



CS – 372

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III Semester B.B.A. Examination, March 2023
(CBCS) (2021 – 22 and Onwards) (Repeaters)
BUSINESS ADMINISTRATION
Paper – 3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answer should be written in



SECTION – A

Answer **any five** of the sub-questions. **Each** sub-question carries **2** marks. **(5×2=10)**

1. a) What are Preference Shares ?
- b) What is meant by Normal Rate of Return ?
- c) State different methods of valuation of shares.
- d) Given, closing capital employed ₹ 2,00,000 and net profit for the current year is ₹ 3,00,000. What is the average capital employed ?
- e) What do you mean by unrealized profits ?
- f) What is capital reserve ?
- g) What are reserves and surplus ?

SECTION – B

Answer **any three** questions. **Each** question carries **5** marks. **(3×5=15)**

2. Distinguish between premium on issue of shares and premium on redemption of shares.
3. The profits disclosed by XYZ Ltd. for the past 5 years were as follows :
2017 – 18 – 40,000 (including abnormal profits – 5,000)
2018 – 19 – 50,000 (after charging abnormal loss – 10,000)
2019 – 20 – 45,000 (excluding 5,000 insurance premium)

P.T.O.



2020 – 21 – 60,000

2021 – 22 – 80,000 (including profit on sale of building 20,000)

You are required to calculate the value of goodwill at 2 years purchase of average profits.

4. The following is the Balance Sheet of ABC Ltd. as on 31-3-2022.

Liabilities	₹	Assets	₹
Shares Capital :		Fixed Assets	4,00,000
1000, 8% Preference Shares		Current Assets	2,50,000
of ₹ 100 each	1,00,000	Preliminary expenses	20,000
30000 Equity Shares of		Discount on	
₹ 10 each	3,00,000	Issue of Debentures	5,000
Debentures redemption		Profit and Loss Account	45,000
Fund	50,000		
6% Debentures	1,00,000		
Depreciation Fund	1,00,000		
Sundry creditors	70,000		
	7,20,000		7,20,000

Calculate the value of the Equity Shares under net asset method after considering the following information.

- 1) Debenture interest is due for 1 year.
 - 2) Current assets include book debts of which ₹ 12,000 were doubtful for which no provision has been made.
5. Under which heading and sub-heading will the following items appear in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ?
- i) 6% Debentures
 - ii) Proposed dividend
 - iii) Share premium
 - iv) Sinking fund
 - v) Goodwill.



6. Calculate cost of control from the following :

'H' Ltd. acquired 80% of Equity Shares in 'S' Ltd. on 1-10-2021 at 50% premium. The following balances are extracted from the Balance Sheet of 'S' Ltd. as on 31-3-2022.

- 1) Share Capital 50000 Equity Shares of ₹ 10 each.
- 2) Balance as on 1-4-2021
 - General Reserve ₹ 40,000
 - Profit and Loss Account ₹ 20,000
- 3) Net Profit for the year 2021-22 ₹ 70,000.

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks. **(3×12=36)**

7. The following is the Balance Sheet of a company as on 31-3-2022.

Liabilities	₹	Assets	₹
Share Capital :		Sundry Assets	49,00,000
100000 9% redeemable		Cash at Bank	7,00,000
Preference shares of			
₹ 10 each	10,00,000		
250000 Equity Shares			
of ₹ 10 each fully paid	25,00,000		
Profit and Loss Account	6,00,000		
Sundry Creditors	15,00,000		
	56,00,000		56,00,000

The Preference Shares are to be redeemed. The profits available not being sufficient, the company issue 4000, 10% preference shares of ₹ 100 each at par and the same were duly taken up and paid for.

Pass the journal entries and prepare the Balance Sheet after redemption.



8. The following information is given :

- a) Capital employed ₹ 1,50,000
- b) Normal rate of return 10%
- c) Present value of annuity of Re. 1 for 5 years at 10% – 3.78
- d) Net profit for 5 years 2017 – 18 ₹ 14,400, 2018 – 19 ₹ 15,400, 2019 – 20 ₹ 17,400, 2020 – 21 ₹ 16,900 and 2021 – 22 ₹ 17,900.

The profits included non-recurring profits on an average basis of ₹ 1,000 out which it was declined that even non-recurring profits had a tendency of appearing at the rate of ₹ 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 capitalisation of super profit method.

9. Following is the Balance Sheet of X Ltd. as on 31-3-2022.

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 Account	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.D. at 10% on debtors of ₹ 75,000. It is found the stock was over valued by ₹ 9,000. The net profit for 3 years were ₹ 69,000, ₹ 71,800 and ₹ 90,200 respectively after taxation out of this profit 20% was placed to reserve. The proportion being considered reasonable in which the normal rate of return is 10%.



Compute the value of equity share by

- a) Net Assets Method.
- b) Yield Method.
- c) Fair value Method.

10. From the following information you are required to prepare Consolidated Balance Sheet of 'P' Company Ltd. and its subsidiary 'Q' Company Ltd. as on 31-3-2022

Liabilities	P Ltd.	Q Ltd.	Assets	P Ltd.	Q Ltd.
Share Capital			Goodwill	2,00,000	50,000
Shares of ₹ 100 each	8,00,000	4,00,000	Plant	5,00,000	2,50,000
General Reserve	2,90,000	1,00,000	Buildings	2,00,000	1,00,000
Profit and Loss			Investments		
Account	2,60,000	50,000	3000 shares		
Loans	2,00,000	1,00,000	in Q Ltd.	3,60,000	–
Creditors	1,50,000	60,000	Loans and		
Bills Payable	1,00,000	40,000	Advances	–	60,000
			Stock	1,20,000	90,000
			Debtors	1,50,000	1,00,000
			Bills		
			Receivables	1,00,000	50,000
			Bank	1,70,000	50,000
	18,00,000	7,50,000		18,00,000	7,50,000

Additional Information :

- i) Bills payable of 'Q' Ltd. includes ₹ 30,000 due to 'P' Ltd.
- ii) Sundry creditors of 'P' Ltd. includes ₹ 50,000 due to 'Q' Ltd.
- iii) On the date of acquisition of shares (1-4-2021) 'Q' Ltd.'s Balance Sheet showed a General Reserve of ₹ 40,000 and Profit and Loss Account credit balance of ₹ 20,000.



11. Prepare the Final Accounts of Hindustan Company Ltd. from the following Trial Balance as on 31-3-2022.

Particulars	Dr. ₹	Cr. ₹
Calls in arrears	5,000	—
Premises	7,50,000	—
Machinery	1,50,000	—
Furniture	50,000	—
Purchases	6,80,000	—
Sales	—	10,00,000
Reserve Fund	—	1,80,000
Wages	1,25,000	—
Salaries	60,000	—
Interim Dividend	20,000	—
Goodwill	2,00,000	—
Share Capital	—	5,00,000
Profit and Loss Account	—	35,000
Debtors and Creditors	60,000	75,000
Bills Receivable	38,000	—
Bad Debts	2,000	—
Debenture Interest (upto 30-9-2021)	20,000	—
10% Debentures	—	4,00,000
Stock on 1-4-2021	41,000	—
Bills payable	—	10,000
Reserves for doubtful debts (1-4-2021)	—	1,000
	22,01,000	22,01,000



Additional Information :

- 1) The stock on 31-3-2022 was valued at ₹ 80,000.
- 2) Depreciate machinery and furniture by 10%.
- 3) Maintain reserve for doubtful debts at 5% on debtors.
- 4) The directors proposed a final dividend at 15%.
- 5) The debenture interest is up and paid for 6 months.

SECTION – D

Answer **any one** question which carries **9** marks.

(1×9=9)

12. a) Mention the methods of valuation of Goodwill and explain them.

OR

b) List out the conditions to be fulfilled for redemption of Preference Shares.
