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**Third Semester B.B.A. Degree Examination,  
November/December 2019**

(CBCS – 2018-19 Onwards)

**Business Administration**

**Paper 3.3 - CORPORATE ACCOUNTING**

Time : 3 Hours]

[Max. Marks : 70

Instructions to Candidates : Answer should be written in English only.

SECTION - A

1. Answer any **FIVE** questions, each question carries **2** marks : **(5 × 2 = 10)**
- What is meant by calls in arrears and calls in advance?
  - What is financial statement analysis?
  - State the features of goodwill.
  - What are the factors that influence the valuation of shares?
  - Give the meaning of minority interest.
  - Fixed assets : Rs. 5,00,000, Liabilities Rs. 2,00,000 and Current year profit = Rs. 1,00,000. What is average capital employed?
  - What is consolidated balance sheet?

SECTION - B

Answer any **THREE** questions of the following, each question carries **6** marks :  
**(3 × 6 = 18)**

2. From the following information, calculate the value of goodwill under :
- Three years purchase of super profit method
  - Capitalization of super profit method.
    - Average capital employed Rs. 7,50,000
    - Net profits of the firm for past 3 years were Rs. 1,50,000, Rs. 1,25,000 and Rs. 1,75,000



- (iii) Managerial remuneration if employed elsewhere Rs. 20,000 p.a.  
 (iv) Normal rate of return 8%  
 (v) Assets of the firm Rs. 10,00,000  
 (vi) Current liabilities Rs. 2,00,000.

3. Following are the particulars of Sri. Murali Ltd.

Rs.

Equity shares of Rs. 10 each	5,00,000
6% debentures	1,50,000
Current liabilities	2,00,000
Current assets	3,00,000
Fixed assets	7,00,000
Goodwill	50,000

Compute the value of shares under Net Asset Method.

4. X Co. Ltd. acquired 10,000 equity shares of Y Co. Ltd. On 01.04.2017, the following are the balances given calculate :
- (a) Capital profits and  
 (b) Revenue profits.;
- (i) Number of shares in 'Y' Co. Ltd. 12,000 shares of Rs. 100 each  
 (ii) General reserve on 01.04.2017 Rs. 5,00,000 in Y Ltd.  
 (iii) Profit & Loss a/c on 01.04.2017 Rs. 2,50,000 in Y Ltd.  
 (iv) Profit during the year 2017-18 Rs. 1,20,000 in Y Ltd.

5. Calculate the trend percentage from the following figures, taking 2015 as base year :

Particulars	2015	2016	2017	2018
	Rs.	Rs.	Rs.	Rs.
Net Sales	1000	900	800	1200
(-) Cost of goods sold	600	200	300	400
Gross profit	400	700	500	800
(-) Operating expenses	100	200	300	400
Net operating profit	300	500	200	400



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6. From the following particulars prepare income statement for the year ending 31<sup>st</sup> March 2018.

Net Sales Rs. 10,00,000

Cost of goods sold Rs. 2,50,000

Operating expenses and losses Rs. 2,50,000

Depreciation and amortization Rs. 1,00,000

Interest on borrowings Rs. 80,000

Non operating income Rs. 1,00,000

Non operating expenses Rs. 80,000

Tax @ 50%.



SECTION - C

Answer any **THREE** of the following. Each question carries **14** marks :

(3 × 14 = 42)

7. From the following balance of Sripathy Company Ltd. Prepare company final accounts as on 31.03.2018 in the prescribed form :

Particulars	Dr.	Cr.
	Rs.	Rs.
Called up capital (10,000 shares of Rs. 5 each)	-	50,000
Calls in arrears	2,000	-
Stock on 01.04.2017	17,000	-
Purchase and sales	52,500	1,04,000
Returns	4,000	2,500
Freight	3,000	-
Salaries	7,500	-
Directors fees	4,900	-
Preliminary expenses	6,000	-
Debtors and creditors	12,000	14,000
Furniture	10,000	-
Buildings	25,000	-
Goodwill	45,000	-
Investments	17,000	-



Particulars	Dr. Rs.	Cr. Rs.
Interest on investments	-	1,500
Profit & Loss appropriation a/c	-	10,000
Reserve fund	-	15,000
Dividend paid (including corporate-dividend tax)	3,000	-
Bad debts	1,600	-
Cash at bank	14,500	-
10% debentures	-	28,000
	<u>2,25,000</u>	<u>2,25,000</u>

## Adjustments :

- Closing Stock was valued at Rs. 15,000
- Provide for RBD on debtors at 10%
- Depreciate on buildings and furniture at 10% each
- Transfer Rs. 10,000 to reserve fund
- Half of preliminary expenses should be written off
- Provide for outstanding debenture interest for full year.

8. From the following Balance Sheet of X Ltd. and its subsidiary Y Ltd. Prepare consolidated balance sheet as on 31.3.2018.

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Share Capital :			Goodwill	-	5,000
Shares of Rs. 5 each	2,50,000	50,000	Buildings	50,000	17,500
General reserves	25,000	10,000	Machinery	1,50,000	30,000
Profit & Loss a/c	12,500	16,000	Shares in Y Ltd.	42,500	-
Creditors	22,500	6,000	Stock	50,000	15,000
Bills payable	15,000	3,000	Debtors	30,000	6,000
			Bills receivable	-	9,000
			Cash in hand	2,500	2,500
	<u>3,25,000</u>	<u>85,000</u>		<u>3,25,000</u>	<u>85,000</u>

The X Ltd., purchased 7,500 shares of Y Ltd. on 01.10.2017. The balance to the general reserve and profit and loss a/c of Y Ltd. stood at Rs. 6,000 and Rs. 4,000 respectively on 01.04.2017. The bills receivable of Y Ltd. Rs. 9,000 is accepted by X Ltd. The debtors of Y Ltd. Rs. 2,000 due from X Ltd.



9. Following is the balance sheet of ICICI Bank and HDFC Bank.

Balance Sheet as on 31<sup>st</sup> March 2018

Liabilities	ICICI	HDFC	Assets	ICICI	HDFC
	Rs.	Rs.		Rs.	Rs.
Preference share capital	60,000	75,000	Land & Building	40,000	61,500
Equity share capital	70,000	2,05,000	Plant & Machinery	1,67,000	3,00,000
Reserve & Surplus	12,000	14,000	Investments	5,500	30,000
Long term loan	55,000	60,000	Sundry debtors	2,000	6,500
Bills payable	3,500	500	Prepaid expenses	500	1,000
Sundry creditors	6,000	1,500	Cash and bank balance	4,000	5,000
Outstanding expenses	7,500	3,000			
Proposed dividend	5,000	45,000			
	<u>2,19,000</u>	<u>4,04,000</u>		<u>2,19,000</u>	<u>4,04,000</u>

Compare the financial position of two banks with the help of common size balance sheet.

10. SNM Ltd. proposed to purchase the business carried on by SNV Ltd. Goodwill for this purpose is agreed to be valued at 3 years purchase of the weighted average profits of the past 4 years, the appropriate weights to be used are :

2015-16	- 1
2016-17	- 2
2017-18	- 3
2018-19	- 4

The profits for these years are :

2015-16	- Rs. 1,50,000
2016-17	- Rs. 2,00,000
2017-18	- Rs. 1,80,000
2018-19	- Rs. 2,50,000





On a scrutiny of the accounts the following matters are revealed :

- (a) On 1<sup>st</sup> April 2017 a major repair was made in respect of the plant incurring Rs. 50,000 which was charged to revenue. The said sum is agreed to be capitalized for goodwill. Calculation subject to adjustment of depreciation @ 10% p.a. on reducing balance method.
- (b) The closing stock for the year 2016-17 was over valued by Rs. 12,000.
- (c) To cover management cost an annual charge of Rs. 25,000 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the firm.

11. Compute the value of shares by the

- (a) Net assets method
- (b) Yield method, from the following balance sheet of a limited company as on 31.3.2018.

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
1,00,000 shares of Rs.10 each	10,00,000	Goodwill	1,00,000
5% debentures	1,00,000	Fixed assets	11,00,000
Reserve fund	1,50,000	Current assets	5,00,000
Profit and loss a/c	50,000		
Creditors	3,00,000		
Provision for tax	1,00,000		
	17,00,000		17,00,000

On 31.03.2018 fixed assets were valued at Rs. 12,00,000 and goodwill at Rs. 1,50,000. The net profits for the last three years were Rs. 1,00,000, Rs. 1,25,000 and Rs. 1,50,000 of which 20% was placed to reserve. The rate of return is 10%.