



III Semester B.Com. Examination, November/December 2018
(2015 – 16 and Onwards) (CBCS) (F + R)
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

1. Answer **any five** sub-questions. **Each** correct question carries **two** marks. **(5×2=10)**
- Who is an Underwriter ?
 - What ratios are normally used to apportion pre and post incorporation incomes and expenses ?
 - How do you treat the loss prior to incorporation in the books of accounts ?
 - What is Goodwill ?
 - State any two methods of valuation of shares.
 - What is meant by Interim dividend ?
 - What is Corporate Dividend Tax ?



SECTION – B

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

2. M company issued 1,00,000 shares of Rs. 10 each. The whole issue was fully underwritten by A, B, C and D as follows : A – 40,000 shares; B – 30,000 shares; C – 10,000 shares and D – 20,000 shares.

The company received applications for 90,000 shares of which marked applications were as follows :

A – 44,000 shares; B – 22,000 shares; C – 2,000 shares and D – 18,000 shares.

Determine the Net liability of each underwriters.

P.T.O.



3. Virat Ltd. had purchased a business on 1-4-2017. The company received its certificate of incorporation on 1-9-2017. The average monthly sales 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 Rs. 6,00,000.

Ascertain :

- Time Ratio
- Sales Ratio
- Pre and Post incorporation sales.



4. Sushma Limited has invested a sum of Rs. 12,00,000 in her own business which is very profitable one. The annual profit earned from her business is Rs. 2,40,000 which included a sum of Rs. 40,000 received as compensation for acquisition of part of her business. The money could have been invested in deposits for a period of 5 years at 10% interest and herself could earn Rs. 28,800 per annum in alternative employment considering 2% fair compensation for the risk involved in the business.

Calculate the value of Goodwill of her business on capitalisation of **super profits** at normal rate of return of 12%.

5. Following information relates to Rahul Ltd.

9,000, 10% Preference shares of Rs. 100 each – Rs. 9,00,000

10,000 Equity shares of Rs. 100 each – Rs. 10,00,000

Average Profit Before Tax – Rs. 7,50,000

Rate of Tax – 40%

Transfer to be made to reserves – 20%

Normal Rate of Return – 15%

Ascertain the value of equity shares under yield method.



6. State the heading under which the following items are shown in the Balance Sheet of the company.

- a) Provision for taxation
- b) Trade investment
- c) Bills Payable
- d) Goodwill
- e) Debentures
- f) Bank Overdraft.



SECTION – C

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

7. Trishitha Company Limited issued 1,00,000 equity shares of Rs. 60 each. A, B, C and D underwrite the entire issue in the proportion of 40%, 30%, 20% and 10% respectively in consideration of commission in cash @ 4%. They also apply for firm share application as follows :

A – 3,000 shares, B – 2,000 shares, C – 2,000 shares and D – 3,000 shares.

Besides the firm applications, the public apply for 60,000 shares of which marked applications are as follows :

A – 10,000 shares, B – 6,000 shares, C – 8,000 shares and D – 16,000 shares.

Show the number of shares to be taken up by each of the underwriters treating

- a) firm applications as marked applications
- b) firm applications as unmarked applications and
- c) find out the commission payable to underwriters.



8. Jay Bharath Ltd. Took over the business of Gagan on 1-4-2017 and it was incorporated on 1-7-2017. The company closes its books of accounts on 31-3-2018. The profit and loss account of Jay Bharath Ltd. On 31-3-2018 was as follows :

| Particulars | Rs. | Particulars | Rs. |
|-------------------------|-----------------|------------------------|-----------------|
| To Commission (Sales) | 5,250 | By Gross Profit | 1,96,000 |
| To Advertising | 10,500 | By Bad Debts recovered | 1,000 |
| To M.D.'s Remuneration | 18,000 | | |
| To Depreciation | 5,600 | | |
| To Salaries | 36,000 | | |
| To Insurance | 1,200 | | |
| To Preliminary Expenses | | | |
| written off | 1,400 | | |
| To Rent and Taxes | 6,000 | | |
| To Discount | 700 | | |
| To Bad Debts | 2,500 | | |
| To Net Profit | 1,09,850 | | |
| | 1,97,000 | | 1,97,000 |



Additional information :

- The average monthly sales after incorporation was twice the average monthly sales before.
- Rent which was paid for the first 3 months at Rs. 400 per month, increased by Rs. 100 per month for the balance of the period.
- Bad debts of Rs. 700 related only to the period after 1-9-2017 and the balance related to the sales made upto 1-9-2017.
- The bad debts realised belong to the bad debts which were written off in 2016 – 17.

Find out the profits before and after incorporation.



9. The Balance Sheet of MSD Ltd. as on 31-12-2017.

| Liabilities | Rs. | Assets | Rs. |
|------------------------------|-----------------|------------------|-----------------|
| Equity shares of Rs. 10 each | 2,50,000 | Fixed Assets | 2,00,000 |
| General Reserves | 1,00,000 | Investments | |
| Profit & Loss Account | 50,000 | (5% Govt. Bonds) | 50,000 |
| Current Liabilities | 50,000 | Current Assets | 2,00,000 |
| | 4,50,000 | | 4,50,000 |

Additional information :

a) Net Profit after Taxation :

2015 – Rs. 65,000; 2016 – Rs. 62,500; 2017 – Rs. 75,000

b) Normal Rate of Return is 10%

c) Current Assets are to be taken at Rs. 2,10,000.



Ascertain the value of goodwill under –

- i) 4 years purchase of super profits
- ii) Capitalisation of Super profits
- iii) Annuity of super profits taking annuity factor of Re. 1 for five years at 10% as Rs. 3.78.

10. Following is the Balance Sheet of Sameer Limited as on 31st March 2018.

Balance Sheet as at 31st March 2018

| Liabilities | Rs. | Assets | Rs. |
|---|-----------------|----------------------|-----------------|
| 20,000 Equity shares of Rs. 10 each fully paid up | 2,00,000 | Goodwill | 50,000 |
| Reserve Fund | 50,000 | Fixed Assets | 2,25,000 |
| Profit and Loss A/c | 17,500 | Current Assets | 95,000 |
| 6% Debentures | 50,000 | Preliminary Expenses | 12,500 |
| Current Liabilities | 65,000 | | |
| | 3,82,500 | | 3,82,500 |



For the purpose of valuation of shares fixed assets were valued at Rs. 2,50,000 and goodwill at Rs. 75,000. There is a necessity of RBD at 10% on debtors of Rs. 37,500. It was found that the stock was overvalued by Rs. 4,500.

The net profits for the three years were Rs. 34,500, Rs. 35,900 and Rs. 45,100 respectively, after taxation. Out of this profit 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 20%.

Compute the value of each Equity share by :

- 1) Intrinsic value method;
- 2) Yield method and
- 3) Fair value method.



11. Following is the Trial Balance of SR Ltd. as at 31-3-2018.

| Particulars | Dr. (₹) | Cr. (₹) |
|----------------|----------|---------|
| Opening stock | 75,000 | |
| Purchases | 1,90,000 | |
| Wages | 30,000 | |
| Carriage | 1,000 | |
| Furniture | 12,500 | |
| Salaries | 6,000 | |
| Rent | 7,500 | |
| Trade Expenses | 5,500 | |
| Sundry Debtors | 27,000 | |



| | | |
|------------------------------|-----------------|-----------------|
| Plant and Machinery | 6,00,000 | |
| Cash at Bank | 10,750 | |
| Patents | 4,500 | |
| Bills Receivables | 7,000 | |
| Bad Debts | 3,250 | |
| Discount Allowed | 4,000 | |
| Equity share capital | | 2,50,000 |
| Purchase Return | | 5,000 |
| Sales | | 5,75,000 |
| Discount Received | | 3,150 |
| Surplus account | | 85,000 |
| Sundry Creditors | | 16,850 |
| General Reserve | | 41,000 |
| Bills payable | | 6,500 |
| Provision for doubtful debts | | 1,500 |
| | 9,84,000 | 9,84,000 |



Additional Information :

- a) Stock on 31-3-2018 – Rs. 1,00,000.
- b) Depreciate Plant and Machinery at 12%, Furniture at 10% and Patents at 20%.
- c) Further Bad debts amounted to Rs. 2,000. Provide 5% on debtors for bad debts.
- d) Provide for income tax @ 35% and for corporate dividend tax @ 20.3576%.
- e) The Board of Directors recommended a dividend of 25%.

Prepare Final Accounts of the Company, as per Companies Act, 2013.