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III Semester B.Com. Degree Examination, March/April - 2022

COMMERCE

Corporate Accounting

(CBCS Scheme Regular 2019-20 Onwards)



Time : 3 Hours

Maximum Marks : 70

*Instructions to Candidates:*

Answer should be written in English only.

## SECTION - A

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

1. a) What is underwriting of shares?
- b) State any 2 conditions regarding payment of under writer's commission?
- c) Mention any 2 circumstances for need of valuation of shares?
- d) Pass journal entry for reissue of forfeited shares:
- e) How do you treat advance tax paid in company final accounts?
- f) State the difference between Normal profits and super profits.
- g) What do you mean by "Goodwill"?

## SECTION - B

**II. Answer any Three questions. Each question carries 5 marks. (3×5=15)**

2. From the following information calculate the value of goodwill under.

- a) Capitalization of Average Profit method.

- b) Capitalization of super profit method.

Adjusted Average profits for 5 years = Rs. 55,000

Super profit = Rs. 10,000

Average Capital employed = Rs. 5,00,000

Normal rate of return = 10%

[P.T.O.]



3. Nadabpet company limited issued 2,00,000 shares of Rs. 50 each at premium of 5% of the issued price. These shares were underwritten as follows: X - 60,000, Y - 60,000 and Z - 40,000
- However, the company received only 1,60,000 shares out of which the marked applications were  
X - 40,000 shares, Y - 30,000 shares and Z - 20,000 shares.
- You are required to determine the liability of the underwriters under gross liability basis.
4. From the following information determine the maximum remuneration available to a full time director of a manufacturing company. The Profit & Loss account of the company showed a net profit of Rs. 15,00,000 after making into account the following items.
- Provision for income tax Rs. 80,000
  - Donation to political parties Rs. 50,000
  - Depreciation allowable Rs. 50,000
  - Capital expenditure Rs. 60,000
  - Proposed dividend Rs. 30,000
  - General reserve Rs. 20,000
  - Ex-gratia payment to a worker Rs. 10,000
  - Capital Profit on sale of assets Rs. 20,000.
5. Aiman company issued 1,00,000 shares of Rs. 10 each @ a premium of Rs. 3 per share, payable as Rs. 2 on application, Rs. 6 on allotment (including premium) and the balance in First & Final call. All the shares were subscribed and money duly received except final call for 1,000 shares. Pass necessary journal entries.

### SECTION - C

III. Answer any three questions. Each question carries 15 marks. (3×15=45)

6. GBC limited invited application from the public for 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The entire issue was underwritten by the underwriters A,B,C & D equally with the provision of firm underwriting of 1,250, 2,000, 5,000 and 1,750 shares respectively. The underwriters were entitled to a commission of 2.5% on issue price of shares.
- The company received applications for 1,60,000 shares excluding firm underwriting, out of which marked applications were 20,000, 30,000, 60,000 and 10,000 shares respectively.
- Prepare a statement showing the net liability of each underwriter treating:
- i) Firm underwriting as unmarked applications and
  - ii) Firm underwriting as marked applications.





7. The balance sheet of siri Ltd. , as on 31-12-2020 is as follows:

Liabilities	Amount	Assets	Amount
Equity shares of 10 each	5,00,000	Land & Building	2,00,000
General Reserve	2,00,000	Plant & Machinery	1,00,000
Profit & Loss A/c	1,00,000	Furniture	1,00,000
Sundry Creditors	80,000	Investments	1,00,000
Bills payable	20,000	Current assets	4,00,000
<b>Total</b>	<b>9,00,000</b>	<b>Total</b>	<b>9,00,000</b>

Additional information:

- Net profit after taxation : 2018 - Rs. 1,30,000 (including abnormal loss of Rs. 15,000); 2019-Rs. 1,25,000; 2020 - Rs. 1,50,000
- Normal rate of return is 15%
- Current assets are to be taken at Rs. 4,50,000

Ascertain the values of goodwill under:

- 3 years purchase of simple adjusted average profits.
- 5 years purchase of super profits.
- Capitalization of super profits.
- Annuity of super profits taking annuity factor of Re.1 for 3 years at 15% as 2.2832.

8. Following is the balance sheet of Deeksha limited as at 31<sup>st</sup> March, 2020:

**Balance Sheet as at 31.03.2020**

Liabilities	Amount	Assets	Amount
30,000 Equity shares of 10 each	3,00,000	Land	2,00,000
10,000 5% preference shares of 10 each	1,00,000	Buildings	2,80,000
Reserve Fund	1,00,000	Furniture	45,000
Profit & Loss A/c	35,000	Debtors	1,00,000
6% Debentures	1,00,000	Stock	60,000
Creditors	90,000	Discount on issue of shares	20,000
Provision for taxation	30,000	Preliminary Expenses	60,000
Proposed dividend	10,000		
<b>Total</b>	<b>7,65,000</b>	<b>Total</b>	<b>7,65,000</b>

For the purpose of valuation of shares fixed assets were valued as follows Land- Rs. 2,40,000, Buildings - Rs. 3,00,000, furniture - Rs. 40,000 and goodwill at Rs. 1,00,000 It was found that the stock was Undervalued by Rs. 5,000.

The net profits after taxation for the past three years were Rs. 80,000, Rs. 1,04,000 (includes speculation loss of Rs. 4,000) and Rs. 90,000 respectively. Out of the profit 20% was placed to reserves and the normal rate of return is 10%.

Compute the value of each share by

- Net asset method and
- Yield value method.



9. From the following trial balance prepare Final Accounts of Fazal Company for the accounting period 31st March 2020.

Sl. No.	Particulars	Dr.	Cr.
1	Sales		13,08,000
2	General Reserve		24,000
3	Opening inventories	1,16,800	
4	Trade payable		51,780
5	Purchase of goods	4,64,160	
6	Depreciation on Tangible Assets	31,000	
7	Trade Receivables	1,70,000	
8	Salary Expenses	1,96,940	
9	Provision for Bad and Doubtful debts		10,000
10	Cash & Cash Equivalents	71,000	
11	Tangible Assets	3,10,000	
12	Freight	97,760	
13	Amortizations on Tangible Assets	37,000	
14	Sundry Expenses	85,720	
15	Share capital (Equity Shares of 100 each)		5,00,000
16	Profit & Loss A/c		14,000
17	Preliminary Expenses	40,000	
18	Power & Fuel	1,08,400	
19	Bad debts	7,000	
20	Intangible Assets	1,72,000	
<b>Total</b>		<b>19,07,780</b>	<b>19,07,780</b>

**Adjustments :**

- Create provision for taxation at 30%.
- Write - off  $\frac{1}{5}$ <sup>th</sup> of Preliminary Expenses.
- Write - off Rs. 5,000 as bad debts and maintain PBDD @ 10% on Debtors.
- Closing inventories Rs. 57,600.
- Directors proposed dividend of 15%.