March/April 2022

(CBCS)

COMMERCE

Paper – 3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answer should be written **completely** in **English** only.

SECTION – A

1. Answer **any five** sub-questions. **Each** question carries **2** marks. **(5×2=10)**

- a) What is meant by underwriting ?
- b) Write any two advantages of underwriting.
- c) Give the meaning of profit prior to incorporation.
- d) Mention any four factors determining the value of goodwill.
- e) What are the factors that influence the valuation of shares ?
- f) Distinguish between interim dividend and final dividend.
- g) What are Current Assets ? Give the examples.

SECTION – B

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

2. ABC Ltd. issued 100000 shares of Rs. 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.

P.T.O.



3. Swamy Ltd. had purchased a business on 1-4-2021. The company received its certificate of incorporation on 1-9-2021. The average monthly sale for the period before incorporation was 25% more than the average monthly sales for the period after incorporation. The total sales during the year was ₹ 13,25,000.

Ascertain :

- a) Time ratio
 - b) Sales ratio
 - c) Pre and post incorporation sales.
4. From the following information, calculate the value of goodwill under 3 years purchase of super profits method.
- 1) Average Capital employed ₹ 4,35,000.
 - 2) Net profits of the firm for last 3 years were ₹ 61,000, ₹ 49,250 and ₹ 87,750 respectively.
 - 3) Managerial remuneration if employed elsewhere ₹ 9,000 per annum.
 - 4) Normal rate of return 8%.
5. Under what notes (Headings) do you show the following items in the balance sheet of a company.
- a) Goodwill
 - b) Fixed deposit from public
 - c) Discount on debenture
 - d) Live stock
 - e) Provision for taxation
 - f) Bank overdraft.



6. From the following details, calculate the value of each equity share on yield basis method.

- 1) 10000 9% Preference shares of ₹ 100 each ₹ 10,00,000.
- 2) 250000 Equity shares of ₹ 10 each ₹ 8 paid ₹ 20,00,000.
- 3) Expected profits per year before tax ₹ 10,90,000.
- 4) Rate of taxation 40%.
- 5) Transfer to general reserves 20%.
- 6) Normal rate of return 15%.

SECTION – C

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

7. Raj Ltd. invited applications from the public for 250000 shares of ₹ 10 each at a premium of ₹ 5 per share. Entire issue was underwritten by underwriters, A, B, C and D to the extent of 30%, 20%, 30%, 20% with the provision of firm underwriting of 7500 shares, 2500 shares, 5000 shares and 2500 share respectively. The company received applications for 175000 shares excluding firm underwriting, out of which marked applications were A – 47500 shares, B – 52500 shares, C – 25000 shares and D – 20000 shares respectively.

Prepare a statement showing the net liability of underwriters, treating :

- a) Firm underwriting as marked applications.
- b) Firm underwriting as unmarked applications.



8. A Ltd. Co. took over the business of B Ltd. on 1-4-2020 and it was incorporated on 1-7-2020. The P/L Account of A Ltd. on 31-03-2021 was as follows.

Profit and Loss Account for the Year ended 31st March, 2021

Particulars	₹	Particulars	₹
To Commission on Sales	26,250	By Gross Profit	9,80,000
To Advertising	52,500	By Bad debts recovered	5,000
To MD's Remuneration	90,000		
To Depreciation	28,000		
To Salaries	1,80,000		
To Insurance	6,000		
To Preliminary Exp.	7,000		
To Rent and Taxes	30,000		
To Discount	3,500		
To Bad debts	12,500		
To Net Profit	5,49,250		
	9,85,000		9,85,000

- a) The average monthly sales after incorporation were twice the average monthly sales before.
- b) Rent, which was paid for the first three months at the rate of ₹ 2,000 per month and increased by ₹ 500 per month for the remaining period.
- c) Bad debts of ₹ 3,500 related to the period after 1st September, 2015 and the balance related to the sales made up to 1st September, 2015.
- d) The bad debts recovered belonged to the bad debts which were written off in 2014.

Find out the profits before and after incorporation of the company.



9. The Balance Sheet of Sannidhi Ltd. is as follows on 31st December 2021.

Liabilities	₹	Assets	₹
Share capital		Fixed assets less depreciation	4,00,000
Equity shares of 10 each	5,00,000	Investment (6% Bonds)	1,00,000
General Reserve	2,00,000	Current Assets	4,00,000
P and L A/c	1,00,000		
Current liabilities	1,00,000		
	9,00,000		9,00,000

Net profits after taxation 2019 – ₹ 1,30,000, 2020 – ₹ 1,25,000,
2021 – ₹ 1,50,000.

The normal rate of returns is 12%.

The current assets are to be taken as ₹ 4,80,000.

Ascertain the value of goodwill under the following methods :

- a) Five years purchase of simple average adjusted profits.
- b) Five years purchase of super profits.
- c) Capitalization of super profits at 12%.
- d) Annuity method if P.V. of an annuity of Rupee one for 5 years at 16% is 3.274.

10. Following is the summarized Balance Sheet of X Ltd. as on 31-3-2021.

Liabilities	₹	Assets	₹
40000 shares of ₹10 each	4,00,000	Goodwill	1,00,000
Reserve Fund	1,00,000	Fixed Assets	4,50,000
Profit and Loss A/c	35,000	Current Assets	1,90,000



9% Debentures	1,00,000	Preliminary Expenses	25,000
Current liabilities	1,30,000		
	7,65,000		7,65,000

For the purpose of valuation of shares, fixed assets were valued at ₹ 5,00,000, and goodwill ₹ 1,50,000. There is a necessity of R.B.D. at 10% on debtors of ₹ 75,000. It is found that stock was overvalued by ₹ 9,000. The net profit for 3 years, was ₹ 71,800, ₹ 69,000 and ₹ 90,200 respectively after taxation out of his profits 20% was placed to reserve, the proportion being considered reasonable in the industry in which the company is engaged and where the normal rate of return is 10%.

Compute the value of each equity share by assets method and yield method and also calculate the fair value of share.

11. Following are the balances of Preethi Ltd. for the year ended 31-3-2021. You are required to prepare the final accounts of the company (vertical form) after taking additional information into account.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	1,50,000	By Equity share capital	5,00,000
To Purchases	3,80,000	By Purchase returns	10,000
To Wages	60,000	By Sales	11,50,000
To Carriage inwards	2,000	By Discount received	6,300
To Furniture	25,000	By Surplus Account	1,70,000
To Salaries	12,000	By Sundry Creditors	33,700
To Rent	15,000	By General Reserves	82,000
To Trade expenses	11,000	By Bills payable	13,000
To Sundry debtors	54,000	By Provision for doubtful debts	3,000
To Plant and Machinery	12,00,000		



To Cash at Bank	21,500
To Patents	9,000
To Bills receivables	14,000
To Bad debts	6,500
To Discount allowed	8,000
	19,68,000

19,68,000

Additional information :

- a) Closing stock is valued at ₹ 2,00,000.
 - b) Depreciate plant and machinery by 12%, Furniture at 10% and Patents at 20%.
 - c) Write off ₹ 4,000 further bad debts and create new R.B.D. at 5% on debtors.
 - d) Transfer ₹ 25,000 to general reserve.
 - e) Ignore corporate dividend tax.
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