



SN – 591

III Semester B.Com. Examination, November/December 2014  
(2013-14 & Onwards) (New Syllabus) (F+R)  
Commerce

3.3 : CORPORATE ACCOUNTING

Time : 3 Hours

Max. Marks : 100

**Instruction :** Answers should be written **completely** either in **English** or in **Kannada**.

SECTION – A

Answer any ten sub-questions. Each sub-question carries two marks. (10×2=20)

1. a) Give the meaning of acquisition of business.
- b) Give the journal entry for the discharge of purchase consideration in the books of the company.
- c) What is time ratio ? Give an example.
- d) Mention any two expenses charged only to post incorporation period.
- e) Mention any two circumstances necessitating the valuation of goodwill.
- f) What do you mean by 'maintainable profits' ?
- g) Given, closing capital employed Rs. 5,00,000 and net profit for the current year is Rs. 2,25,000, what is the average capital employed ?
- h) How do you calculate the value of shares (face value same) when they are differently paid ?
- i) State any four reasons for valuation of shares.
- j) What is meant by 'contingent liability' ? Give an example,
- k) What do you mean by calls-in-arrears ?

P.T.O.



- l) State under what heading the following items will appear in the balance sheet of a company :
- Fixed deposits accepted from public
  - Securities premium
  - Proposed dividend
  - Calls-in-advance.

## SECTION - B

Answer **any four** of the following. **Each** question carries **eight** marks. (4×8=32)

2. X Ltd. was formed to take over the running business of M/s X & Y who shared profits in the ratio of 3 : 2. Their Balance Sheet as on 31-3-2014 was as follows :

| Liabilities   | Rs.             | Assets      | Rs.             |
|---------------|-----------------|-------------|-----------------|
| Creditors     | 20,000          | Buildings   | 42,000          |
| Bills Payable | 10,000          | Machinery   | 20,000          |
| Mrs. X's loan | 4,000           | Stock       | 22,000          |
| X's Capital   | 60,000          | Debtors     | 28,000          |
| Y's Capital   | 40,000          | Goodwill    | 15,000          |
|               |                 | Investments | 5,000           |
|               |                 | Cash        | 2,000           |
|               | <b>1,34,000</b> |             | <b>1,34,000</b> |

The company agreed to take over the assets excluding investment as under :  
 Machinery Rs. 15,000; Buildings Rs. 60,000; Stock Rs. 20,000; Cash Rs. 2,000;  
 Debtors Rs. 25,000 and Goodwill Rs. 20,000. The company also agreed to take over  
 the creditors and bills payable at book values. The purchase consideration was  
 settled by the issue of 10,000 equity shares of Rs. 10 each and the balance in  
 cash, shares being distributed in profit sharing ratio to partners.

You are required to pass the journal entries in the books of the company.



3. Bangalore Trading Co., was incorporated on 1-4-2013 to take over the business of an existing business as from 1-1-2013. It was agreed that the company must pay interest on purchase consideration of Rs. 60,000 @ 5% p.a. until the final settlement, which took place on 1-6-2013. The Profit and Loss Account for the year ending 31-12-2013 was as under.

|                                    | Rs.           |                     | Rs.           |
|------------------------------------|---------------|---------------------|---------------|
| To Management expenses             | 3,000         | By Gross profit b/d | 20,000        |
| " Interest to vendors              | 1,250         |                     |               |
| " Director's fees                  | 750           |                     |               |
| " Debenture interest               | 2,000         |                     |               |
| " Bad debts                        | 450           |                     |               |
| " Preliminary expenses written off | 500           |                     |               |
| " Depreciation                     | 1,000         |                     |               |
| " Net profit c/d                   | 11,050        |                     |               |
|                                    | <b>20,000</b> |                     | <b>20,000</b> |

Sales from 1-1-2013 to 31-3-2013 was Rs. 5,000 and sales for the remaining period was Rs. 20,000.

Bad debts of Rs. 100 relate to the debts taken over by the company and is included in bad debts of Rs. 450.

Prepare a statement showing pre and post incorporation profits.

4. From the following information, calculate the value of goodwill under :
- a) Three years purchase of super profits method.
  - b) Capitalisation of super profits method.
    - i) Average capital employed Rs. 8,70,000.
    - ii) Net profits of the firm for the past 3 years were : Rs. 1,22,000; Rs. 98,500 and Rs. 1,75,500.
    - iii) Managerial remuneration if employed elsewhere Rs. 18,000 p.a.
    - iv) Normal rate of return 10%.



5. Following are the particulars of SR Ltd. :

|  | Rs.      |
|--|----------|
| Fixed Assets                                   | 4,00,000 |
| Current Assets                                 | 2,50,000 |
| 50,000 equity shares of Rs. 10 each            | 5,00,000 |
| 5,000, 8% preference shares<br>of Rs. 100 each | 5,00,000 |
| Bank Overdraft                                 | 40,000   |
| 6% Debentures                                  | 2,00,000 |
| Other Current Liabilities                      | 60,000   |
| Goodwill                                       | 1,00,000 |

The market value of fixed assets is 12% more than the book value and that of current assets is 5% less than the book value. There is an unrecorded liability of Rs. 5,000.

Assuming that preference shares have no priority as to dividend or to repayment of capital, ascertain the value of equity shares.

6. Following particulars have been obtained from the books of a company.

|   | Rs.      |
|---|----------|
| Remuneration of Managing Director                   | 20,000   |
| Provision for bad debts                             | 10,000   |
| Provision for taxation                              | 1,50,000 |
| Depreciation written off                            | 80,000   |
| Loss on sale of investments                         | 70,000   |
| Depreciation allowable as per income tax provisions | 70,000   |
| Net profit after considering the above items        | 4,50,000 |

Calculate remuneration of Managing Director at 5% of net profit as per provisions of Companies Act.



SECTION - C

Answer any three of the following. Each question carries sixteen marks. (16x3=48)

7. Swetha Ltd. was incorporated on 1-8-2013 to take over the running business of Sowmya Ltd. as from 1-4-2013. Figures of the company for the year ending 31-3-2014 were as follows :

|   | Rs.             |                 | Rs.             |
|---|-----------------|-----------------|-----------------|
| To Salaries and Allowances                | 60,000          | By Gross Profit | 2,00,000        |
| " Rent and Taxes                          | 23,000          |                 |                 |
| " General expenses                        | 7,200           |                 |                 |
| " Director's fees                         | 3,000           |                 |                 |
| " Selling expenses                        | 4,000           |                 |                 |
| " Discount on sales                       | 1,000           |                 |                 |
| " Advertisement                           | 7,500           |                 |                 |
| " Preliminary expenses<br>written off     | 3,300           |                 |                 |
| " Interest on debentures                  | 1,400           |                 |                 |
| " Interest to Vendors<br>(upto 30-9-2013) | 6,000           |                 |                 |
| " Repairs to buildings                    | 1,200           |                 |                 |
| " Depreciation                            | 2,400           |                 |                 |
| " Net Profit                              | 80,000          |                 |                 |
|   | <b>2,00,000</b> |                 | <b>2,00,000</b> |

**Additional Information :**

- a) Rent was paid at Rs. 1,000 p.m. upto 1-8-2013 and thereafter it was increased to Rs. 2,000 p.m.
- b) The average monthly sales during the pre-incorporation period was Rs. 60,000 and the average monthly sales of post-incorporation period was Rs. 70,000.

Prepare a statement of Profit and Loss showing profit prior to and after incorporation of the company.



8. The Balance Sheet of Zed Ltd. is as follows on 31-12-2013.

| Liabilities                  | Rs.             | Assets                       | Rs.             |
|------------------------------|-----------------|------------------------------|-----------------|
| Equity shares of Rs. 10 each | 5,00,000        | Fixed Assets                 | 4,00,000        |
| General Reserves             | 2,00,000        | Investments (8% Govt. Bonds) | 1,00,000        |
| Profit & Loss Account        | 1,00,000        | Current Assets               | 4,00,000        |
| Current Liabilities          | 1,00,000        |                              |                 |
|                              | <b>9,00,000</b> |                              | <b>9,00,000</b> |

a) Net profit after taxation :

2011 – Rs. 1,30,000; 2012 – Rs. 1,25,000; 2013 – Rs. 1,50,000.

b) Normal rate of return is 10%.

c) Current assets are to be taken at Rs. 4,20,000.

Ascertain the goodwill under –

i) 4 years purchase of super profits.

ii) Capitalisation of super profits.

iii) Annuity of super profits taking annuity factor of Re. 1 for five years at 10% as Rs. 3.78.

9. From the Balance Sheet and other information given, you are required to find out the Intrinsic Value, Yield Value and Fair Value of equity shares. Ignore taxation.

#### Balance Sheet of SRG Ltd. as at 31-3-2014

| Liabilities           | Rs.             | Assets                  | Rs.             |
|-----------------------|-----------------|-------------------------|-----------------|
| 2000 equity shares of |                 | Land and Buildings      | 1,10,000        |
| Rs. 100 each          | 2,00,000        | Plant and Machinery     | 1,30,000        |
| General Reserve       | 40,000          | Patents and Trade Marks | 20,000          |
| Profit & Loss A/c     | 32,000          | Stock                   | 48,000          |
| S. Creditors          | 1,28,000        | S. Debtors              | 88,000          |
| Bills Payable         | 60,000          | Cash at Bank            | 52,000          |
|                       |                 | Preliminary expenses    | 12,000          |
|                       | <b>4,60,000</b> |                         | <b>4,60,000</b> |



Assets of the company are valued as under :

Land and Buildings Rs. 2,40,000; Goodwill Rs. 1,60,000; and Plant and Machinery Rs. 1,20,000. The other assets are worth their book value.

The profits of the company have been as follows :

2011-12 – Rs. 90,000

2012-13 – Rs. 80,000

2013-14 – Rs. 1,06,000

The company follows the practice of transferring 25% of profits to general reserve. Normal rate of return is 12%.

10. Following is the Trial Balance of P. K. Ltd. as at 31-3-2014.

| Debit Balances    | Rs.              | Credit Balances              | Rs.              |
|-------------------|------------------|------------------------------|------------------|
| 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          | 2,000            | Discount Received            | 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 doubtful debts | 3,000            |
| Plant & Machinery | 12,00,000        |                              |                  |
| 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 :**

- Stock on 31-3-2014 – Rs. 2,00,000.
- Depreciate Plant and Machinery at 12%, Furniture at 10% and Patents at 20%.
- Further bad debts amounted to Rs. 4,000. Provide 5% on debtors for bad debts.
- Provide for income tax @ 35% and for corporate dividend tax @ 16.2225%.
- The Board of Directors recommended a dividend of 25%.

Prepare Final Accounts of the company.

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**ವಿಭಾಗ - ಎ**

ಯಾವುದಾದರೂ ಹತ್ತು ಉಪ ಪ್ರಶ್ನೆಗಳಿಗೆ ಉತ್ತರಿಸಿ. ಪ್ರತಿ ಉಪ ಪ್ರಶ್ನೆಗೂ ಎರಡು ಅಂಕಗಳು.

(2×10=20)

- 'ವ್ಯವಹಾರ ಖರೀದಿಸುವಿಕೆ' ಎಂದರೇನು ?
  - ಖರೀದಿ ಬೆಲೆಯ ತೀರುವಳಿಗೆ ಬೇಕಾದ ರೋಜು ದಾಖಲೆ ಬರೆಯಿರಿ.
  - ಸಮಯದ ಅನುಪಾತ ಎಂದರೇನು ? ಒಂದು ಉದಾಹರಣೆ ಕೊಡಿ.
  - ಸಂಯೋಜನೆಯ ನಂತರದ ಅವಧಿಗೆ ಮಾತ್ರ ತೋರಿಸಬಹುದಾದ ಯಾವುದಾದರೂ ಎರಡು ವೆಚ್ಚಗಳನ್ನು ತಿಳಿಸಿ.
  - ಕೀರ್ತಿಮೌಲ್ಯವನ್ನು ಕಂಡು ಹಿಡಿಯಬೇಕಾದ ಯಾವುದಾದರೂ ಎರಡು ಸಂದರ್ಭಗಳನ್ನು ತಿಳಿಸಿ.
  - ಉಳಿಸಿಕೊಳ್ಳಬಹುದಾದ ಲಾಭ ಎಂದರೇನು ?
  - ವರ್ಷದ ಕೊನೆಯಲ್ಲಿ ತೊಡಗಿಸಿರುವ ಬಂಡವಾಳ ರೂ. 5,00,000 ಮತ್ತು ಪ್ರಸಕ್ತ ವರ್ಷದ ನಿವ್ವಳ ಲಾಭ ರೂ. 2,25,000 ಆಗಿದ್ದರೆ, ಉಪಯೋಗಿಸಿದ ಸರಾಸರಿ ಬಂಡವಾಳ ಎಷ್ಟು ?
  - ಮುಖಬೆಲೆ ಒಂದೆ ಇದ್ದು ವಿವಿಧ ಸಂದಾಯ ಬೆಲೆ ಇರುವ ಷೇರುಗಳ ಬೆಲೆಯನ್ನು ಯಾವ ರೀತಿ ಕಂಡು ಹಿಡಿಯುವಿರಿ ?
  - ಷೇರುಗಳ ಮೌಲ್ಯಮಾಪನಕ್ಕೆ ಯಾವುದಾದರೂ ನಾಲ್ಕು ಕಾರಣಗಳನ್ನು ತಿಳಿಸಿ.