



64322

III Semester B.B.A. Examination, April/May 2023

(R) (CBCS Scheme)

BUSINESS ADMINISTRATION

Corporate Accounting

Time : 3 Hours

Max. Marks : 70

**Instruction : All the answers must be written in English only.**

SECTION – A

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

1. a) What do you mean by paid up capital ?
- b) Mention any two factors considered for valuation of shares.
- c) What is super profit ?
- d) Define Goodwill.
- e) Expand 'EBITDA'.
- f) Give the meaning of financial statements.
- g) What is meant by interim dividend ?



SECTION – B

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

2. Explain the purposes of preparing reports.
3. From the following particulars of Arjun Ltd, compute the value of shares under yield method :
  - a) Equity shares of Rs. 10 each ₹ 8,00,000.
  - b) Profits for the last 3 years ₹ 80,000, ₹ 90,000 and ₹ 1,30,000.
  - c) 20% of profits are transferred to reserves.
  - d) Normal rate of return – 10%.

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4. The profits made by Sugam Ltd. for the past 4 years were as follows :

2018 – ₹ 40,000 (including abnormal profit ₹ 5,000)

2019 – ₹ 50,000 (after charging abnormal loss of ₹ 10,000)

2020 – ₹ 45,000 (excluding ₹ 5,000 insurance premium)

2021 – ₹ 80,000 (including profit on sale of building ₹ 20,000)

You are required to calculate the value of goodwill at 2 years purchase of adjusted average profits.

5. Calculate the trend percentages from the following figures of 'A' Ltd., taking 2018-19 as the base year.

(₹ in lakhs)

Year	Sales	Stock	PBT
2018-19	1881	709	321
2019-20	2340	781	435
2020-21	2655	816	458
2021-22	3021	944	527

6. Under which heading the following items are shown in the balance sheet of a company.

a) Calls in arrears

b) Security premium

c) Advance payment of tax

d) Short term loans and advances

e) Sundry creditors

f) Land and building.



SECTION – C

Answer any 3 questions. Each question carries 14 marks.

(3×14=42)

7. Following is the balance sheet of Chandana Ltd., as on 31-03-2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital	30,00,000	Fixed Assets	20,00,000
Reserves and Surplus	7,50,000	Current Assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	<b>50,00,000</b>		<b>50,00,000</b>

Investments are 8% Government Bonds. The net profit after tax for the past 4 years were :

- 2019 – ₹ 7,85,000
- 2020 – ₹ 8,45,000
- 2021 – ₹ 8,50,000
- 2022 – ₹ 8,60,000

Normal rate of return on average capital employed is 20%

Calculate Goodwill at 3 years purchase of super profits.

8. On 31<sup>st</sup> March 2018 the balance sheets of H Ltd. and its subsidiary S Ltd. stood as follows :

Liabilities	H Ltd. (₹)	S Ltd. (₹)	Assets	H Ltd. (₹)	S Ltd. (₹)
Equity Share Capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
Gen. Reserve	1,50,000	70,000	Investments		
Profit and Loss A/c	90,000	55,000	(75% shares in S Ltd. at cost)	2,80,000	–





Creditors	1,20,000	80,000	Stock	1,05,000	1,77,000
			Other current		
			assets	2,25,000,	1,28,000
	<b>11,60,000,</b>	<b>4,05,000</b>		<b>11,60,000,</b>	<b>4,05,000</b>

Draw a consolidated balance sheet as at 31<sup>st</sup> March 2018 after taking into consideration the following information :

- H Ltd. acquired the shares on 31<sup>st</sup> July 2017.
- S Ltd. earned a profit of ₹ 45,000 for the year ended 31<sup>st</sup> March 2018.

Give your working notes.

9. The balance sheet of A Co. Ltd., as at 31<sup>st</sup> March 2022 was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity shares of ₹ 10 each ₹ 8 paid up	8,00,000	Fixed Assets	7,90,000
Gen. Reserve	2,00,000	Goodwill	80,000
P and L A/c	20,000	Current assets	4,90,000
10% Debentures	1,00,000	Discount on Debentures	10,000
Current Liabilities	2,50,000		
	<b>13,70,000</b>		<b>13,70,000</b>

**Additional Information :**

- Fixed Assets and Goodwill were revalued at ₹ 7,50,000 and ₹ 1,00,000 respectively.
- Net profit after tax for the immediately preceding 3 years were ₹ 1,10,000, ₹ 1,05,000 and ₹ 1,45,000 respectively of which 25% was transferred to reserves.



c) The fair return in the industry to which the company belongs is considered to be 10%.

Compute the value of the company's equity share by :

- a) Net Assets Method
- b) Yield Method and
- c) Fair method.

10. The following trial balance has been extracted from the books of Soniya Ltd., as on 31-03-2022 :

Debit balance	₹	Credit balance	₹
Opening Stock	1,50,000	Equity Share Capital	5,00,000
Purchases	3,80,000	Purchase Returns	10,000
Wages	60,000	Sales	11,50,000
Furniture	25,000	Discount	6,300
Carriage	2,000	Surplus Account	1,70,000
Salaries	12,000	Sundry Creditors	33,700
Rent	15,000	Gen. Reserve	82,000
Trade Expenses	11,000	Bills payable	13,000
Sundry Debtors	54,000	Provision for doubtful debts	3,000
Plant and Machinery	12,00,000		
Cash at bank	21,500		
Patents	9,000		





Bills Receivable	14,000	
Bad debts	6,500	
Discount allowed	8,000	
	<b>19,68,000</b>	<b>19,68,000</b>

**Additional Information :**

- Stock on 31-3-2022 ₹ 2,00,000.
- Deperciate plant and machinery at 12%, furniture at 10% and patents at 20%.
- Further bad debts amounted to ₹ 4,000 and provide 5% on debtors for doubtful debts.
- Provide for income tax at 35% and ignore corporate dividend tax.
- The board of directors recommended a dividend of 25%.

Prepare a statement of profit or loss for the year ended 31-03-2022 and balance sheet as on that date as per Companies Act of 1956.

11. The following are the balance sheets of M Ltd. and N Ltd. as on 31-03-2022

Particulars	M Ltd.	N Ltd.
	₹	₹
Land and Building	94,000	2,54,000
Plant and Machinery	1,40,000	2,00,000
Long-term investment	44,000	28,000
Marketable securities	20,000	42,400
Stock	28,000	38,000



Debtors	50,000	60,000
Cash	1,14,000	1,26,000
	<b>4,90,000</b>	<b>7,48,400</b>
Share Capital	1,60,000	2,20,000
Share Premium	—	24,000
Reserves and Surplus	1,30,000	1,34,400
Mortgage Loan	1,00,000	2,00,000
Provision for depreciation	60,000	1,10,000
Creditors	30,000	40,000
Bills payable	10,000	20,000
	<b>4,90,000</b>	<b>7,48,400</b>

You are required to prepare a common size balance sheet and make comments.



(3x6=18)

2. Explain the purposes of preparing (a) Balance Sheet

From the following particulars of Alpha Ltd. prepare the Balance Sheet by the cost method :

- equity shares of Rs. 10 each ₹ 8,00,000.
- Profits for the last 3 years ₹ 80,000, ₹ 90,000 and ₹ 1,10,000.
- 20% of profits are transferred to reserves.
- Normal rate of return – 10%.