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Reg. No.

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III Semester B.Com. Degree Examination, March - 2021

COMMERCE

Corporate Accounting

(CBCS Scheme Regular & Repeaters Tourism/LS/SP)

Paper : 3.3

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answers should be written in English only.

SECTION - A

- I. Answer any **five** sub-questions. Each sub-question carries **2** marks. (5×2=10)
1. a) Who is an underwriter?
 - b) What is Time Ratio? Give an example?
 - c) What is meant by proposed dividend?
 - d) List out any two methods of valuation of shares.
 - e) State any two features of goodwill.
 - f) If Closing capital employed is Rs. 10,00,000, and Net profit for the current year is Rs. 2,20,000, what is the average capital employed?
 - g) Give the meaning of marked applications.

SECTION - B

- II. Answer any **Three** questions. Each question carries **6** marks. (3×6=18)
2. A Limited issued 1,00,000 equity shares. The issue was underwritten as follows :
P - 40,000 shares, Q - 30,000 shares, and R - 20,000 Shares.
Total applications were received for 93,000 shares, of which the marked application were :
P - 20,000 shares, Y - 30,000 shares and Z - 15000 shares.
Determine the liability of each of the underwriter.
 3. Dreamlands Ltd., incorporated on 1st September 2019, took over a running business on 1st April 2019. The average monthly sales for the period before incorporation were 20% more than the average monthly sales for the period after incorporation. Total sales for the year ended 31st March 2020 was Rs. 19,50,000.
Ascertain :
 - a) Time Ratio
 - b) Sales Ratio and
 - c) Pre and Post incorporation sales

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4. Calculate the value of Equity share under Yield Method.
- The paid up share capital of the company consists of 10,000, 12% Preference shares of Rs. 10 each and 30,000 Equity shares of Rs. 10 each.
 - Average Annual Profit Rs. 1,20,000, and transfer to General Reserve is 20%
 - Normal Rate of Return 10%.
5. The net profits of KKR Limited after providing taxation for the past 5 years were Rs. 1,50,000, Rs. 2,00,000, Rs. 2,75,000, Rs. 3,75,000 and Rs. 5,00,000 respectively. Capital employed in the business is Rs. 20,00,000 on which a reasonable rate of return of 12½% is expected.
- Calculate the value of goodwill of the business on the basis of :
- 5 years purchase of super profits, and
 - Annuity method by taking the present value as 3.78.
6. State the headings under which the following items are shown in the Balance sheet of a company.
- Preliminary Expenses
 - Mortgage Loan on Land & Buildings.
 - Capital Reserve
 - Proposed Dividend
 - Trade Debtors
 - Goodwill

SECTION - C

III. Answer any **Three** questions. Each question carries 14 marks.

(3×14=42)

7. The following information is given :
- Average Capital employed : Rs. 12,00,000
 - Normal rate of return : 10%
 - Present value of annuity of Re. 1 for 5 years @ 10% is 3.78
 - Net profits for 5 years were :
 - For the year ended 31-03-2017 : Rs. 1,15,000
 - For the year ended 31-03-2018 : Rs. 1,35,000
 - For the year ended 31-03-2019 : Rs. 1,65,000
 - For the year ended 31-03-2020 : Rs. 2,10,000
 - For the year ended 31-03-2021 : Rs. 2,65,000

The profit included non - recurring profit on an average of Rs. 5,000 per annum.

You are required to calculate the amount of Goodwill on the basis of :

- 5 years' purchase of Super Profit Method
- Annuity Method and
- Capitalisation of Super Profit Method.



8. The following is the Balance Sheet of NM Limited as on 31st March 2020

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
10000 Equity shares of Rs. 100 each	10,00,000	Land & Buildings	10,00,000
10% Preference shares of Rs. 100 each	5,00,000	Plant & Machinery	8,00,000
General Reserve	5,00,000	Debtors	4,00,000
Profit & Loss Account	2,50,000	Stock	2,50,000
15% Debentures	3,00,000	Investments	1,00,000
Sundry creditors	2,50,000	Cash in hand & at bank	2,50,000
Bills payable	1,00,000	Bills Receivable	50,000
		Preliminary Expenses	50,000
Total	29,00,000	Total	29,00,000

Average annual profit was Rs. 3,50,000. The company transfers 20% of the profits every year to General Reserve. Normal rate of return on capital employed is 10%.

Compute the value of shares by :

- Net Assets Method
 - Yield Method and
 - Fair Value Method.
9. Tractors Limited issued 10,00,000 equity shares of Rs. 10 each. The issue was underwritten by A, B & C. The details with regard to the number of shares underwritten, firm underwriting and the number of marked applications received were as follows :

Sl. No.	Name of the Underwriter	No. of shares underwritten	Firm underwriting	No. of marked applications
1	Amar	5,00,000 Shares	2,00,000 Shares	3,00,000 Shares
2	Akbar	2,00,000 Shares	50,000 Shares	1,50,000 Shares
3	Antony	1,00,000 Shares	25,000 Shares	85,000 Shares

Total unmarked applications received from the public were for 90,000 shares.

Show the number of shares to be taken up by each of the underwriter when :

- Firm applications are considered as unmarked applications and
 - Firm applications are considered as marked applications.
10. P Limited was incorporated on 1st August 2019 to take over the business of Tristar Associates from 1st April 2019. The Profit & Loss account for the year ending 31st March 2020 is as follows :

Profit & Loss account for the year ending 31st March 2020

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Director's Fees	20,000	By Gross Profit b/d	5,00,000
To Salaries	1,50,000		
To Insurance	10,000		
To Rent & Taxes	60,000		
To Commission	25,000		
To Interest on Loan	15,000		
To Bad Debts	5,000		



To Preliminary expenses	25,000		
To Carriage	10,000		
To Advertisement	15,000		
To Net Profit	1,65,000		
Total	5,00,000	Total	5,00,000

The total turnover for the year ending 31st March 2020 was Rs. 12,50,000 divided into Rs. 2,50,000 for the period up to 01-08-2019 and Rs. 10,00,000 for the remaining period. Ascertain the profits earned prior to and post incorporation period.

11. Following is the Trial Balance of ZED Limited as on 31st March 2020

Particulars	Debit (Rs.)	Credit (Rs.)
Equity share capital	-----	3,00,000
Buildings	5,00,000	-----
10% Preference share capital	-----	2,00,000
Plant & Machinery	2,00,000	-----
General Reserve	-----	1,50,000
Purchase & Sales	2,50,000	6,00,000
Salary	60,000	-----
12% Debentures	-----	2,00,000
Debtors & Creditors	2,30,000	1,75,000
Bills Receivable & Payable	80,000	90,000
Director's Fees	20,000	-----
Bad Debts	5,000	-----
Returns	15,000	20,000
Wages	15,000	-----
Opening stock	45,000	-----
P & L A/c (as on 01-04-2019)	-----	60,000
Loose Tools	60,000	-----
Goodwill	80,000	-----
Discount on issue of shares	20,000	-----
Cash and Bank balances	33,000	-----
Investments	2,00,000	-----
Interest on investments	-----	18,000
Total	18,13,000	18,13,000

Adjustments :

1. Closing stock was valued at Rs. 1,60,000.
2. Create reserve for doubtful debts at 5%
3. Debenture interest is outstanding for the whole year.
4. Buildings and plant & machinery to be depreciated by 5% and 10% respectively.
5. Transfer Rs. 30,000 to General Reserve
6. The Directors proposed a dividend of 15% to Equity Share holders.

You are required to prepare company's final accounts in vertical format.