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III Semester B.Com. Examination, November/December 2013
(Prior to 2012-13 Scheme) (Repeaters)
COMMERCE
3.3 : Corporate Accounting – I

Time : 3 Hours

Max. Marks : 90

Instruction : *Answer should be* ***completely*** *written either in* ***English*** *or* ***Kannada.***

SECTION – A

Answer **any ten** sub-questions. **Each** sub-question carries **two** marks. **(10×2=20)**

1. a) What is unclaimed dividend ?

   b) State the methods of valuation of shares.

   c) What is underwriting agreement ?

   d) State the different kinds of preference shares.

   e) What are contingent liabilities ?

   f) What is the maximum rate of managerial remuneration payable as per Companies Act, 1956 ?

   g) Distinguish between complete and partial underwriting.

   h) Distinguish between interim dividend and final dividend.

   i) What is CRR ?

   j) What is normal rate of return ?

   k) How do you ascertain the intrinsic value of shares ?

   l) What is the entry for transfer of divisible profits to Capital Redemption Reserve Account ?

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SECTION – B

Answer **any five** of the following. **Each** question carries **five** marks. **(5×5=25)**

2. Briefly explain the various methods of valuing goodwill.

3. Rakesh Ltd. issued 40,000 shares of Rs. 10 each. These shares were under written as follows X – 20,000 shares, Y – 10,000 shares, Z – 10,000 shares. The public applied for 35,000 shares which included marked applications as follows :

   X – 12,000, Y – 4,000, Z – 6,000 shares.

   Prepare a statement of underwriters liability.

4. Following are the particulars of Naveen Ltd.

Equity shares of Rs. 10 each	4,00,000
5% - Debentures	1,00,000
Current liabilities	1,30,000
Current assets	2,00,000
Fixed assets	5,50,000
Goodwill	50,000

   Compute the value of shares under Net Asset method.

5. A company has to redeem Rs. 1,00,000 worth of preference shares at a premium of 10%. The amount of divisible profits and securities premium account available in Balance Sheet is Rs. 20,000 and Rs. 1,000 respectively.

   Find out the sufficient number of equity shares of Rs. 10 each to be issued at a premium of 5% in order to redeem the preference shares.

6. Following is the Balance Sheet of Chandru Ltd. as on 31-3-2013.

Liabilities	Rs.	Assets	Rs.
Share capital	30,00,000	Fixed assets	20,00,000
Reserves and surplus	7,50,000	Current assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	50,00,000		**50,00,000**

The investment are 8% Government bonds. The net profit after taxation for the past 4 years were Rs. 7,85,000, Rs. 8,45,000, Rs. 8,50,000 and Rs. 8,60,000 respectively. Normal rate of return on average capital employed is 20%.

Calculate goodwill at 3 years purchase of super profits.

7. Following particulars have been obtained from accounts of a company.

		Rs.
i)	Managing Director's remuneration paid	20,000
ii)	Provision for bad debts	10,000
iii)	Provision for taxation	1,50,000
iv)	Depreciation written off	80,000
v)	Depreciation allowable as per income tax provisions	70,000
vi)	Loss on sale of investments	50,000
vii)	Preliminary expenses written off	20,000
viii)	Net profit after considering the above items	4,50,000

Compute the Net Profit for the purpose of managerial remuneration and calculate Managing Director's remuneration @ 5% of Net Profits.

8. From the following particulars, prepare Profit and Loss Appropriation A/c.

	Rs.
a) P/L A/c balance brought forward	2,50,000
b) Net profit before tax (Provision in Tax 40%)	10,25,000
c) Transfer to Reserve fund	90,000

d) Share capital consists of

i) 8,000 10% preference shares of Rs. 100 each fully paid

ii) 10,000 Equity shares of Rs. 100 each fully paid

e) The Directors propose a dividend of 15% on equity shares.

9. State the legal provisions relating to the redemption of preference shares.

SECTION – C

Answer **any three** of the following. **Each** question carries **fifteen** marks. **(3×15=45)**

10. Lakshmi Ltd.issued 3,00,000 shares of Rs. 10 each. Which was underwritten as follows ?

A – 1,00,000 shares (firm underwriting 10,000 shares)

B – 75,000 shares (firm underwriting 8,000 shares)

C – 50,000 shares (firm underwriting 2,000 shares)

D – 75,000 shares (firm underwriting 20,000 shares)

The total applications excluding firm underwriting but including marked applications were for 2,30,000 shares. The marked applications were as under

A – 35,000 shares, B – 25,000 shares, C – 15,000 shares, D – 30,000 shares.

Calculate the Net liability of each underwriter treating.

a) Firm underwriting as marked applications.

b) Firm underwriting as un-marked applications.

11. The Balance Sheet of Naman is as follows on 31-3-2013.

Liabilities	**Amt.**	**Assets**	**Amt.**
Equity shares of		Fixed assets	4,00,000
Rs.10 each	5,00,000	Investments	
General Reserve	2,00,000	(6% Govt. bonds)	1,00,000
Profit and Loss A/c	1,00,000	Current assets	4,00,000
Current liabilities	1,00,000		
	9,00,000		**9,00,000**

Net profit after taxation

2010-11 Rs. 1,40,000, 2011-12 Rs. 1,20,000, 2012-13 Rs.1,60,000.

The normal rate of return is 10%.

The current assets are to be taken as Rs. 4,20,000.

Ascertain the Goodwill under

i) 3 years purchase of Super Profit

ii) Capitalization of Super Profit

iii) Annuity of super profits taking the present value of an annuity of Re.1 for five years at 10% interest as Rs. 3.78.

12. The following is the summarized Balance Sheet of Anuradha Company as on 31-3-2013.

Liabilities	Rs.	Assets	Rs.
6000, 8% Redeemable pref. shares of Rs. 100 each fully paid up	6,00,000	Fixed assets	15,00,000
3,000, 9% Redeemable pref. shares of Rs. 100 each, Rs. 75 paid up	2,25,000	Sundry Debtors	5,00,000
1,50,000 Equity shares of Rs.10 each	15,00,000	Stock	6,20,000
Reserve Fund	4,00,000	Cash at Bank	8,25,000
P&L A/c	2,00,000		
Securities premium	1,60,000		
Current liabilities	3,60,000		
	34,45,000		**34,45,000**

It was decided to Redeem both the classes of preference shares at a premium of 5%. For this purpose, the company issued for cash 40,000 Equity shares of Rs.10 each at a premium of 5% and the balance is provided out of divisable profits. The issue was fully subscribed and all the moneys were received.

You are required to give Journal Entries in the Books of the company and draw up the amended Balance Sheet.

13. The following details are obtained from the books of Gopal Ltd. as on 31-3-2012.

Share capital :	**Rs.**
10,000 Equity shares of Rs. 10 each fully paid up	1,00,000
10,000 Equity shares of Rs. 10 each Rs. 8 paid up	80,000
10,000 Equity shares of Rs. 10 each Rs. 5 paid up	50,000
General reserve	20,000
Liabilities	1,50,000
Fixed assets	2,50,000
Current assets	1,50,000

The normal average profits (less tax) of the company is estimated at Rs. 30,000 and the estimated rate for capitalisation purpose is 10%, transfer to general reserve 20%. Calculate the value of each types of shares by :

i) Asset backing method (excluding goodwill)

ii) Yield method.

14. Following are the balances of R Ltd. as at 31-3-2013. You are required to prepare Final Accounts of the company after taking additional information into consideration.

Debit	**Rs.**	**Credit**	**Rs.**
Premises	30,72,000	Share capital	50,00,000
Plant	33,00,000	12% Debentures	20,00,000
Stock on 1-4-2012	7,50,000	P and L A/c	2,62,500
Debtors	8,70,000	Creditors	7,70,000
Goodwill	2,50,000	Sales	44,00,000
Cash and Bank	4,06,500	RDD on 1-4-2012	35,000

Calls in arrears	75,000	
Interim Dividend	3,92,500	
Purchases	18,50,000	
Preliminary expenses	50,000	
Wages	9,79,800	
General expenses	68,350	
Salaries	2,02,250	
Bad debts	21,100	
Debenture interest paid	1,80,000	
	1,24,67,500	**1,24,67,500**

Additional information :

1) Closing stock is valued at Rs. 12,00,000
2) Depreciate plant by 10%
3) Write off Rs. 10,000 from preliminary expenses
4) Half year interest on debenture due.
5) Write off Rs. 25,000 further bad debts
6) Transfer Rs. 20,000 to general reserve
7) Ignore corporate dividend tax.