



NS – 499

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**III Semester B.B.M. Degree Examination, November/December 2016
(2013-14 and Onwards Scheme) (Repeaters)**

BUSINESS MANAGEMENT

Paper – 3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be written in **English only**.

SECTION – A

Answer **any 8** sub-questions. **Each** sub-question carries **2** marks.

(8×2=16)

1. a) What is CDT ? How is it calculated ?
- b) Give two examples of contingent liabilities.
- c) What do you mean by preference share ?
- d) Who is an underwriter ?
- e) What do you mean by issue of shares at premium ?
- f) What do you mean by Firm Underwriting ?
- g) Give the meaning of goodwill.
- h) State any two methods of valuing the goodwill.
- i) State the methods of valuation of shares.
- j) What do you mean by valuation of rights issue ?



SECTION – B

Answer **any 3** questions. **Each** sub-question carries **8** marks :

(3×8=24)

2. Briefly explain various types of underwriting.
3. The following information is available in respect of business carried on by a trader.

i) Profits earned for the years :

Year	₹
2013	50,000
2014	60,000
2015	55,000

ii) Normal rate of return 10%.

iii) Capital employed ₹ 3,00,000.

iv) Present value of an annuity of one rupee for five years at 10% = ₹ 3.78.

v) Profits included a non-recurring income of ₹ 3,000 in the year 2014.

You are required to calculate the value of goodwill :

a) As per 5 years purchase of super profits.

b) As per annuity method.



4. Prakruthi Ltd., issued 10000 shares of ₹ 10 each at a discount of ₹ 1 per share payable ₹ 5 on application and balance on allotment. All the shares offered were applied for and allotted. The money due on allotment was received.

Pass the necessary Journal Entries.

5. Preethi Limited issued 40,000 shares of ₹ 10 each. These shares were underwritten as follows :

A = 20000 shares and B = 12000 shares.

The public applied for 33000 shares which included marked applications from the underwriters as follows :

A – 5000 shares B – 3000 shares

Determine the net liability of the underwriters.

SECTION – C

Answer any 4 questions. Each question carries 15 marks.

(4×15=60)

6. The Clothmills Ltd. invited applications for 10000 shares of ₹ 100 each at a premium of ₹ 10 each payable as below :

₹ 50 on application

₹ 35 on allotment (including premium) and

₹ 25 on call.

Applications for 15000 shares were received. Applicants for 2500 shares did not get any allotment and their money returned. Allotment was made pro-rata to the remaining applicants.

Mr. A was allotted 400 shares. He failed to pay the amount due on allotment and call money. The company forfeited his shares and subsequently re-issued at ₹ 105 per shares.

Show the Journal Entries and cash book entries in the books of the company and also prepare the Balance Sheet.

7. The Balance Sheet of X Ltd. as on 31-03-2016 is as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
8%, 10000 Preference shares of ₹ 10 each	1,00,000	Goodwill	20,000
20000 equity shares of ₹ 10 each	2,00,000	Fixed assets	3,60,000
Reserves (including provision for taxation ₹ 20,000)	2,00,000	Investments (5% Govt. Loan)	40,000
8% debentures	1,00,000	Current assets	2,00,000
Creditors	50,000	Preliminary expenses	20,000
		Discount on shares	5,000
		Misc. Expenditure	5,000
	6,50,000		6,50,000



The average profits of the company (after deducting interest and taxes) is ₹ 62,000. The market value of the machinery included in fixed assets is ₹ 10,000 more. Expected rate of return is 10%. Evaluate the goodwill of the company

- 1) at five times of super profits,
- 2) capitalisation of super profits.

8. Sunidhi Ltd. issued 2,50,000 shares of ₹ 10 each which was under written as follows :

- A – 75000 shares (Firm underwriting 8000 shares)
- B – 62500 shares (Firm underwriting 12000 shares)
- C – 62500 shares (Firm underwriting nil)
- D – 50000 shares (Firm underwriting 30000 shares)

The total applications excluding firm underwriting but including marked applications were for 180000 shares. The marked applications were as under :

A – 40000 shares, B – 36000 shares, C – 24000 shares and D – 48000 shares.

Calculate the net liability of each underwritten by treating :

- a) Firm underwriting as marked applications.
- b) Firm underwriting as unmarked applications.

9. Following is the Balance Sheet of Ananya Ltd. as on 31-3-2016.

Liabilities	₹	Assets	₹
40000 shares of ₹ 10 each	4,00,000	Goodwill	1,00,000
Reserve fund	1,00,000	Fixed assets	4,50,000
Profit and loss A/c	35,000	Current assets	1,90,000
9% Debentures	1,00,000	Preliminary expenses	25,000
Current liabilities	1,30,000		
	7,65,000		7,65,000

For the purpose of valuation of shares, fixed assets were valued at ₹ 5,00,000 and goodwill at ₹ 1,50,000. There is a necessity of R.B.O. at 10% on debtors of ₹ 75,000. It is found that stock was over valued by ₹ 9,000. The net profits for the past 3 years were ₹ 69,000, ₹ 71,800 and ₹ 90,200 respectively after taxation, out of this profit 20% was placed to reserves. The normal rate of return is 10%.

Compute the value of each equity share by

- a) Net assets method
- b) Yield method and also calculate
- c) Fair value of share.



10. The following is the Trial Balance of Divyashree Ltd. as on 31-3-2016. The company has 20000 shares of ₹ 100 each as authorised capital.

Particulars	Dr. (₹)	Cr. (₹)
Shares (3000 shares of ₹ 100 each)	-	3,00,000
Calls in arrears	16,000	-
Reserve fund	-	2,50,000
Buildings	1,80,000	-
Fixed deposits	-	1,00,000
Wages	30,000	-
Machinery	89,000	-
Furniture	80,000	-
Purchases and sales	2,10,000	5,25,000
Salary	60,000	-
Debtors and creditors	2,20,000	1,50,000
B/R and B/P	61,000	90,000
Directors fees	20,000	-
Returns	15,000	20,000
Freight	10,000	-
Manufacturing expenses	5,000	-
Opening stock	65,000	-
Interim dividend (Excluding COT)	25,000	-
Audit fees	15,000	-
Profit and loss account	-	27,000
Tools	38,000	-
Preliminary expenses	60,000	-
Debentures	-	1,00,000
Interest on debenture	14,000	-
Investments	2,50,000	-
Goodwill	52,000	-
Insurance and taxes	20,000	-
Printing and stationery	15,000	-
Cash and Bank Balances	12,000	-
	15,62,000	15,62,000

Adjustments :

- Directors proposed a total dividend of 25%.
- Write off 25% of preliminary expenses and 10% of Goodwill.
- Depreciate buildings by 2% and furniture by 5%.
- Transfer ₹ 60,000 to Reserve fund.
- Insurance prepaid ₹ 1,500.
- Closing stock ₹ 80,000.

Prepare final accounts in vertical form.