



42

III Semester B.Com. Examination, November/December 2016  
(Semester Scheme) (Repeaters) (2013 – 14 & Onwards)  
COMMERCE

3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 100

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

SECTION – A

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

1. a) What is an underwriting ?
- b) What do you mean by unmarked applications ?
- c) Write the journal entry, if asset sold is lesser than book value
- d) What do you mean by participating preference shares ?
- e) What do you mean by Average capital employed ?
- f) Define Goodwill.
- g) What do you mean by average profits ?
- h) What is normal rate of return ?
- i) How do you calculate the net assets available for equity shareholders ?
- j) What is final dividend ?
- k) What is meant by contingent liability ?
- l) State the meaning of proposed dividend.



SECTION – B

Answer **any four** of the following questions. **Each** question carries **8** marks. (4×8=32)

2. Write the factors relating to the valuation of shares.
3. XYZ Company Ltd. has an authorised capital of ₹ 50,00,000 divided into 50,000 equity shares of ₹ 100 each. The entire issue was underwritten as follows :  
A – 30000 shares (Firm underwriting 5000 shares)  
B – 15000 shares (Firm underwriting 2000 shares)  
C – 5000 shares (Firm underwriting 1000 shares)  
out of the total issue 45000 shares including firm underwriting were subscribed.  
The following were the marked applications :  
A – 16000 shares, B – 10000 shares, C – 4000 shares  
Calculate the total liability of each underwriter.

P.T.O.



4. 'X' Ltd. has 2000, 6% redeemable preference shares of ₹ 100 each fully paid. These shares were due for redemption on 31-03-2016 at a premium of 8%. For this purpose the company issued 500 equity shares of ₹ 100 each at a premium of ₹ 5 per share. The company had a balance of ₹ 10,000 in share premium account and ₹ 1,90,000 in Profit and Loss Account.

Give the journal entries to record the above redemption of preference shares.

5. X company decided to purchase a business. Its profits for the last 4 years were- 2012 – ₹ 40,000, 2013 – ₹ 50,000, 2014 – ₹ 48,000, 2015 – ₹ 46,000. The business was supervised by the management. Remuneration from the alternative employment if not engaged in the business, comes to ₹ 6,000 per annum. Find out the amount of Goodwill, if it is valued on the basis of 3 years purchase of the average profit of the last 4 years.
6. From the following particulars, prepare Profit and Loss Appropriation Account
- Profit and Loss A/c balance (cr.) ₹ 80,000
  - Net profit before tax ₹ 7,00,000
  - Provision for taxation 40%
  - Transfer to general reserve ₹ 1,00,000
  - Share capital consists :
    - 8000, 12% preference shares of ₹ 100 each fully paid
    - 8000 equity shares of ₹ 100 each, ₹ 80 paid up.
  - The directors proposed a dividend of 10% on equity shares.

### SECTION – C

Answer **any three** of the following questions. **Each** question carries **16** marks.

(3×16=48)

7. A company issued 360000 shares of ₹10 each which was underwritten as follows
- 120000 shares (Firm underwriting 12000 shares)
  - 90000 shares (Firm underwriting 9600 shares)
  - 60000 shares (Firm underwriting 2400 shares)
  - 90000 shares (Firm underwriting 24000 shares)

The total applications excluding firm underwriting but including marked applications were for 276000 shares. The marked applications were as under

A – 42,000, B – 30,000, C – 18,000 and D – 36,000 shares

Calculate net liability of each underwriter treating

- Firm underwriting as marked applications
- Firm underwriting as unmarked applications.



8. The Balance Sheet of Royal Limited as on 31-03-2016 disclosed the following information

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Authorised share capital :		Sundry Assets	8,00,000
		Cash at Bank	4,20,000
5% redeemable preference shares of ₹10 each	<u>3,00,000</u>		
Equity shares of ₹10 each	<u>10,00,000</u>		
Paid up capital :			
5% redeemable preference shares of ₹10 each fully paid	2,20,000		
Equity shares of ₹ 10 each fully paid	6,00,000		
Profit and Loss A/c	4,00,000		
	<b>12,20,000</b>		<b>12,20,000</b>

On 05-04-2016, the preference shares were redeemed at a premium of ₹ 4 per share. The company could not able to trace shareholders of 2,000 preference shares.

Show the journal entries to record the above and prepare the Balance Sheet after redemption of preference shares.

9. The Balance Sheet of Lakshmi Ltd. as on 31-3-2016 are as follows :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Share Capital :		Fixed Assets	16,00,000
Equity shares of ₹ 10 each	20,00,000	Investments	
General Reserve	8,00,000	(6% Govt. bond)	4,00,000
P & L Account	4,00,000	Current Assets	16,00,000
Current liabilities	4,00,000		
	<b>36,00,000</b>		<b>36,00,000</b>

	₹
Net profit after taxation 2014	5,20,000
Net profit after taxation 2015	5,40,000
Net profit after taxation 2016	6,00,000

The Goodwill is calculated at 4 years purchase of average super profits. Normal rate of return on capital is employed at 15%. The current assets are valued at ₹ 16,80,000.

Calculate Goodwill.



10. Trisha company Limited has an authorised capital of ₹ 6,00,000 in equity shares of ₹ 10 each. Its Trial Balance on 31-03-2016 was as follows.

	₹
Calls in arrears	10,000
Building	3,00,000
Plant and machinery	3,30,000
Interim dividend	40,000
Stock on 1-4-2015	80,000
Fixtures	7,200
Debtors	77,000
Goodwill	25,000
Cash in hand	1,000
Cash at Bank	40,000
Purchases	1,85,000
Preliminary expenses	4,650
Wages	84,865
General expenses	16,835
Freight and carriage	13,000
Salaries	14,500
Directors fees	5,840
Bad debts	2,100
Debenture interest paid	9,000
Called up capital	4,00,000
6% debentures	3,00,000
P & L A/c (1-4-2015) (Cr.)	14,500
Bills payable	38,000
Creditors	50,000
Sales	4,15,000
General reserve	25,000
Bad debts provision	3,500

**Additional Information :**

- a) Depreciate on plant and machinery by 10%
- b) Write off preliminary expenses ₹ 500
- c) Provide for debenture interest due
- d) Provide for Reserve for doubtful debts at 5% on debtors
- e) Of the debtors ₹ 500 were treated as further bad debts.
- f) Closing stock ₹ 95,000.

Prepare Final Accounts of a Company.