



CS – 377

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III Semester B.B.A. Examination, March 2023
(CBCS) (R) (2015 – 16 and Onwards)
BUSINESS ADMINISTRATION
Paper – 3.3 : Corporate Accounting

Time : 3 Hours



Max. Marks : 70

Instruction : Answers should be written in **English**.

SECTION – A

1. Answer **any five** questions. **Each** question carries **two** marks. **(5×2=10)**
- a) State the tools of financial statements analysis.
- b) What do you mean by calls-in-arrears ?
- c) What is contingent liability ? Give an example.
- d) State any 4 factors determining the value of goodwill.
- e) Closing capital employed is ₹ 6,00,000. Net profit for the current year is ₹ 1,20,000. What is Average Capital employed ?
- f) How do you calculate the intrinsic value of a share ?
- g) What is subsidiary company ?

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SECTION – B

Answer **any three** questions. **Each** question carries **six** marks.

(3×6=18)

2. Discuss the need for financial statement analysis.
3. How do you treat the following items in the companies Balance Sheet ?
 - I) Debtors
 - II) Preliminary expenses
 - III) Calls in Arrears
 - IV) Securities premium
 - V) Long term loan
 - VI) Fixture.
4. Prepare comparative income statement with the help of the following information.

Details	2021	2022
Sales	₹ 10,00,000	₹ 16,00,000
Cost of goods sold	75% of sale	80% of sales
Indirect expenses	40% of gross profit	30% of gross profit
Income tax	55% of profit before tax	50% of profit before tax

5. The average adjusted profits of the last 4 years are calculated to be ₹ 20,000. It is estimated that reasonable managerial remuneration is ₹ 5,000 p.a. Reasonable return on capital invested in such business is 10%. The net capital invested in such a business is ₹ 80,000.

Calculate the value of goodwill on the basis of 3 years purchase of average super profit.



6. From the following details, calculate the value of each equity share on yield basis method.
- a) 10,000 9% preference share of ₹ 100 each ₹ 10,00,000.
 - b) 2,50,000 equity share of ₹ 10 each ₹ 8 paid ₹ 20,00,000.
 - c) Expected profits per year before tax ₹ 10,90,000.
 - d) Rate of taxation 40%.
 - e) Transfer to general reserve 20%.
 - f) Normal rate of return 15%.

SECTION – C

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

7. Sunrise Company Ltd. is a company with an authorised capital of ₹ 5,00,000 divided into 5000 equity shares of ₹ 100 each, 2500 shares were called and fully paid, gives you the following ledger balances as on 31-3-2022.

Particulars	₹
Stock (1-4-2021)	50,000
Sales	4,25,000
Purchases	3,00,000
Wages	70,000
Discount allowed	4,200
Discount received	3,150
Insurance paid (upto 31-6-22)	6,720
Salaries	18,500
Rent	6,000
General expenses	8,950



Profit and Loss A/c (Cr.)	6,220
Printing and Stationery	2,400
Advertisement	3,800
Bonus	10,500
Debtors	38,700
Creditors	35,200
Plant and Machinery	80,500
Furniture	17,100
Cash at bank	1,34,700
Reserve	25,000
Loan from M.D.	15,700
Bad debts	3,200
Calls in arrears	5,000

Adjustments :

- 1) Closing stock as on 31-3-2022 ₹ 91,500.
- 2) Provide 15% depreciation on plant and 10% on furniture respectively.
- 3) Outstanding liabilities were : Wages ₹ 5,200, Salary ₹ 1,200 and Rent ₹ 600.
- 4) Dividend at 5% on paid up capital is to be provided.

Prepare the Final Accounts in accordance with Companies Act of 2013.



8. The Balance Sheets of Mr. Suman and Co. Ltd. for the year 2021 and 2022 are given below.

Particulars	31-3-2021	31-3-2022
Liabilities :	₹	₹
Equity share capital	2,00,000	2,50,000
10% Preference share capital	2,00,000	1,50,000
Reserve fund	80,000	1,00,000
Profit and Loss A/c	1,00,000	1,50,000
12% Debentures	2,00,000	3,00,000
Creditors	1,00,000	1,20,000
Bank overdraft	70,000	25,000
Total	9,50,000	10,95,000
Assets :	₹	₹
Building	3,00,000	3,20,000
Machinery	1,50,000	1,80,000
Furniture	60,000	35,000
Investment	1,00,000	1,50,000
Stock	1,50,000	2,00,000
Debtors	1,00,000	1,20,000
Cash at Bank	90,000	90,000
Total	9,50,000	10,95,000

You are required to prepare Comparative Balance Sheet Technique.



9. The Balance Sheet of Sunlight Co. Ltd. as on 30-6-2022 was as follows :

Liabilities	₹	Assets	₹
10% preference share capital	1,00,000	Fixed Assets	3,80,000
Reserve (including Provision for tax ₹ 20,000)	2,00,000	Investment (5% Govt. Loan)	1,40,000
20000 equity shares of ₹ 10 each	2,00,000	Current Assets	2,00,000
9% debentures	1,00,000	Preliminary expenses	15,000
Creditors	1,35,000		
	7,35,000		7,35,000

The average profits of the company after tax is ₹ 62,000. Fixed assets are undervalued by ₹ 10,000. Normal rate of return is ascertained to be 10%.

You are required to value the goodwill of the company at 4 times the super profits.

10. Following is the Balance Sheet of Surya Ltd. as on 31-3-2022.

Liabilities	₹	Assets	₹
Equity share capital ₹ 10 each	16,00,000	Goodwill	2,00,000
Reserves and surplus	3,00,000	Other fixed Assets	24,00,000
10% Debentures	4,00,000	Current Assets	4,00,000
Creditors	4,00,000		
Provision for tax	3,00,000		
	30,00,000		30,00,000

On the above date, an independent valuation of goodwill and other Fixed Assets was made at ₹ 3,00,000 and ₹ 30,00,000 respectively. Current assets include Debtors of ₹ 2,00,000 out of which 15% is bad. The net profits of the company for the past 3 years were ₹ 2,40,000, ₹ 2,80,000 and ₹ 3,05,000 of which 20% was placed to reserve. The normal rate of return is 10% . Calculate the value of share by net assets method and yield method.



11. From the Balance Sheets and information given below. Prepare consolidated Balance Sheet as at 31-3-2022.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Equity share capital ₹ 10 each	5,00,000	1,00,000	Fixed Assets	4,00,000	60,000
General Reserve	60,000	30,000	Investment :		
P&L A/c	2,00,000	60,000	7500 shares in S Ltd.	75,000	–
Bills payable	–	15,000	Inventories	3,00,000	1,20,000
Sundry creditors	1,10,000	60,000	Sundry debtors	75,000	85,000
			Bills Receivables	20,000	–
	8,70,000	2,65,000		8,70,000	2,65,000

Additional Information :

- 1) The Bills accepted by S Ltd. are all in favour of H Ltd.
 - 2) The stock of H Ltd. includes ₹ 25,000 bought from S Ltd. at a profit to the later at 20% on sales.
 - 3) All the profits of S Ltd. has been earned since the shares were acquired by H Ltd. but there ws already reserves of ₹ 30,000 at that date.
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