

**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.



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 –

- 4 years purchase of super profits
- Capitalisation of Super profits
- 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 :

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

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