



SN – 377

III Semester B.B.M. Examination, November/December 2013  
(Semester Scheme) (2013-14 and Onwards) (New Syllabus)  
**BUSINESS MANAGEMENT**  
**3.3 : CORPORATE ACCOUNTING**

Time : 3 Hours

Max. Marks : 100

**Instruction** : Answers should be written in **English** only.

SECTION – A

Answer **any eight** sub-questions. **Each** sub-question carries **two** marks. **(8×2=16)**

1. a) State different types of share capital.
- b) What is meant by 'Calls-in-arrears' ?
- c) Who is an underwriter ?
- d) What are super profits ?
- e) Distinguish between Interim Dividend and Final Dividend.
- f) What is firm underwriting ?
- g) State the entry to be passed for issue of shares to vendors.
- h) Average profit – ₹ 2,00,000. Capital employed – ₹ 10,00,000. Normal Rate of Return – 15%. Calculate good will on the basis of 2 years purchase of super profits.
- i) What are preliminary expenses ? Give an example.
- j) Under which schedule the following items will appear in the final accounts of a company :
  - i) 8% Debentures
  - ii) Proposed Dividend
  - iii) Patents and Trade Marks
  - iv) Bank Over Draft.

P.T.O.



## SECTION - B

Answer **any three** of the following. **Each** question carries **eight** marks. **(3×8=24)**

2. Briefly explain the factors affecting the valuation of goodwill.
3. ABC Ltd. issued 10000 equity shares of ₹ 10 each at a discount of ₹ 10% per share, payable ₹ 1 on application, ₹ 2 on allotment, ₹ 3 on first call and ₹ 3 on final call. The shares were all subscribed and money duly received, pass journal entries.
4. The following Profit and Loss Account is presented by Shiva Ltd. for the year ended 31-12-2012 :

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Salaries	64,000	By Gross profit b/d	2,54,000
" Director's fees	2,000	" Capital profit on sale	
" Repairs	13,500	of company's land	12,500
" Depreciation (including		" Subsidy received from	
Development rebate ₹ 8,000)	53,000	Government	25,000
" Scientific Research (New			
Laboratory set up)	10,000		
" Income Tax	50,000		
" Proposed Dividend	50,000		
" Interest	19,500		
" Balance C/d	29,500		
	<b>2,91,500</b>		<b>2,91,500</b>

Depreciation allowed as per income tax provisions ₹ 41,000, excluding development rebate. Calculate the remuneration payable to the managing director.



5. The profits disclosed by Chaitra Ltd. for the past five years were as follows :
- 2008 – ₹ 60,000 (including abnormal profit ₹ 7,500)  
 2009 – ₹ 75,000 (after charging abnormal loss ₹ 10,000)  
 2010 – ₹ 50,000 (excluding ₹ 3,000 insurance premium)  
 2011 – ₹ 70,000 (including ₹ 14,500 income on investment)  
 2012 – ₹ 80,000 (including profit on sale of building ₹ 20,000)  
 You are required to calculate the value of good will at 2 years purchase of average profits.

## SECTION - C

Answer Qu. No. 10 and any three from the remaining each question carries 15 marks. (4×15=60)

6. X Co. Ltd. issued 200000 shares of ₹ 10 each at a premium of ₹ 3 each, payable ₹ 2 on application, ₹ 6 on allotment (including premium), ₹ 3 on first call and the balance on final call.

Application were received for 225000 shares. The excess application money was to be adjusted towards allotment. All the money were duly received excepting from Mr. Das who failed to pay the first call and also the final call on 1000 shares and Mr. Ravi who failed to pay the final call on 2000 shares.

Pass journal entries to record the above transactions and show Share Capital A/c and Bank A/c.

7. The following is the Balance Sheet of Trident Co. Ltd. on 31-12-2012.

Liabilities	₹	Assets	₹
Equity share capital-shares		Buildings	1,65,000
of ₹ 10 each	5,00,000	Machinery	85,000
General reserve	2,00,000	Investments	
Profit and Loss A/c	1,00,000	(market value ₹ 2,40,000)	2,00,000
Sundry creditors	80,000	Stock	2,00,000
Provision for tax	20,000	Sundry debtors	80,000
		Bank	1,70,000
	<b>9,00,000</b>		<b>9,00,000</b>



Net profits before tax : 2010 – ₹ 2,10,000 ; 2011 – ₹ 2,20,000 and  
2012 – ₹ 2,50,000

Rate of taxation 40%, income from investments may be taken at 5%. Normal rate of return on average capital employed is 15 % . Building is valued at ₹ 1,80,000 and machinery at ₹ 90,000.

Taking weighted average profits after tax as basis, calculate the value of goodwill based on :

- 5 years purchase of super profits.
- Capitalisation of super profits.
- Annuity of super profits taking annuity rate 2.97.

(ignore additional depreciation on building and machinery)

8. The balance sheet of Diamond Ltd. as at 31-3-2013 is given below :

<b>Liabilities</b>	<b>₹</b>
Share capital : 40000 shares of ₹ 10 each	4,00,000
General Reserve	80,000
Profit and Loss Account	64,000
Sundry Creditors	2,56,000
Income Tax Reserve	1,20,000
	<b>9,20,000</b>
<b>Asset</b>	<b>₹</b>
Land and Buildings	2,20,000
Plant and Machinery	2,60,000



Patents and Trade Marks	40,000
Preliminary expenses	24,000
Stock	96,000
Debtors	1,76,000
Bank Balance	1,04,000
	<b>9,20,000</b>

The expert valued Land and Buildings at ₹ 4,80,000, Goodwill at ₹ 3,20,000 and Plant and Machinery at ₹ 2,40,000. Out of the total debtors, it is found that ₹ 16,000 are bad. The profits of the company have been as follows :

31-3-2011 – ₹ 1,84,000 ; 31-3-2012 – ₹ 1,76,000 and 31-3-2013 – ₹ 1,92,000.

The company follows the practice of transferring 25% of profits to General Reserve. Similar types of companies earn at 10% of the value of their shares. Ignoring taxation ascertain the value of shares by using :

- a) Intrinsic Value Method
- b) Yield Value Method
- c) Fair Value Method.

9. Airlinks Ltd. made a public issue of 250000 equity shares of ₹ 10 each, the entire amount payable on application. The entire issue was under written as follows :

Red – 30%, Yellow – 25%, Green – 25% and White – 20% respectively. Red, Yellow, Green and White had also agreed on firm underwriting of 8000 ; 12000 ; Nil and 30000 shares respectively.

The underwriting contract provides that underwriters be given credit for firm applications.



The total subscriptions excluding firm underwriting, including marked applications were 180000 shares. The marked applications received were as under :

Red – 48,000 ; Green – 24,000

Yellow – 40,000 ; White – 48,000

Ascertain the net liability of each underwriter treating :

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

10. From the following trial balance of Akshatha Ltd. as at 31-3-2013, prepare the company final accounts in vertical form, after considering the following adjustments :

**Adjustments :**

- a) Closing stock is valued ₹ 10,50,000
- b) Depreciate plant at 15 %
- c) Write off ₹ 5,000 from preliminary expenses
- d) Half yearly debenture interest is due.
- e) Write off ₹ 20,000 further bad debts and provide for new reserve for doubtful debts at 5% on debtors.
- f) Transfer ₹ 25,000 to general Reserve.

**Trial Balance as at 31-3-2013**

Particulars	₹	Particular	₹
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% Debenture	30,00,000
Stock (1-4-2012)	7,50,000	P and L A/c	2,62,500
Debtors	8,70,000	Creditors	7,70,000
Goodwill	2,50,000	Sales	41,50,000
Cash and Bank	4,06,500	General Reserve	2,50,000



Calls-in-arrears	75,000	Reserve for Doubtful Debts	
Interim Dividend	3,92,500	(1-4-2012)	35,000
Purchases	18,50,000		
Preliminary Expenses	50,000		
Wages	9,79,800		
General expenses	68,350		
Salaries	2,02,250		
Bad Debts	21,100		
Debenture interest paid	1,80,000		
	<b>1,24,67,500</b>		<b>1,24,67,500</b>

---