



Nagarjuna Degree College  
38/36, Ramagondanahalli,  
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Bengaluru - 560 064.

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III Semester B.Com. (Tourism)/LS/SP Degree Examination, March/April - 2022

**COMMERCE**

**Corporate Accounting - I**

**(CBCS Scheme Regular & Repeaters 2018)**

**Paper : 3.3**

**Time : 3 Hours**

**Maximum 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. What is underwriting of shares?
  - b. State the maximum commission payable to underwriters as per Company's Act?
  - c. Mention any 2 circumstances for need of valuation of shares?
  - d. State any 2 factor influence the value of goodwill?
  - e. State an appropriate ratios to be used for the following.  
Rent, bad debt, share transfer fees and debenture interest paid.
  - f. State any two Tangible Asset and two Intangible Asset?
  - g. What is Super Profits?

**SECTION - B**

- II. Answer any **Three** questions. Each question carries **6** marks. **(3×6=18)**
2. From the followig information you are required to calculate the Adjusted Average Profits. The profits earned in last 4 years are  
2014-15 → Rs. 20,000 (includes abnormal loss of Rs. 2,000)  
2015-16 → Rs. 25,000 (includes abnormal profit of Rs. 5,000)  
2016-17 → Rs. 38,000 (includes non -recurring income of Rs. 8,000)  
2017-18 → Rs. 35,000 (includes loss of Rs. 5,000 due to speculation).
  3. Briyanza company issued 1,00,000 shares of Rs.10 each. The whole issue was fully underwritten by A,B,C & D as follows : A - 40,000 share, B - 30,000 shares, C - 10,000 share and D - 20,000 shares. The company received applications for 90,000 shares of which marked applications were as follows :  
A - 44,000 shares, B - 22,000 shares, C - 2,000 share and D - 18,000 shares Determine the liability of each underwriter.

**[P.T.O.]**

(2)

4. From the following details, calculate profit before and after incorporation.
- Time Ratio - 1:2
  - Sales ratio - 2:3
  - Gross profit - Rs. 60,000
  - Income/Expenses :  
Salary - Rs. 9,000, Discount - Rs. 500, Rent - Rs. 15,000 and Bad debts written off Rs. 3,000.
5. Following is the balance sheet of Max Co. Ltd., as on 31-3-2015.

Liabilities	Amount	Assets	Amount
40,000 equity shares of Rs. 10 each	4,00,000	Fixed Assets	4,00,000
Debenture Redemption fund	50,000	Current Assets	2,50,000
6% debenture	1,00,000	Preliminary Expenses	20,000
Sundry Creditors	1,70,000	Discount on debentures	5,000
		Profit & Loss A/c	45,000
<b>Total</b>	<b>7,20,000</b>	<b>Total</b>	<b>7,20,000</b>

Calculate the value of the Equity Share under net asset method.

6. Under which heading would you show the following in company final accounts?
- Bills Receivables.
  - Bills Payable.
  - Trade Marks.
  - Work - in - progress.
  - Prepaid Insurance.
  - Stores & Spare Parts.

### SECTION - C

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

7. GVN limited invited application from the public for 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The entire issue was underwritten by the underwriters A,B,C & D equally with the provision of firm underwriting of 2,500, 4,000, 10,000 and 3,500 shares respectively. The underwriters were entitled to a commission of 2.5% on issue price of shares.

The company received applications for 1,60,000 shares excluding firm underwriting, out of which marked applications were 20,000, 30,000, 60,000 and 10,000 shares respectively. Prepare a statement showing the net liability of each underwriter treating :

- Firm underwriting as **unmarked applications** and
- Firm underwriting as **marked applications**.

8. SIMR Company was incorporated on 1<sup>st</sup> March, 2019 and received its certificate of commencement of business on 1<sup>st</sup> April, 2019. The company bought the business of M/s small and Co. with effect from 1<sup>st</sup> November, 2018. From the following figures relating to the year ending October, 2019, find out the profits available for dividends.
- Sales for the year were Rs. 6,00,000 out of which sale up to 1<sup>st</sup> March, 2019 were Rs. 2,50,000.
  - Gross profit for the year was Rs. 1,80,000.
  - Expenses debited to the profit and loss account were :  
Rent - Rs. 9,000; Salaries - Rs. 15,000; Director's fees - Rs. 4,800; Interest on debentures - Rs. 5,000; Audit fees - Rs. 1,500; Discount on sales - Rs. 3,600; Depreciation - Rs. 24,000; General expenses - Rs. 4,800; Advertising - Rs. 18,000; Printing and Stationery - Rs. 3,600; Commission on sales - Rs. 6,000; Bad debts - Rs. 1,500 (Rs. 500 relates to debts created prior to incorporation); Interest to vendor on purchase consideration up to 1<sup>st</sup> May 2019 - Rs. 3,000;
9. The following information is given :
- Capital Employed Rs. 1,50,000
  - Normal rate of return 10%.
  - Present value of annuity of Re. 1 for 5 years at 10% is 3.78.
  - Net profit for the year : **2014-15** Rs. 14,400, **2015-16** Rs. 15,400, **2016-17** Rs. 17,400, **2017-18** Rs. 16,900, **2018-19** Rs. 17,900.

The profits include non - recurring profits on an average basis of Rs. 1,000 out of which it was delcalred that even non - recurring profits had a tendency of appearing at the rate of 600 per annum.

You are required to Calculate Goodwill

- As per annuity method.
  - As per 5 years of super - profit method.
  - As per capitalization of super - profit method.
10. Following is the Balance Sheet of Sameer Limited as at 31<sup>st</sup> March, 2020 :

**Balance Sheet as at 31-03-2020**

Liabilities	Rs.	Assets	Rs.
15,000 Equity shares of 10 each	1,50,000	Land	1,00,000
5,000 5% Preference shares of 10 each	50,000	Buildings	1,40,000
Reserve Fund	50,000	Furniture	22,500
Profit & Loss A/c	17,500	Debtors	50,000
6% Debentures	50,000	Stock	30,000
Creditors	60,000	Discount on issue of shares	10,000
Provision for taxation	5,000	Preliminary Expenses	30,000
<b>Total</b>	<b>3,82,500</b>	<b>Total</b>	<b>3,82,500</b>

For the purpose of valuat0 of shares fixed assets were valued as follows

Land Rs. 1,20,000, Buildings Rs. 1,50,000, Furniture Rs. 20,000 and goodwill at Rs. 50,000



It was found that the stock was overvalued by Rs. 1,000.

The net profits after taxation for the past three years were Rs. 40,000, Rs. 52,000 (includes abnormal loss of Rs. 2,000) and Rs. 45,000 respectively. Out of the profit 20% was placed to reserves and the normal rate of return is 10%. Compute the value of each share by

1. Net asset method and
2. Yield value method.

11. From the following trial balance prepare Final Accounts of Spoorthi Company for the accounting period 31<sup>st</sup> March 2020.

Sl. No.	Particulars	Dr.	Cr.
1.	Sales		13,08,000
2.	General Reserve		24,000
3.	Opening Inventories	1,16,800	
4.	Trade Payable		51,780
5.	Purchase of Goods	4,64,160	
6.	Depreciation on Tangible Assets	31,000	
7.	Trade Receivables	1,70,000	
8.	Salary Expenses	1,96,940	
9.	Provision for Bad and doubtful debts		10,000
10.	Cash & Cash Equivaletns	71,000	
11.	Tangible Assets	3,10,000	
12.	Freight	97,760	
13.	Amortizations on Tangible Assets	37,000	
14.	Sundry Expenses	85,720	
15.	Share capital (equity shares of 100 each)		5,00,000
16.	Profit & Loss A/c		14,000
17.	Preliminary Expenses	40,000	
18.	Power & Fuel	1,08,400	
19.	Bad debts	7,000	
20.	Intangible Assets	1,72,000	
	<b>Total</b>	<b>19,07,780</b>	<b>19,07,780</b>

**Adjustments :**

1. Create Provision for taxation at 30%.
2. Write - off 1/5<sup>th</sup> of Preliminary Expenses.
3. Write - off Rs. 5,000 as Bad debts and maintain PBDD @ 10% on Debtors.
4. Closing Inventories Rs. 57,600.
5. Directors proposed dividend of 15%.