



BBA III Semester Degree Examination, March/April - 2023

MANAGEMENT

DSC 7 : Corporate Accounting and Reporting

(NEP)

Time : 2 Hours

Maximum Marks : 60

SECTION - A

1. Answer the following sub questions, each sub-question carries **one** mark. **10x1=10**
- (a) What do you mean by marked applications ?
 - (b) List out any two intangible assets.
 - (c) What is net asset method of valuation of shares ?
 - (d) Write the meaning of valuation of shares.
 - (e) Who is an underwriter ?
 - (f) Give the meaning for pre-incorporation profit.
 - (g) What is Sales ratio ?
 - (h) What do you mean by Preliminary Expenses ?
 - (i) What do you mean by Interim Dividend ?
 - (j) Write the Formula to calculate Simple Average Profit.

SECTION - B

Answer **any four** of the following questions each question carries **five** marks. **4x5=20**

2. Govind Ltd. issued 20,000 equity shares of Rs. 10 each at par. The whole issue was fully underwritten by A, B and C as follows :
A - 40%; B - 30% and C - 30%.
Applications were received for 16,000 shares of which marked applications were as follows :
A - 4,000 shares ; B - 2,000 shares and C - 4,000 shares.
Find out the liability of Individual underwriters.
3. A Co. Ltd. was incorporated on 01.05.2018 to takeover the business of Adarsha Traders from 01.01.2018. The average monthly sales upto 30.04.2018 was Rs. 30,000/- whereas average monthly sales for subsequent periods was Rs. 35,000/- Ascertain the sales ratio and Time ratio assuming that accounts are closed on 31.12.2018.
4. Briefly explain the methods of valuation of Goodwill.
5. Briefly explain the Net assets method and Earnings capacity method of valuation of shares.



6. From the following information furnished by Vijaya Trading Company. Prepare statement of profit or loss for the year ending 31/03/2022.

(a) Revenue from operations	5,00,000
(b) Other Income	10,000
(c) Total Expenses	3,00,000
(d) Exceptional Items	5,000
(e) Extraordinary Items (Profit)	4,000
(f) Tax Expenses	19,000
(g) Profit from discounting operations	8,000
(h) Tax expenses on discounting operations	3,000

7. Following are the profits of Darshan Co. Ltd. for the past five years.

2018	Rs. 3,50,000
2019	Rs. 4,25,000
2020	Rs. 3,80,000
2021	Rs. 4,00,000
2022	Rs. 3,95,000

The company had decided to value the goodwill of the firm at 2 year's purchase of the Simple average profits of the past five years. Compute the value of Goodwill.

SECTION - C

Answer **any three** of the following questions. Each questions carries **ten** Marks.

3x10=30

8. Renu Chemicals Ltd. planned to set up a unit for manufacture of bulk drugs. For the purpose of financing the unit, the board of directors have issued 30,00,000 equity shares of Rs. 10 each. 30% of the issue were reserved for promoters and the balance was offered to the public. Anand, Rama and Puja have agreed to underwrite the public issue in the ratio of 3 : 1 : 1 and also agreed for firm underwriting of 60,000, 40,000 and 20,000 shares respectively. The underwriting commission was fixed at 4% on issue price. The amount payable on application was Rs. 3 per share. The details of subscriptions are :

Marked Applications of Anand	11,00,000 shares
Marked Applications of Rama	4,00,000 shares
Marked Applications of Puja	3,00,000 shares
Unmarked forms	1,00,000 shares

You are required to compute :

- The liability of underwriters assuming that the benefit of firm underwriting is not given to individual underwriters.
- Determine the amount due from or payable to underwriters.



9. Hindustan Co. Ltd. was incorporated on 1.08.2018 to takeover the business of Sachin as a going concern from 01.04.2018. The total sales for the first four months were Rs. 4,00,000 and for the next eight months were Rs. 6,00,000. The following are the balances as on 31.03.2019 extracted from the ledgers.

Statement of Profit and Loss for the year ending 31.03.2019		
Particulars	Note No.	Amount
I. Revenue from Operations		10,00,000
II. Other Income		-
III. Total Revenue (I + II)		10,00,000
IV. Expenses :		
(a) Cost of Materials consumed		8,00,000
(b) Purchase of Stock in Trade		-
(c) Change in Inventory		-
(d) Employees benefit expenses : Salary		24,000
(e) Fiance Cost : Debenture Interest		4,000
(f) Depreciation and amortization expenses	1	5,000
(g) Other Expenses	2	74,000
Total expenses		9,07,000
V. Profit/Loss (III-IV)		93,000

Notes to Accounts :

Note - 1 : Depreciation and Amortization expenses.

Depreciation	3,000
Goodwill Written off	2,000
	<u>5,000</u>

Note - 2 : Other Expenses

Rent	12,000
Office Expenses	6,000
Carriage Outward	5,000
Advertisement	10,000
Sales Commission	15,000
Bad-debts	10,000
Directors Fees	6,000
Preliminary Expenses	8,000
Discount on Issue of Shares	2,000
	<u>74,000</u>

Prepare Statement of Profit and Loss showing Profit prior to incorporation and after incorporation.



10. From the following information, you are required to calculate goodwill at 4 years purchase of super profits.

Balance Sheet as at March 31, 2021

Particulars	Note	Amount
I. Equity and Liabilities		
1. Shareholder's funds		
(a) Share Capital		5,00,000
(b) Reserves and Surplus		2,50,000
2. Share Application Money Pending for Allotment		
3. Non-Current Liabilities :		
(a) Long term borrowings : 8% debentures		1,50,000
4. Current Liabilities :		
(a) Trade Payable		1,00,000
(b) Other Current Liabilities		50,000
Total		10,50,000
II. Assets		
1. Non-Current Assets :		
(a) Fixed assets		
(i) Tangible assets		7,25,000
(ii) Intangible assets : Goodwill		25,000
(b) Non-Current Investments : 10% Govt. Loan		50,000
(c) Other Non-Current assets : Discount on Issue of shares		12,500
2. Current assets :		
(a) Inventories		1,62,500
(b) Trade receivables		75,000
Total		10,50,000

The average profits of the company after tax is Rs. 1,15,000. The Market value of building included in tangible assets is Rs. 50,000 more than what is shown in Balance Sheet. Expected rate of return is 12%.



11. Following is the Balance Sheet of X. Ltd. as on 31st March 2021.

Equity and Liabilities	Rs.
Share Holders Funds :	
Share Capital	
50,000 Equity shares of Rs. 20 each	10,00,000
Reserves and Surplus :	
General Reserve	5,00,000
Preliminary Expenses	(–) 40,000
Profit and Loss A/c	4,00,000
Current Liabilities :	
Creditors	1,00,000
Provident Fund	1,20,000
Employees Saving Fund	80,000
Provision for taxation	1,60,000
Workmen compensation fund	40,000
Depreciation Fund	<u>2,80,000</u>
Total	<u>26,40,000</u>
Assets	
Non-Current Assets :	
Fixed Assets	12,00,000
Current Assets :	
Stock	9,20,000
Debtors	3,60,000
Cash	<u>1,60,000</u>
Total	<u>26,40,000</u>

All the assets are worth their book value except fixed assets which on recent valuation are worth Rs. 19,20,000. Profit after tax for the last three years were Rs. 6,00,000, Rs. 5,20,000 and Rs. 6,20,000 respectively. The published market price of a share of a company doing similar business is 4 times of its paid up value on the basis of 36% dividend.

Find out the value of the share on the basis of Net Capital employed.

12. Prepare a Pro-forma of statement of assets and liabilities and statement of profit or loss with imaginary figures.

[Notes to Accounts not required]

