Q.P. Code : 13321

Third Semester B.Com. Degree Examination, November/December 2019

(B.Com. Regular/Tourism/LS/SP)

(CBCS Scheme)

Commerce

Paper 3.3 – CORPORATE ACCOUNTING – I

Time : 3 Hours] *[Max. 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) Differentiate between firm and general underwriting.

   (b) Mention the ratios required to calculate profit prior to incorporation.

   (c) How do you treat profit prior to incorporation and profit after incorporation?

   (d) Mention any four factors influencing goodwill.

   (e) What is super profit?

   (f) Mention any two methods of valuing shares.

   (g) How is the cost of goods sold calculated?

SECTION – B

II. Answer any **THREE** questions. Each question carries **6** marks : **(3 × 6 = 18)**

2. ATC Ltd. issued 50,000 equity shares. The issue was underwritten as follows :

   P – 40%, Q – 30%, R – 30%.

   Applications were received for 40,000 shares, out of which the following were the marked applications : P – 10,000 shares, Q – 5,000 shares, R – 10,000 shares.

   Unmarked applications had to be distributed in the gross liability ratio. Calculate the liabilities of the underwriters.

3. Calculate sales Ratio from the following :

   X Company was incorporated on 1.5.2009 and acquired a business with effect from 1.1.2009. Total sales from 1.1.2009 up to 31.12.2009 was Rs. 6,00,000.

   Sales for January and February 1½ times the average monthly sales. Sales from March to July ½ of average monthly sales.

   Sales for August and September ¼ of average monthly sales and sales from October to December double the average monthly sales.

4. A business was available for sale and it had earned the following profits in the past : 2009 – Rs. 7,10,000, 2010 – Rs. 6,90,000, 2011 – Rs. 7,50,000, 2012 – Rs. 7,30,000

   The business was managed by the proprietor himself and he could have earned Rs. 1,20,000 each year from an alternate job, if not engaged in the business.

   Calculate the goodwill of the business based on 2 years purchase of the simple average net profit of the previous 4 years.

5. The following is the Balance Sheet of Sunlight Ltd., as at 31.03.2013 :

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs. 10 each	2,00,000	L/B (Market value Rs. 1,50,000)	75,000
		P and M (Market value Rs. 1,00,000)	80,000
General reserve	50,000	Trade Marks (Market value Rs. 8,000)	10,000
Women savings a/c	50,000	Stock	1,00,000
P and L a/c	50,000	Debtors	54,000
Current liabilities	25,000	Investments	20,000
		Cash at Bank	20,000
		Preliminary expenses	16,000
	3,75,000		3,75,000

Find out the intrinsic value of each share taking into account the following data :

	Rs.
Interest payable to creditors	1,000
Bad debts amounts to	2,000
Investments worth	16,000

6. Under which heading would you show the following in company final accounts :
   (a) Furniture
   (b) Purchases
   (c) Bonus to employees
   (d) General reserve
   (e) Electricity charges
   (f) Bank charges.

SECTION – C

Answer any **THREE** questions. Each question carries **14** marks : **(3 × 14 = 42)**

7. S Ltd. issued to public 1,50,000 equity shares of Rs. 100 each at par. The issue was underwritten equally by A, B and C for a 3% commission. Applications were received for 1,40,200 shares in all and the following details are available :

Names of the underwriters	Firm underwriting applications	Marked applications	Total applications
A	5,000	40,000	45,000
B	5,000	46,000	51,000
C	3,000	34,000	37,000
Unmarked applications	—	—	7,200
			1,40,200

It was agreed to credit the unmarked applications to A B and C equally and firm applications had to be treated as marked applications.

Calculate the total liabilities of the underwriters.

8. A company was incorporated on 1st May 2014 acquiring the business of a sole trader with effect from 1st January 2014. The accounts of the company were closed for the first time on 31.12.14 disclosing a gross profit Rs. 1,68,000. The establishment expenses were Rs. 42,660, Directors fees Rs. 3,000 per month, Preliminary expenses written off Rs. 4,000, rent to June 2004 was Rs. 300 per month which was thereafter increased to Rs. 750 per month. Included in the Directors fees was salary to the Manager at Rs. 1,500 per month who was appointed as a Director at the time of incorporation of the company.

Prepare a statement showing profits prior and subsequent to incorporation. Included in the Directors fees was salary to the Manager at Rs. 1,500 per month who was appointed a Director at the time of incorporation of the company.

Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs. 24,60,000, the monthly average of which for the first four months of 2014 was half of that of the remaining period.

9. Calculate the good will of the business carried on by Mr. Suman from the following information :

Profits for the previous years : 2008 – Rs. 5,33,000, 2009 – Rs. 5,91,000, 2010 – Rs. 5,83,000, 2011 – Rs. 5,83,000, 2012 – Rs. 4,83,000 :

(a) The profit of the year 2009 was reduced by Rs. 16,000 on account of goods destroyed in a small accidental fire in the business. The same year's profit also included casual income of Rs. 14,000

(b) The profit of the year 2010 was increased by Rs. 10,000 on account of interest received on investments

(c) It was decided that the business had to be insured in future at an annual premium of Rs. 7,000

(d) Reasonable remuneration had to be provided to the proprietor at Rs. 96,000 p.a. in future.

The goodwill has to be calculated on the basis of 3 years purchase of the average profit of the previous 5 years.

10. From the given Balance Sheet and other information, you are required to ascertain the value of equity share under :

(a) Intrinsic value

(b) Yield value and

(c) Fair value methods. Ignore taxation.

Balance Sheet of RKS as at 31.03.2013

Liabilities	Amount Rs.	Assets	Amount Rs.
Share capital :		Land and Building	1,10,000
2,000 shares of Rs. 100 each	2,00,000	Plant and Machinery	1,30,000
General reserve	40,000	Patents and Trade Marks	20,000
P and L a/c	32,000	Stock	48,000
Creditors	1,28,000	Debtors	88,000
Bills payable	60,000	Cash and bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

An independent valuation of the Assets of the Company is as under ; Land and Building Rs. 2,40,000, Goodwill Rs. 1,60,000 and Plant and Machinery Rs. 1,20,000. The other assets were worth their book values.

The Profits of the company have been as follows :

Financial year	2010-11	2011-12	2012-13
Profit (Rs.)	80,000	90,000	1,06,000

The company follows the practice of transferring 25% of Profits to General Reserve. Normal Rate of Return is 12%.

11. On 31.03.2013 the following ledger balances were extracted from the books of Bhavani Manufacturing Company Ltd. :

Dr.	Rs.	Cr.	Rs.
Calls in arrears	37,500	Equity share capital	23,00,000
Plant and Machinery	18,00,000	Bills payable	1,90,000
Stock (1.4.2012)	3,75,000	General reserve	1,25,000
Furniture	36,000	Profit and loss a/c (1.4.2012)	72,500
Sundry debtors	4,35,000	6% debentures	15,00,000
Buildings	15,00,000	Sales	24,80,000
Purchases	9,25,000	Reserve for doubtful debts	17,500
Interim dividend paid	3,75,000	Sundry creditors	2,30,000
Rent	24,000		
General expenses	24,500		
Debenture interest	45,000		
Preliminary expenses	25,000		
Manufacturing expenses	65,500		
Goodwill	1,45,000		
Wages	4,24,000		
Cash in hand	39,500		
Cash at bank	1,91,500		
Director's fees	28,500		
Bad debts	10,500		
Commission paid	36,000		
Salaries	72,500		
4% Government securities	3,00,000		
	69,15,000		69,15,000

Adjustments :

(a) Depreciate Plant and Machinery by 10% and Furniture by 5%

(b) Write off Preliminary expenses by 20%

(c) Transfer Rs. 25,000 General reserve

(d) Provide for Income tax Rs. 62,500

(e) Half year's Debenture interest is outstanding

(f) Provide for final dividend at 5%. Ignore Corporate Dividend Tax

(g) Maintain provision for doubtful debts 5% on Sundry debtors

(h) The stock on 31.03.2013 was estimated at Rs. 5,04,000.

You are required to prepare the final accounts.
