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III Semester B.Com. (Regular/A&F/LSCM/DA/TT/IAS). Degree Examination,
April - 2023

COMMERCE

Corporate Accounting

Paper : 3.1

(NEP-CBCS Scheme Freshers/Regular)

Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answers should be written in english only.

SECTION - A

Answer any **five** of the following questions. Each question carries 2 marks. (5×2=10)

1. a. What is time ratio?
- b. Who is an underwriter?
- c. What do you mean by authorised capital?
- d. State any 2 circumstances necessitating the valuation of goodwill.
- e. How do you treat pre - incorporation profits?
- f. Mention any 2 factors influencing the value of shares.
- g. Give 2 items recorded under current assets in the balance sheet of a company.

SECTION - B

Answer any **four** of the following questions. Each question carries 5 marks. (4×5=20)

2. India Ltd. Showed the following trading results with the corresponding weights :

Year	Profits Rs.	Weights
2019-20	50,000	1
2020-21	60,000	2
2021-22	75,000	3

During the year 2020-21, the closing stock was undervalued by Rs. 5,000. Calculate the value of goodwill at 3 years purchase of weighted average profits.

[P.T.O.]



3. A company issued 1,00,000 shares of Rs. 10 each. The entire issue was underwritten by A, B, C and D as follows : A - 40,000; B - 30,000; C - 10,000 and D - 20,000. The company received applications for 90,000 shares of which marked applications were as follows : A - 44,000; B - 22,000; C - 2,000 and D - 18,000 shares.

Determine the liability of each underwriter.

4. G Ltd. was incorporated on 1-7-2021 to take over the business of K.G. Enterprises as a going concern with effect from 1-4-2021. The P and L A/C for the year ending 31st March, 2022 of the company was as follows :

Particulars	Amount Rs.	Particulars	Amount Rs.
To Administration expenses	9,000	By Gross profit b/d	37,500
To Director's fees	1,500		
To Selling expenses	18,000		
To Audit fees	500		
To Preliminary expenses	1,500		
To Net profit c/d	7,000		
	37,500		37,500

The total sales of the company for the year amounted to Rs. 1,50,000.

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

5. Mention the circumstances in which there may be a need for valuation of shares of a company.
6. Calculate the value of preference shares of R Ltd. Preference share capital - Rs. 5,00,000; Total Assets Rs. 42,00,000; 8% Debentures - Rs. 5,00,000; other liabilities - Rs. 7,00,000; Equity share capital - Rs. 10,00,000.

As per articles of Association, debentures are redeemable @10% premium and preference shareholders have 25% in surplus unrecorder liability now reported amounted to Rs. 50,000. All shares are Rs. 10 shares.

SECTION - C

Answer any two of the following questions. Each question carries 12 marks.

(2×12=24)

7. The following particulars are available in respect of the business carried on by Naveen Ltd. Profits earned : 2020 - Rs. 1,00,000, 2021 - Rs. 96,000 and 2022 - Rs. 1,04,000.

Profit of 2021 is reduced by Rs. 10,000 due to stock destroyed by fire and profit of 2020 included a non - recurring income of Rs. 6,000. Profit of 2022 included Rs. 4,000 income from investments.

The stock is not insured and it is thought prudent to insure the stock in future, insurance premium is estimated to be Rs. 1,000 p.a. Normal Rate of Return is 10%.



Average capital employed is Rs. 8,00,000. Present value of an Annuity of Rs. 1 for 5 years @ 10% is 3.78.

You are required to calculate Goodwill

- i. As per 5 years purchase of super profits.
 - ii. As per capitalisation of super profits.
 - iii. As per annuity method.
8. R Ltd made a public issue of 1,00,000 shares of Rs. 100 each. The entire issue was underwritten by A, B and C as follows:
A - 50,000 shares, B - 30,000 share and C - 20,000 shares. In addition there was firm underwriting as follows : A - 10,000 shares; B - 7,500 shares and C - 7,500 shares.
The total subscription including firm underwriting was for 80,000 shares which included marked applications as follows :
A - 15,000 shares, B - 20,00 shares and C - 7,500 shares.
Calculate the liability of the underwriters treating firm underwriting shares
- a. On par with unmarked applications.
 - b. On par with marked applicatons.
9. Calculate the fair value of equity share of H Ltd. on the basis of following balance sheet and additional information given.

Liabilities	Amount Rs.	Assets	Amount Rs.
2,000 15% Preference shares of Rs. 10 each	2,00,000	Sundry assets	9,80,000
5,000 Equity shares of Rs. 100	5,00,000	Preliminary expenses	20,000
Reserves and surplus	1,50,000		
12% Debentures	1,00,000		
Current liabilities	50,000		
	10,00,000		10,00,000

Additional information :

- i. Normal rate of Return - 20%.
- ii. Average profit of the company before tax - Rs. 3,00,000.
- iii. Rate of Tax - 20%.
- iv. Transfer to reserve is Rs. 25,000 every year.



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SECTION - D

Answer any **one** of the following questions carrying **6** marks.

(1×6=6)

10. Prepare the balance sheet of a company in the prescribed form with imaginary figures.
 11. Calculate the intrinsic value of shares under Net assets method.
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