

**Third Semester B.B.A. Degree Examination, August/September 2021**

(CBCS – Freshers and Repeaters – 2015-16 and onwards)

**Business Administration****Paper 3.3 – CORPORATE ACCOUNTING**

Time : 3 Hours]

[Max. Marks : 70

Instructions to Candidates : Answers should be completely written in English.

## SECTION – A

- I. Answer any **FIVE** sub-questions. Each question carries **2** marks : **(5 × 2 = 10)**
1. (a) What do you mean by 'Super Profit'?
  - (b) Mention any two methods of valuation of goodwill.
  - (c) What is Comparative Statement?
  - (d) State any two circumstances which lead to valuation of shares.
  - (e) What is the difference between issued capital and subscribed capital?
  - (f) What do you mean by 'Holding Company'?
  - (g) Distinguish between Capital Profits and Revenue Profits.

## SECTION – B

- II. Answer any **THREE** questions. Each question carries **6** marks : **(3 × 6 = 18)**
2. Explain the factors which influence the valuation of Goodwill.
  3. Under what headings the following items are shown in Balance Sheet of a company :
    - (a) Cost of issue of shares
    - (b) Pension fund
    - (c) Bills Receivables
    - (d) Bills Payables
    - (e) Underwriting commission
    - (f) Dividend Equalisation Fund

4. Calculate Weighted Average Profits :

Year :	2017	2018	2019	2020
Profit :	1,00,000	1,20,000	1,50,000	2,00,000
Weight :	1	2	3	4

Profit of 2017 was reduced by ₹ 20,000 due to speculation losses.

5. From the following details, calculate the value of each equity share on 'Yield basis Method' :

- 10,000, 9% Preference shares of Rs.100 each, Rs.10,00,000.
- 2,50,000 Equity shares of Rs.10 each Rs.8 paid up, Rs.20,00,000.
- Expected profits after tax Rs.6,54,000.
- Transfer to Reserve 20%.
- Normal rate of return 15%.

6. Calculate the Trend Percentages from the following taking 2014 as base :

(₹ in Lakhs)

Year	Sales	Cost of goods sold	Operating expenses	Non-operating income	Non-operating expenses
2014	1,000	600	30	40	10
2015	1,200	750	20	20	8
2016	1,600	1200	10	10	2

### SECTION - C

III. Answer any **THREE** questions. Each question carries **14** marks : **(3 × 14 = 42)**

7. The Balance Sheet of Veera Ltd., is as follows :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Fixed Assets	4,00,000
Equity shares of ₹ 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		
	<u>9,00,000</u>		<u>9,00,000</u>

Additional information :

(a) Net profit after taxation :

2018 - ₹ 1,30,000

2019 - ₹ 1,25,000

2020 - ₹ 1,50,000

(b) Normal rate of return is 15%.

(c) The current assets are to be taken at Rs.4,20,000.

Ascertain the value of Goodwill under :

1. 4 years purchase of super profits.
2. Capitalisation of super profit
3. Annuity of super profit taking P.V. of annuity of Re.1 for 4 years at 10% interest as 3.78.

8. 'H' Ltd., acquired the shares of S Ltd., on 31/12/2019. Their Balance Sheet as on 31/3/2020 were as follows :

Liabilities	'H' Ltd		'S' Ltd		Assets	'H' Ltd		'S' Ltd	
	₹	₹	₹	₹		₹	₹		
Shares of Re.1 each					Sundry Assets	44,000		28,000	
fully paid up	30,000		12,000		Investments :				
Reserves	6,000		4,000		6000 shares				
Profit and Loss A/c	4,000		2,000		in 'S' Ltd.	20,000		-	
Creditors	24,000		10,000						
	<u>64,000</u>		<u>28,000</u>			<u>64,000</u>		<u>28,000</u>	

Prepare Consolidated Balance Sheet.

9. Following is the Balance Sheet of MAN Co. Ltd. as on 31.3.2020 :

Liabilities	₹	Assets	₹
3000 shares of ₹ 100 each	3,00,000	Land and Buildings	1,50,000
General Reserve	50,000	Machinery	1,00,000
Profit and Loss A/c	25,000	Investment at cost	45,000
Creditors	40,000	Debtors	1,00,000
Provision for taxation	20,000	Stock	40,000
Proposed dividend	10,000	Cash	10,000
	<u>4,45,000</u>		<u>4,45,000</u>

Additional information :

- Goodwill is taken at ₹ 50,000.
- Depreciate Machinery at 10% and increase Land and Buildings to ₹ 1,80,000.
- Provide 8% towards bad debts.
- 20% is the normal rate of dividend declared by similar type of business on their paid up capital. However the company could declare only 18% dividend for the current year.

Calculate the Intrinsic value of shares of the company.

10. Convert the following Balance Sheet into Common Size Balance Sheet and interpret the results :

Liabilities	2018		2019		Assets	2018		2019	
	₹	₹	₹	₹		₹	₹		
Equity share capital	2000	2,400	Debtors	900	780				
General Reserve	1000	900	Cash	400	30				
Capital Reserve	180	370	Stock	640	500				
Sinking Fund	180	200	Investments	600	500				
Debenture	900	1300	Buildings	1600	2800				
Sundry Creditors	400	300	Land	396	690				
O/s expenses	30	40	Furniture	154	210				
	<u>4,690</u>	<u>5,510</u>		<u>4,690</u>	<u>5,510</u>				

11. From the following trial balance of Moon Ltd., as on 31.3.2020, prepare Statement of Profit and Loss and Statement of Balance Sheet as per Revised Schedule VI of the Companies Act, after considering the following adjustments.

Adjustments :

- Closing stock ₹ 1,20,000.
- Depreciate building by 10%.
- Accrued Interest on Investments ₹ 12,000.
- Make provision for taxation ₹ 25,000.
- Transfer ₹ 25,000 to Reserve Fund.
- Write off Bad debts by ₹ 10,000.

Trial Balance as on 31.03.2020

	₹	₹
Called up capital	-	3,00,000
Reserve Fund	-	1,50,000
Furniture	40,000	-
Buildings	80,000	-
Wages	50,000	-
Debtors and Creditors	1,60,000	1,80,000
Investments	60,000	-
Interim Dividend (including CDT)	30,000	-
Audit fees	10,000	-
Director's fees	15,000	-
Freight charges	15,000	-
Stationery	12,000	-
Purchases and Sales	2,40,000	3,80,000
Returns	20,000	10,000

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	₹	₹
Bills of Exchange	50,000	20,000
Machinery	80,000	-
Profit and Loss A/c	-	20,000
Cash at Bank	58,000	-
Forfeited shares	-	10,000
Calls in arrears	20,000	-
Goodwill	50,000	-
Stock (1.4.2019)	60,000	-
Salaries	20,000	-
	<u>10,70,000</u>	<u>10,70,000</u>