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III Semester B.Voc. (RM) Degree Examination, March - 2021

RETAIL MANAGEMENT

(CBCS Scheme Freshers and Repeaters 2018-19 Onwards)

Corporate Accounting

Paper : 3.2

Time : 3 Hours

Maximum Marks : 70

*Instructions to Candidates:*

Answer all sections. Answers should be written in English only.

**SECTION - A**

Answer any **five** questions, each question carries **two** marks.

(5×2=10)

1. a) How is Time Ratio calculated? Give one example.
- b) Mention any two expenses charged only to post incorporation period.
- c) What do you mean by unmarked applications?
- d) How do you ascertain the fair value of shares?
- e) State any four factors affecting goodwill.
- f) What is Corporate Dividend Tax?
- g) Given the closing capital employed Rs. 7,50,000 and the net profit for the current year is Rs. 2,80,000, what is the average capital employed?

**SECTION - B**

Answer any **Three** questions. Each question carries **six** marks.

(3×6=18)

2. State the reading under which the following items are shown in Balance sheet of the company
  - a. Share premium.
  - b. Patterns
  - c. Goodwill
  - d. Bills payable

[P.T.O.]



- e. Stock
- f. Accrued Interest on Investment.
3. From the following information, calculate the value of goodwill under :
- a. 3 years purchase of super profits method.
- b. Capitalisation of super profits method.
- i. Average capital employed Rs. 8,70,000
- ii. Net profits of the firm for the past 3 year were Rs. 1,22,000; Rs. 98,500 and Rs. 1,75,500 respectively.
- iii. Managerial remuneration if employed else where Rs. 18000 p.a.
- iv. Normal rate of return 10%
4. Albert Ltd., issued 50,00,000 equity shares of Rs. 10 each. The whole issue was under written by A,B and C as below :
- A - 15,00,000 shares
- B - 25,00,000 shares
- C - 10,00,000 shares
- Applications were received for 48,50,000 shares of which the marked applications were as follows :
- A - 12,00,000 shares
- B - 25,00,000 shares
- C - 8,50,000 shares
- Calculate the number of shares to be taken up by the underwriters.
5. A limited company was registered on 1.1.2020 to buy the business of star Bros. from 1.10.2019. The accounts of the company for the period ended 30.9.2020 disclosed a gross profit of Rs. 95,820 and the following expenses were incurred :
- a. Salary - Rs. 15,000 (there were 4 employees in the pre - incorporation period and 7 is the post incorporation).
- b. Wages - Rs. 5,280 (there were 4 workers in the pre - incorporation period at Rs. 80 per month per worker and 5 workers in the post incorporation period at Rs.100 per month per worker)



c. Directors fees - Rs. 8,000.

d. Sales were Rs. 2,40,000 of which Rs. 40,000 related to pre - incorporation period.

You are required to prepare statement of profit and loss showing the apportionment between pre and post incorporation periods.

6. Following are the particulars of Shankar Ltd.

	Rs.
Equity shares of Rs. 100 each	3,00,000
5% Debentures	75,000
Current liabilities	97,500
Current Assets	1,50,000
Fixed Assets	4,12,500
Goodwill	37,500

Calculate the value of shares under Net Asset method.

**SECTION - C**

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

(3×14=42)

7. From the Balance Sheet and other information given, you are required to find out the Intrinsic value, yield value and fair value of equity shares, Ignore Taxation.

Balance Sheet of Harsha Ltd as on 31.3.2020

Liabilities	Rs.	Assets	Rs.
2000 equity shares of Rs. 10 each	2,00,000	Land & Buildings	1,10,000
General Reserve	40,000	Plant & Machinery	1,30,000
Profit & Loss A/c	32,000	Patents & Trademarks	20,000
Sundry creditors	1,28,000	Stock	48,000
Bills Payable	60,000	Sundry Debtors	88,000
		Cash at Bank	52,000
		Preliminary expenses	12,000
<b>Total</b>	<b>4,60,000</b>		<b>4,60,000</b>

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Assets of the company are valued as under Land & Buildings Rs. 2,40,000 ; Goodwill Rs. 1,60,000, and Plant & Machinery Rs. 1,20,000. The other assets are worth their book value.

The profits of the company have been as follows :

2017-18 -	Rs. 90,000
2018-19 -	Rs. 80,000
2019-20 -	Rs. 1,06,000

The company follows the practice of transferring 25% of profits to general reserve. Normal rate of return is 12%.

8. Nishanth Ltd., Issued 100000 equity shares of Rs. 100 each. P, Q,R and S underwrite the entire issue in the proportion of 40%, 30%, 20%, and 10% respectively in consideration of commission is cash at 5%. They also undertake firm underwriting as follows :

P - 3000 share, Q - 2000 shares, R - 2000 shares and S - 3000 shares.

Besides the firm applications from the underwriters the public apply for 60000 shares of which marked applications are as follows.

P - 10,000 shares; Q - 6000 shares; R - 8000 shares and S - 16000 shares.

Show the number of Shares to be taken up by each of the underwriters treating.

- Firm underwriting as marked applications.
- Firm underwriting as unmarked applications. Also find out the commission payable to the underwriters.

9. The Balance sheet of Deeraj Company Ltd., as on 31.3.2020 is as follows :

Liabilities	Rs.	Assets	Rs.
3000 preference shares of			
Rs. 100 each	3,00,000	Fixed Assets	5,00,000
5000 equity shares of		Stock	1,75,000
Rs. 100 each	5,00,000	Debtors	2,25,000
General Reserve	40,000	Bank	1,00,000
P/L A/c	80,000		
Sundry creditors	80,000		
<b>Total</b>	<b>10,00,000</b>		<b>10,00,000</b>



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The profits of the company (before providing for tax 40%) and the rate of dividend declared in respect of the past 5 financial years are as follows.

Year	Profits	Rate of Dividend
2015-16	2,05,000	8%
2016-17	2,25,000	10%
2017-18	2,40,000	12%
2018-19	2,35,000	15%
2019-20	2,50,000	15%

You are required to find out the value of goodwill of the company on basis of :

- 5 years purchase of super profits
- Capitalization of super profits method.
- As per annuity of super profits, taking the PV of annuity of Re. 1 for 5 years @ 10% as 3.78.

10. Vishnu Ltd., was incorporated on 1.7.2019 to take over the business of 'X' enterprises as a going concern with effect from 1.4.2019. Their profit and loss account for the year ended 31.3.2020 is as follows.

Particulars	Rs.	Particulars	Rs.
To Opening stock	30,000	By Sales (upto 30.6.2019)	1,30,000
To Purchases	87,500	By closing stock	25,000
To Administrative Expenses	9,000		
To Directors fees	1,500		
To selling expenses	18,000		
To Audit fees	500		
To preliminary expenses	1,500		
To Net profit	7,000		
	1,55,000		1,55,000

Prepare a statement showing the profit earned prior to and after incorporation.

[P.T.O.]



11. From the following Trail balance of Sony Co. Ltd., as on 31.3.2020. Prepare final accounts in the prescribed form.

Particulars	Dr.(Rs.)	Particulars	Cr.(Rs.)
Buildings	5,00,000	Equity share capital	3,00,000
Plant & Machinery	2,00,000	12% preference share capital	2,00,000
Purchases	2,50,000	Reserve fund	1,50,000
Salary	60,000	10% Debentures	2,00,000
Sundry debtors	2,30,000	Sales	6,00,000
Director's fees	20,000	Sundry creditors	1,75,000
Bad debts	5,000	Bills payable	90,000
Sales returns	15,000	Purchase returns	20,000
Wages	15,000	P & L A/c (1.4.2019)	60,000
Opening stock	45,000	Interest on Investments	18,000
Loose tools	60,000		
Goodwill	80,000		
Discount on issue of shares	20,000		
Cash & Bank balance	33,000		
12% Investments	2,00,000		
	<b>18,13,000</b>		<b>18,13,000</b>

**Adjustments :**

- a. Closing stock is valued at Rs. 1,40,000.
- b. Outstanding wages Rs. 2500.
- c. Depreciate Buildings by 5% and plant & Machinery by 10%.
- d. Transfer Rs. 25,000 to reserve fund.
- e. The directors propose 15% dividend to equity shareholders.

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