

III Semester B.Com. Examination, November/December 2013

Repeaters (2012-13 Only)

Paper – 3.3 : CORPORATE ACCOUNTING – I

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be completely either in **English** or in **Kannada**.

SECTION – A

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

1. a) What are preference shares ?
- b) What is normal rate of return ?
- c) Define the term goodwill.
- d) Give the Journal entry for transfer of divisible profits to Capital Redemption Reserve.
- e) What is partial underwriting ?
- f) State any two reasons for valuation of shares.
- g) What is final dividend ?
- h) Distinguish between gross liability and net liability of underwriters.
- i) State the methods of valuation of shares.
- j) How do you treat preliminary expenses in the final accounts of company ?



SECTION - B

Answer **any three** questions. **Each** question carries **eight** marks. **(3x8=24)**

2. Bhuvana Ltd. redeemed its 10,000 preference shares of Rs.100 each at a premium of 10 %. Though the company had sufficient balance in the reserve fund. It decided to make fresh issue of 6,000 equity shares of Rs.100 each at a premium of 25 % for this purpose. Pass necessary Journal entries.

3. Following is the Balance Sheet of Shantha Ltd. as on 31-3-2013.

Liabilities	Rs.	Assets	Rs.
Share capital	30,00,000	Fixed assets	20,00,000
Reserve and surplus	7,50,000	Current assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	50,00,000		50,00,000

The Investments are 8 % on Government bonds. The net profit after taxation for the past 4 years were Rs. 7,85,000, Rs. 8,45,000, Rs. 8,50,000 and Rs. 8,60,000 respectively. Normal rate of return on average capital employed is 20 %.

Calculate goodwill at 3 years purchase of super profits.

4. ABC Co. Ltd. issued 50,000 shares of Rs.10 each. These shares were underwritten as follows.

X - 20,000 shares, Y - 15,000 shares, Z - 15,000 shares. The public applied for 36,000 shares which included marked application as follows. X - 6,000 shares, Y - 10,000 shares and Z - 4,000 shares. Prepare a statement of underwriters liability.



5. From the following particulars prepare profit and loss appropriation account.
- i) Profit and loss account balance from last year Rs. 1,25,000.
 - ii) Net profit for the year before taxation Rs. 10,80,000.
 - iii) Provision for Tax 40 %.
 - iv) Transfer to General reserve Rs. 1,05,000 and to dividend equalisation fund Rs. 80,000.
 - v) Dividend on 8 % preference shares of Rs. 6,00,000.
 - vi) Dividend at 12.5 % on 1,00,000 equity shares of Rs. 10 each, Rs. 8 called up (calls in arrears Rs. 25,000).
6. Briefly explain various methods of valuing goodwill.

SECTION - C

Answer **any four** of the following. **Each** question carries **15** marks. **(4×15=60)**

7. Nagaraj Ltd. issued 5,00,000 shares of Rs. 10/- each which was underwritten as follows :

- A - 1,50,000 shares (firm underwriting 15,000 shares)
- B - 1,25,000 shares (firm underwriting 20,000 shares)
- C - 1,25,000 shares (firm underwriting 5,000 shares)
- D - 1,00,000 shares (firm underwriting 25,000 shares)

The total application including firm underwriting and marked applications were for 4,30,000 shares. The marked applications were as under :

- A - 75,000 shares
- B - 65,000 shares
- C - 58,000 shares
- D - 90,000 shares

Calculate the net liability of each underwriter treating

- a) Firm underwriting as marked application.
- b) Firm underwriting as unmarked application.



8. On 31-3-2013, The Balance Sheet of Kavya Ltd. was as follows :

Liabilities	Rs.	Assets	Rs.
Share capital :			
5,000 shares of Rs. 100	5,00,000	Land and Building	2,20,000
Profit and loss A/c	1,03,000	Plant and Machinery	95,000
Bank overdraft	20,000	Stock	3,50,000
Creditors	77,000	Sundry Debtors	1,55,000
Provision for Taxation	45,000		
Proposed dividend	75,000		
	8,20,000		8,20,000

The net profits of the company after deducting all working charges and providing for depreciation and taxation were as under :

Financial Year	Profit (Rs.)
2007 - 08	85,000
2008 - 09	96,000
2009 - 10	90,000
2010 - 11	1,00,000
2011 - 12	95,000
2012 - 13	98,000

On 31-3-2013 Land and Building was revalued at Rs. 2,50,000, Plant and Machinery at Rs. 1,50,000 and goodwill at Rs. 1,50,000. The normal rate of return is 10 %.

You are required to ascertain the value of shares under

- i) Intrinsic value method
- ii) Yield method
- iii) Fair value method.



9. The following is the Balance Sheet of Vinay Ltd. as on 31-3-2013.

Liabilities	Rs.	Assets	Rs.
10,000 8 % Redeemable		Fixed assets	4,00,000
Prof. shares of Rs. 10 each	1,00,000	Investments	1,00,000
20,000 7 % Prof. shares		Stock	40,000
of Rs. 10 each Rs. 5 paid up	1,00,000	Debtors	60,000
20,000 Equity shares of		Bank	2,00,000
Rs. 10 each	2,00,000		
Securities Premium	80,000		
General Reserve	60,000		
Capital Reserve	70,000		
Profit and Loss A/c	90,000		
Current liabilities	1,00,000		
	8,00,000		8,00,000

On 1-4-2013 the company redeemed the preference shares at a premium of 5 %.

In order to pay off the preference shareholders. It sold the investments for Rs. 80,000. All payments were made except to 100 share holders who could not be traced.

1-5-2013 the company issued fully paid Bonus shares in the ratio of 1 : 1 for Equity shares.

Pass entries and prepare Balance Sheet.



10. The Balance Sheet of Naman is as follows on 31-12-2012.

Liabilities	Rs.	Assets	Rs.
Equity shares of		Fixed Assets	4,00,000
Rs. 10 each	5,00,000	Investments	
General reserve	2,00,000	(6 % Govt. Bonds)	1,00,000
Profit and loss A/c	1,00,000	Current assets	4,00,000
Current liabilities	1,00,000		
	9,00,000		9,00,000

Net profit after taxation :

2010 - Rs. 1,50,000, 2011 - Rs. 1,40,000, 2012 - Rs. 1,30,000. The normal rate of return is 15 %.

The current assets are to be taken as Rs. 4,10,000. Ascertain the value of goodwill under :

- 1) 4 years purchase of super profits.
- 2) Capitalisation of super profits.
- 3) Annuity super profits taking the present value of an Annuity of Re. 1. In five years at 10 % Interest as Rs. 3.78.

11. The following trial balance was extracted from the books of Ashok Ltd. as on 31-3-2013. You are required to prepare the final accounts.

Debit	Rs.	Credit	Rs.
Land and building	1,40,000	Share capital	2,00,000
Furniture	8,000	General reserve	30,000
Plant and machinery	1,00,000	8 % Debentures	1,00,000
Investments	6,000	Bank overdraft	1,500
Preliminary exp.	4,000	Sundry creditors	10,000



Advance Income Tax	8,000	Securities premium	6,000
Printing and stationery	1,200	Gross profit	1,14,000
Stock on 31-3-2013	1,28,000	Sinking fund	40,000
Salaries	8,000	Profit and Loss A/c	
Debtors	70,000	(1-4-2012)	8,500
Cash in hand	2,000		
Cash at Bank	24,000		
Interest	2,000		
Debenture Interest	4,000		
Directors fees	2,000		
Rent, Rates, Insurance	2,800		
	5,10,000		5,10,000

Adjustments :

- 1) Provide depreciation on Land and Building at 10 % and on furniture, plant and machinery at 20 %.
- 2) Provide Rs. 5,000 for bad debts.
- 3) Provide for audit fees Rs. 2,500. Provisions for tax Rs. 14,000 and debentures interest for Rs. 4,000.
- 4) Insurance prepaid Rs. 800.
- 5) Write off half of preliminary expenses.
- 6) Directors have recommended.
 - a) Transfer Rs. 10,000 General reserve.
 - b) Equity dividend at 10 % on paid up capital.
- 7) Provide Corporate dividend tax.