

III Semester B.B.A. Examination, November/December 2015  
(Semester Scheme) (CBCS) (Fresh) (2015-16 & Onwards)

3.3 : CORPORATE ACCOUNTING

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

Answer **any five** questions. **Each** question carries **two** marks.

(5×2=10)

1. a) What do you mean by Interim dividend ?
- b) What do you mean by Holding company ?
- c) State the methods of valuation of goodwill.
- d) What is comparative statement ?
- e) What is Trend analysis ?
- f) What are super profits ?
- g) State any four circumstances of valuation of goodwill.

SECTION – B

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

(3×6=18)

2. Briefly explain the factors influencing on the valuation of shares.
3. What are the limitations of financial statements ?
4. On the basis of the following information, calculate the intrinsic value of an equity share :
  - 5,000 6% preference shares of ₹ 100 each fully paid ₹ 5,00,000
  - 30,000 equity shares of ₹ 10 each fully paid ₹ 3,00,000
  - Total tangible assets (other than goodwill) ₹ 9,49,000
  - Total outside liabilities ₹ 95,000
  - Average net profit after tax ₹ 62,560
  - Expected normal yield for equity shares 7% of capital employed. Goodwill is to be taken at 5 years purchase of super profits, if any.



5. The net profits of a company for the past five years are ₹ 80,000, ₹ 90,000, ₹ 94,000, ₹ 80,000 and ₹ 96,000. The capital employed in the business is ₹ 8,00,000 on which a reasonable return of 10% is expected. Calculate the goodwill of the company under capitalisation of the average profit method.
6. Calculate the trend percentages from the following figures of AB Ltd. taking 2009 as the base :

Year	Sales ₹	Stock ₹
2009	1,800	600
2010	2,100	750
2011	3,300	890
2012	4,500	1,000
2013	5,000	1,100

## SECTION – C

Answer any three questions. Each question carries fourteen marks. (3×14=42)

7. Compute the value of shares by :

i) Net asset method.

ii) Yield method from the following assets and liabilities of a limited company as on 31-12-2014.

Liabilities	₹	Assets	₹
80,000 shares of ₹ 10 each	8,00,000	Goodwill	50,000
Reserve fund	1,00,000	Fixed assets	10,00,000
Surplus a/c	50,000	Current assets	4,00,000
5% Debentures	1,00,000		
Creditors	3,00,000		
Provision for tax	1,00,000		
	<b>14,50,000</b>		<b>14,50,000</b>

On 31-12-2014 fixed assets were valued at ₹ 12,00,000 and goodwill at ₹ 75,000. The net profits for the last three years were ₹ 75,000, ₹ 78,000 and ₹ 87,000 of which 20% was placed to reserve. The rate of return is 10%.



8. Convert the following Balance Sheet into common size Balance Sheet and interpret the results.

Liabilities	2013	2014	Assets	2013	2014
	₹	₹		₹	₹
Equity Share Capital	1,000	1,200	Debtors	450	390
Capital Reserve	90	185	Cash	200	15
General Reserve	500	450	Stock	320	250
Sinking Fund	90	100	Investments	300	250
Debentures	450	650	Buildings	800	1,400
Sundry Creditors	200	150	Land	198	345
O/s expense	15	20	Furniture and fixtures	77	105
	<b>2,345</b>	<b>2,755</b>		<b>2,345</b>	<b>2,755</b>

9. The Balance Sheet of A and B on 31-12-2014 was as follows :

Liabilities	A	B	Assets	A	B
	₹	₹		₹	₹
Share Capital of ₹10 each	1,20,000	30,000	Building	72,000	25,000
Trade payable	15,000	5,000	Plant and Machinery	30,000	10,000
General Reserve	25,000	6,000	Stock	18,000	3,000
Surplus a/c	12,000	9,000	Debtors	22,000	7,000
			Bank	5,000	5,000
			Shares in B Ltd. 2,000 shares of ₹10 each	25,000	—
	<b>1,72,000</b>	<b>50,000</b>		<b>1,72,000</b>	<b>50,000</b>

At the date of acquisition by A Ltd. of its holding of 2000 shares in B Ltd., the later company had undistributed profits and reserves amounting to ₹5,000, none of which has been distributed since the date of acquisition.

Prepare a consolidated Balance Sheet of A Ltd. and its subsidiary B Ltd. as on 31-12-2014.

10. Following particulars are available in respect of the business carried on by Bhuvana Ltd.
- Profits earned by Bhuvana Ltd. 2012 ₹50,000, 2013 ₹48,000 and 2014 ₹52,000
  - Profits of 2013 is reduced by ₹5,000 due to stock destroyed by fire and profits of 2012 included a non-recurring income of ₹3,000.



- c) Profits of 2014 include ₹2,000 income on investment.  
 d) The stock is not insured and it is thought prudent to insure stock in future. The insurance premium estimated at ₹500 p.a.  
 e) Fair remuneration to the proprietor (not taken in the calculation of profits) is ₹10,000 p.a.

You are required to compute the value of goodwill on the basis of 2 years purchase of Average Profits of the last three years.

11. Following is the Trial Balance of Vihan Ltd. as at 31<sup>st</sup> March, 2015.

Debit balance	₹	Credit balance	₹
Opening stock	1,50,000	Equity share capital	5,00,000
Purchases	3,80,000	Purchase return	10,000
Wages	60,000	Sales	11,50,000
Carriage inwards	2,000	Discount	6,300
Furniture	25,000	Surplus account	1,70,000
Salaries	12,000	Sundry Creditors	33,700
Rent	15,000	General Reserve	82,000
Trade expenses	11,000	Bills payable	13,000
Sundry Debtors	54,000	Provision for	
Plant and Machinery	12,00,000	doubtful debts	3,000
Cash at bank	21,500		
Patents	9,000		
Bills receivable	14,000		
Bad debts	6,500		
Discount allowed	8,000		
	<b>19,68,000</b>		<b>19,68,000</b>

**Additional information :**

- a) Stock on 31-3-2015 ₹2,00,000.  
 b) Depreciate Plant and Machinery at 12%, Furniture at 10% and Patents at 20%.  
 c) Further bad debts amounted to ₹4,000, provide 5% on debtors in bad and doubtful debts.  
 d) Provide for income tax @ 35% and for corporate dividend tax @ 16.995%.  
 e) The Board of Directors recommended a dividend of 25%.

Prepare Final Accounts of Vihan Ltd.