



B.Com. III Semester Degree Examination, March/April - 2023

COMMERCE

Corporate Accounting

(NEP)

Time : 2 Hours

Maximum Marks : 60

Note : Answer *all* the Sections.

SECTION - A

1. Answer the following sub-questions, each sub-question carries **one** mark. **10x1=10**
- (a) What is underwriting of shares ?
 - (b) Mention any two needs of underwriting.
 - (c) How do you treat profit prior incorporation ?
 - (d) What is sales Ratio ?
 - (e) What are the types of valuation of shares ?
 - (f) Give the meaning of 'warrant'.
 - (g) What is purchased goodwill ?
 - (h) What do you mean by superprofits ?
 - (i) What is final dividend ?
 - (j) Mention the statements which are prepared by the companies as per companies Act.

SECTION - B

Answer **any four** of the following questions, each question carries **five** marks.

4x5=20

2. The Oxygen Ltd. issued 80,000 shares of Rs. 10/- each of which 70,000 shares were underwritten by Mr. X. Applications were received for 74,000 shares, out of which 52,000 were marked applications. Determine the underwriter's liability.



P.T.O.

3. Calculate the value of equity shares based on rate of return (yield method)
- 4,000, 15% preference shares of Rs. 100/- each, fully paid up _____
4,00,000.
 - 10,000 equity shares of Rs. 100/- each fully paid up _____ 10,00,000.
 - Normal rate of return is 15%.
 - Average profits before tax Rs. 8,00,000.
 - Rate of tax 32%.
 - Transfer to reserve fund is Rs. 10,000 per year.
4. Write the basis of allocation for the following expenses :
- Rent and rates
 - Director's fees
 - Preliminary expenses
 - Interest on loan
 - Advertisement expenses
 - Bank charges
 - Bad debts
 - Carriage outwards
 - Free samples
 - Interest on capital
5. Explain the factors which will affect the value of goodwill.
6. Write the format of Note No. 2 Reserves and surplus as per companies Act.
7. From the following particulars prepare Note No. 1 share capital appearing in the Balance sheet as per companies Act.

Authorised capital	Rs.
5,000, 10% preference shares of 100/- each.	5,00,000
2,00,000 equity shares of Rs. 10/- each.	20,00,000
Issued and subscribed and paid up capital	
5,000, 10% preference shares of 100/- each.	5,00,000
2,00,000 equity shares of Rs. 10/- each, Rs. 8 per share called up.	16,00,000
Calls unpaid by directors and officers.	20,000
Forfeited equity shares.	8000



SECTION - C

Answer **any three** of the following questions, each question carries **ten** marks.

3x10=30

8. Write the functions of underwriters and SEBI guidelines on underwriting.
9. Sulphur Ltd. was formed on 01.07.2021, to takeover the business of Nitrogen traders with effect from 01-04-2021. The following was the position of the statement of profit and loss prepared for the year ending 31.03.2022.

	Particulars	Note	Amount	Total
I.	Continuing operations			
1.	Revenue from operations (sales)	1		33,60,000
2.	Other Income	2		-
			Total Revenue (a) →	<u>33,60,000</u>
3.	Expenses			
(a)	Cost of sales	3		26,60,000
(b)	Employees benefit cost	4		
	Salaries and allowances		1,60,000	
	Director's fee		<u>18,000</u>	1,78,000
(c)	Finance cost	5		
	Interest on Debentures		18,000	
	Interest to vendors (up to 30-09-2021)		<u>10,000</u>	28,000
(d)	Depreciation and Amortisation	6		64,000
(e)	Other expenses	7		
	Rent and rates		35,000	
	General expenses		48,000	
	Commission on sales		56,000	
	Advertisement		14,000	
	Audit fees		<u>10,000</u>	1,63,000
			Total expenses (b) →	<u>30,93,000</u>
			Net profit (a - b) →	<u>2,67,000</u>

The following additional information are given.

- (a) The average monthly sales for the first three months were Rs. 1,60,000/-, where as the monthly average sales for the subsequent period was Rs. 3,20,000/-.
- (b) Rent was paid Rs. 2,000/- per month upto 30-06-2021 and thereafter it was 3000 per month.

Prepare the statement showing profit prior to incorporation of this company.



10. From the following balances extracted from the books of Gold Ltd. for the year ending 31-03-2022, prepare the statement of assets and liabilities as on 31-03 2022 as per the schedule III of the companies Act.

Name of the Account	Debit	Credit
Share capital		
(15,000 equity shares of 10/- each)	-	1,50,000
(50,000 preference shares of 10/- each)	-	5,00,000
Securities premium	-	2,50,000
General reserve	-	5,62,500
Loss for the current year	1,50,000	-
Bonds and Debenture	-	3,00,000
Long term loan from bank		
Secured on Building	-	2,00,000
Other long term loans	-	1,00,000
Short term borrowings from others	-	1,50,000
Trade payables (creditors)	-	5,22,500
Other current liabilities	-	85,000
Provision for Income tax	-	3,25,000
Provision for salaries	-	25,000
Buildings	11,50,000	
Furniture	75,000	
Capital work in progress (Cost of construction)	50,000	
Investments - Government (Non - current)	1,50,000	
Investments in preference	62,600	
Closing stock	6,00,000	
Cash in hand	1,37,500	
Loose tools	29,000	
Trade Receivables		
Debtors	6,02,400	
Cash at Bank	1,63,500	
	31,70,000	31,70,000

Additional Information :

- (a) Authorised capital of the company consists of 20,000 equity shares of Rs. 10/- each and 1,00,000 preference shares of Rs. 10/- each.
- (b) Other current liabilities consists of income received in advance.



11. The following is the balance sheet shakti Ltd. for the year ending 31-03-2022.

Particulars	Note	Amount	Rs.
I. Equity and liabilities :			
(A) Share holder's funds :			
(i) Share capital	1	4,00,000	
(ii) Reserves and Surplus	2	3,10,000	7,10,000
(B) Non current liabilities			
Long term borrowings	3	1,00,000	1,00,000
(C) Current liabilities			
Trade payables	4	1,30,000	1,30,000
		Total	<u>9,40,000</u>
II. Assets :			
(A) Non-current Assets :			
(i) Tangible fixed assets	5	5,00,000	
(ii) Intangible fixed assets	6	40,000	5,40,000
(B) Current Assets :			
Trade receivables	7	4,00,000	4,00,000
		Total	<u>9,40,000</u>

Notes to statements of assets and liabilities.

Note 1.	Share capital :		
	40,000 equity shares of Rs. 10/- each fully paid		4,00,000
	Share capital		<u>4,00,000</u>
Note 2.	Reserves and Surplus		
	General Reserves	1,90,000	
	P & L a/c (credit balance)	<u>1,20,000</u>	3,10,000
	Reserves and Surplus		<u>3,10,000</u>
Note 3.	Long term borrowings		
	10% Debentures	1,00,000	<u>1,00,000</u>
	Long term borrowings		<u>1,00,000</u>
Note 4.	Trade Payables		
	Creditors	1,30,000	<u>1,30,000</u>
	Trade payables		<u>1,30,000</u>
Note 5.	Tangible fixed assets :		
	Land and Building	3,00,000	
	Plant and machinery	<u>2,00,000</u>	5,00,000
	Tangible fixed Assets		<u>5,00,000</u>
Note 6.	Intangible Assets :		
	Goodwill	40,000	<u>40,000</u>
	Intangible assets		<u>40,000</u>
Note 7.	Trade Receivables		
	Debtors	4,00,000	<u>4,00,000</u>
	Trade Receivables		<u>4,00,000</u>



Additional Information.

1. The machinery and land buildings were independently valued at Rs. 1,00,000 and Rs. 1,60,000/- respectively.
 2. Goodwill valued at 50,000.
 3. The net profits before tax for the last 3 years are as follows :
 - 2019-20 - 1,60,000
 - 2020-21 - 1,80,000
 - 2021-22 - 1,40,000
 4. Tax rate is 30%.
 5. Transfer 20% of profits to general reserve.
 6. Normal rate of return in similar businesses is 18%. Determine value of equity under :
 - (i) Net assets method
 - (ii) Yield method
 - (iii) Fair value method
- 12.** The following particulars are available in respect of the business carried on by a trader.
- (a) Profit earned for the following three years.
 - 2020 - 22000
 - 2021 - 29000
 - 2022 - 24000
 - (b) The normal rate of return is 10%.
 - (c) Average capital employed in the business 1,50,000/-.
 - (d) Present value of Annuity of Re 1 to 5 years at 10% is 3.78.
 - (e) The profit included non-recurring profit on an average basis Rs. 3000.
- You are required to calculate the value of the goodwill of the business on the basis of :
- (1) Five years purchase of super profits
 - (2) Annuity method of valuation
 - (3) Capitalisation of super profits
 - (4) Comment on each of the above value of goodwill

