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

COMMERCE

Corporate Accounting

(CBCS Scheme 2019-20 and Onwards)

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answer should be completely written in English

SECTION - A

1. Answer any 5 questions. Each question carries 2 marks. (5×2=10)
- What do you mean by issue of shares at par?
 - What do you mean by complete underwriting?
 - What is meant by Goodwill?
 - State any 2 reasons for valuation of shares.
 - What is unclaimed dividend?
 - What is meant by normal rate of return?
 - Who is an underwriter?

SECTION - B

Answer any 3 questions. Each question carries 5 marks. (3×5=15)

- A company issued 10,000 equity shares of Rs. 10 each @ premium of Rs. 2 per share, payable as Rs. 3 on application, Rs. 5 on allotment (including premium) and Rs. 4 as 1st & final call. All the shares were subscribed and money duly received. Pass journal entries.
- X Ltd. issued 1,00,000 shares of Rs. 10 each Mr. Akshay underwrites 80% of the issue. The company received applications for 75% of the issue of which 50,000 applications bear the rubber stamp of Mr. Akshay underwriting commission is 4% of the issue price. Determine the liability of the underwriter and the underwriting commission.

[P.T.O.]

4. Following particulars have been obtained from the books of a company.

Net profit after considering the following items is Rs. 5,00,000.

i. Provision for Bad Debts	Rs. 15,000
ii. Preliminary expenses written off	Rs. 25,000
iii. Loss on sale of Investments	Rs. 40,000
iv. Depreciation written off	Rs. 85,000
v. Depreciation allowable	Rs. 75,000
vi. Provision for taxation	Rs. 1,50,000
vii. Managing director's Remuneration paid	Rs. 25,000

Compute the net profit for the purpose of managerial remuneration and calculate managing Director's Remuneration at 5% of net profit.

5. The profits disclosed by A Ltd. for the past 5 years are as follows :

2016 - Rs. 40,000 (including abnormal profit of Rs. 5,000)

2017 - Rs. 50,000 (after charging abnormal loss of Rs. 10,000)

2018 - Rs. 45,000 (excluding Rs. 5,000 insurance premium)

2019 - Rs. 60,000

2020 - Rs. 80,000 (including profit on sale of building Rs. 20,000)

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

SECTION - C

Answer any 3 questions. Each question carries 15 marks.

(3×15=45)

6. K Ltd. issued 5,00,000 shares of Rs. 10 each which was underwritten as follows :

A - 1,50,000 shares (firm underwriting - 16,000 shares)

B - 1,25,000 shares (firm underwriting - 24,000 shares)

C - 1,25,000 shares (firm underwriting - Nil)

D - 1,00,000 shares (firm underwriting - 50,000 shares)

The total applications excluding firm underwriting were for 3,60,000 shares of which the marked applications were A - 80,000 shares, B - 72,000 shares, C - 48,000 shares & D - 96,000 shares. Calculate the liability of each underwriter treating firm underwriting as

i. Marked Applications

ii. Unmarked Applications.



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7. The Balance Sheet of Y Ltd. as at 31st March, 2020 was as follows :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity share capital	10,00,000	Fixed Assets	7,90,000
General Reserve	1,00,000	Goodwill	80,000
P & L A/c	20,000	Current Assets	4,90,000
10% Debentures	1,00,000	Discount on Debentures	10,000
Current Liabilities	1,50,000		
	13,70,000		13,70,000

Additional Information :

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

- Net Assets Method,
- Yield Method and
- Dual Method.

8. Following particulars are available in respect of business carried on by N Ltd :

- Profits earned in 2018 - Rs. 1,00,000 ; 2019 - Rs. 96,000 & 2020 - Rs. 1,04,000.
- Profit of 2019 is reduced by Rs. 10,000 due to stock destroyed by fire and profit of 2018 included non - recurring income of Rs. 6,000. The profit of 2020 includes Rs. 4,000 income from investments.
- The stock is not insured & it is thought prudent to insure the stock in future, the insurance premium is estimated at Rs. 1,000 p.a.
- Normal Rate of Return - 10%
- Average capital employed - Rs. 8,00,000

You are required to calculate Goodwill -

- As per 5 year's purchase of super profits
- As per capitalisation of super profits
- As per Annuity method.

The present value of an Annuity of Rs. 1 for 5 years @ 10% is Rs. 3.78.

[P.T.O.]



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9. Following is the Trial Balance of X Ltd as at 31st March, 2020.

Particulars	Debit (Rs.)	Credit (Rs.)
Stock as on 1-4-2019	2,08,000	
Purchases & sales	17,00,000	21,60,000
Freight charges	40,000	
Wages	3,00,000	
Discount	74,960	40,000
Furniture	4,00,000	
Salaries	1,48,000	
Rent	37,800	
Sundry expenses	20,280	
P & L A/c (1-4-2019)		2,04,240
Goodwill	2,60,000	
Share capital		10,00,000
Debtors & Creditors	2,94,000	2,86,000
Machinery	3,68,000	
Cash & Bank	1,05,200	
Reserve fund		2,06,000
Patents	1,20,000	
10% Debentures		2,00,000
Interest on Debentures	20,000	
	40,96,240	40,96,240

Adjustments :

- Closing stock - Rs. 8,80,000
- Depreciate furniture @ 10% & Machinery @ 15%.
- Write off Goodwill Rs. 60,000.
- Provision for Taxation - 30%
- Proposed dividend - 15% (Ignore CDT)

Prepare final Accounts.