

Roll No: _____
Date: ___/___/___

St. Claret College

Autonomous, Bengaluru

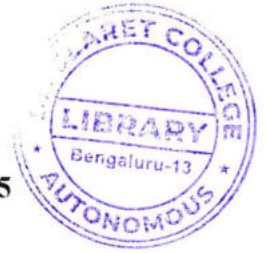
UG END SEMESTER EXAMINATION-NOVEMBER 2025

BBA - III SEMESTER

BM 3125: CORPORATE ACCOUNTING

TIME: 3 hours.

MAX. MARKS: 80



This paper contains SIX printed pages and FOUR parts

Instructions:

1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer ALL questions. Each answer carries ONE mark.

[10 x 1 = 10]

1. What is the primary purpose of the underwriting commission paid to an underwriter?
 - a. To pay for marketing and advertising the issue.
 - b. To compensate the underwriter for the risk of taking up unsold shares or debentures
 - c. To fund the legal and administrative costs of the underwriting agreement.
 - d. To provide a loan to the issuing company.
2. According to the Companies Act, 2013, what is the maximum underwriting commission rate for shares?
 - a. 2.5% of the issue price
 - b. 5% of the issue price
 - c. A rate authorized by the articles, whichever is less
 - d. A rate specified by SEBI, whichever is more
3. Which report gives a review of a business's profitability?
 - a. Statement of changes in equity
 - b. Balance sheet
 - c. Cash flow statement
 - d. Income Statement

4. Which of the following methods are used for the valuation of goodwill?
 - a. Super profit method
 - b. Weighted profit method
 - c. Average profit method
 - d. All of the above
5. What is the primary purpose for the valuation of shares?
 - a. To advance a loan against the security of shares
 - b. For purchase of shares by employees where they can retain these shares till the period of their employment
 - c. To purchase a block of shares to acquire control in the company
 - d. All of the above
6. Which of the following is definition of goodwill?
 - a. Fictitious Asset
 - b. Current Asset
 - c. Intangible Asset
 - d. Liquid Asset
7. The weighted average method of calculating goodwill is used when
 - a. Profits are not equal
 - b. Profits are fluctuating
 - c. Profits show an increasing or decreasing trend
 - d. None of the above
8. When a company issues shares through a private placement, it must:
 - a. File a Prospectus
 - b. Offer shares to the general public
 - c. Make the offer to a selected group of investors.
 - d. List the shares on the stock exchange.
9. When debentures are issued at a price higher than their nominal value, they are said to be issued at:
 - a. Discount
 - b. Par
 - c. Premium
 - d. None of the above
10. Which of these is not a component of the final accounts?
 - a. Balance sheet
 - b. Cash flow statement
 - c. Income Statement
 - d. Fund flow statement

PART-B

Answer any THREE questions. Each answer carries EIGHT marks.

[3 x 8 = 24]

11. ABC Ltd., issued equity shares for Rs. 10,00,000 of Rs. 10 per share. The whole issue was fully underwritten by the following underwriters.
 A – 35,000, B – 30,000, C – 20,000, D – 10,000, E – 3,000, F- 2,000
 The application forms marked by the underwriters were:
 A – 10,000, B – 22,500, C – 20,000, D – 7,500, E – 5,000, and F – NIL
 Applications for 20,000 shares were received on forms not marked.
 You are required to find out the net liability of underwriters.

12. Following is the balance sheet of Mahesh Co. Ltd. as on 31.03.2022

Liabilities	Rs.	Assets	Rs.
Share Capital: 1000, 8% Preference Shares of Rs. 100 each	1,00,000	Fixed Assets	4,00,000
30,000 equity shares of Rs. 10 each	3,00,000		
Debenture Redemption Fund	50,000	Current Assets	2,50,000
6% Debentures	1,00,000	Preliminary Expenses	20,000
Depreciation Fund	1,00,000	Discount on Issue of Debentures	5,000
Sundry Creditors	70,000	Profit and Loss Account	45,000
	7,20,000		7,20,000

Calculate the value of the Equity share under the net assets method after considering the following information:

1. Debenture interest is due for 1 year.
 2. Current assets include Book Debts of which Rs. 12,000 which were doubtful for which no provision has been made.
13. Mr. Anand has been doing business, intends to sell his business on 1.03.2015. From the following particulars, ascertain the amount of Goodwill based on 3 years purchase of the average profits of the last 4 years. The profits during 4 years were as follows:
- 2011 – 12 – Rs. 2,00,000
 2012 - 13 – Rs. 2,40,000
 2013 – 14 – Rs. 3,00,000
 2014 – 15 – Rs. 3,60,000
- At the time of the acquisition of the business, the buyer was employed as a manager of a similar business on a salary of Rs. 6,000 p.m. The profits of 2014 – 15 include income from investment of Rs. 20,000. The profits of 2011- 12 were reduced by Rs. 60,000 being loss on speculation. Similarly, in 2013- 14 profits were reduced by Rs. 1,00,000 due to loss from betting.
14. Under what notes (heading) do you show the following items in the Balance Sheet of a Co.
- a) Goodwill
 - b) Fixed deposit from public
 - c) Discount on issue of debentures
 - d) Bank overdraft
 - e) Underwriting commission
 - f) Bills receivable
 - g) Unclaimed dividend
 - h) Patents and trade marks
 - i) Loan on mortgage

15. Archana Company Ltd., issued 50,000 ordinary shares of Rs. 100 each. The amount was payable as follows:-
 Rs. 10 on application
 Rs. 50 on allotment
 Rs. 40 on first and final call
 All the shares were subscribed and the amount was duly received. Pass Journal Entries

PART-C

Answer any THREE questions. Each answer carries TWELVE marks

[3 x 12 =36]

16. Balance sheet of Dayanand Ltd. as on 31.12.2015

Liabilities	Rs.	Assets	Rs.
Share Capital: Issued, Subscribed and paid up: 2000 shares of Rs. 100 each	2,00,000	Land & Building	1,10,000
General Reserve	40,000	Plant & Machinery	1,30,000
Profit & Loss A/c	32,000	Patents & Trade Marks	20,000
Sundry Creditors	1,28,000	Stock	48,000
Income Tax Reserve	60,000	Debtors	88,000
		Bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

The expert valuer valued the Land & Building at Rs. 2,40,000, Goodwill at Rs. 1,60,000 and plant and machinery at Rs. 1,20,000. Out of the total debtors, it is found that debtors of Rs. 8,000 are bad. The profits of the company have been as follows:-

2012 – 13	Rs. 90,000
2013 – 14	Rs. 80,000
2014 – 15	Rs. 1,06,000

The Company follows the practice of transferring 25% of profits to general reserve. Similar type of companies each at 10% of the value of their shares. Ascertain the value of shares of the company under:

- (i) Intrinsic value method;
- (ii) Yield value method;
- (iii) Fair value method

17. Nirnay Ltd., issued 2,50,000 shares of Rs. 10 each which was underwritten as follows:

- Mr. A – 75,000 shares (Firm underwriting 8,000 shares)
- Mr. B – 62,500 shares (Firm underwriting 12,000 shares)
- Mr. C – 62,500 shares (Firm underwriting NIL)
- Mr. D – 50,000 shares (Firm underwriting 30,000 shares)

The total applications excluding firm underwriting but including marked applications were for 1,80,000 shares. The marked applications were underwritten as follows:-
 Mr. A – 40,000 shares; Mr. B – 36,000 shares; Mr. C – 24,000 shares and Mr.D – 48,000 shares. Calculate the net liability of each underwriter treating:-
 (a) Firm underwriting as marked applications and
 (b) Firm underwriting as unmarked applications.

18. The following is the Trial balance of Ram Lakshman Limited as on March 31, 2023

Particulars	Debit (Rs.)	Credit (Rs.)
Stock	1,25,000	
Sales		4,00,000
Purchases	3,45,000	
Wages	50,000	
Discount	7,000	5,000
Salaries	7,500	
Rent	4,950	
General expenses including insurance	17,050	
Profit and Loss Account		15,030
Dividend paid	9,000	
Capital (10,000 shares of Rs. 10 each)		1,00,000
Debtors and creditors	37,500	17,500
Machinery	29,000	
Cash in Hand	16,200	
Reserve Fund		1,15,500
Bad debts	4,830	
Total	6,53,030	6,53,030

Prepare Trading and Profit and loss account for the year ended 31.03.2025 and a Balance Sheet on that date after taking into account the following:

- Stock Rs. 3,00,000
- Purchases include Rs. 5,000 for machinery purchase on 1.10.2024
- On 31.3.2025, goods worth Rs. 30,000 were sold to a customer. He has taken away the goods but the transaction was not entered in the sales book.
- Directors want to provide i) 10% final dividend; ii) Income-tax Rs. 30,000; iii) Reserve fund Rs. 20,000.

19. X Co. Ltd. issued 2,00,000 shares of Rs. 10 each at a premium of Rs. 3 each, payable Rs. 2 on application, Rs. 6 on allotment (including premium), Rs. 3 on first call and the balance on final call.

Application were received for 2,25,000 shares. The excess application money was to be adjusted towards allotment. All the money were duly received except from Mr. Das who failed to pay the first call and also the final call on 1000 shares and Mr. Ravi who failed to pay the final call on 2,000 shares. Pass journal entries to record the above transactions and show Share Capital account and Bank Account.

20. On 1st April 2021 a company issued 400, 5% Debentures of Rs. 1000 each at Rs. 980. The holders of these debentures had an option to convert their holdings into 8% preference shares of Rs. 100 each at a premium of Rs. 20 per share any time within five years.

On 31st March 2022, one year's interest had accrued on the debentures and remained unpaid. A holder of 24 debentures notified that he has an intention to exercise the above option.

PART-D

Answer the following question. The answer carries TEN marks.

[1x 10 =10]

21. Background of the case:

M/s. Bharath & Co. is a partnership firm engaged in the electronics business. The firm has been operating successfully for several years and has built a strong reputation in the market. The partners have decided to admit a new partner. Mr. Rahul was admitted to the firm.

The following information is given:

- (a) Capital Employed Rs. 1,50,000
- (b) Normal rate of return 10%
- (c) Present value of annuity of Rs. 1 for 5 years at 10% = 3.78
- (d) Net profits for five years: 2010 – 11 Rs. 14,400, 2011- 12 Rs. 15,400, 2012 – 13 Rs. 17,400, 2013 – 14 Rs. 16,900, 2014 – 15 Rs. 17,900.

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

You are required to Calculate Goodwill.

- a) As per annuity method.
- b) As per 5 years purchase of Super-profit method.
- c) As per the Capitalisation of Super-profit method.
