SN – 402

III Semester B.B.M. Examination, November/December 2014
(F+R) (New Syllabus) (2013 – 14 & Onwards)
BUSINESS MANAGEMENT
3.3 : Corporate Accounting

Time : 3 Hours Max. Marks : 100

***Instruction :** Answers should be written in **English** only.*

SECTION – A

Answer **any eight** sub questions. **Each** sub-question carries **two** marks. **(8×2=16)**

1. a) How do you treat calls in arrears in company final accounts ?
   b) What is an interim dividend ?
   c) What do you mean by issue of shares at discount ?
   d) State any two differences between preference and equity shares.
   e) What is partial underwriting ?
   f) How do you treat the surplus of an underwriter ?
   g) State the methods of goodwill calculation.
   h) State any four circumstances of valuation of goodwill.
   i) State the methods of valuation of shares.
   j) What is an average capital employed ?

SECTION – B

Answer **any three** questions. **Each** sub-question carries **eight** marks. **(3×8=24)**

2. Briefly explain the factors influencing on the valuation of shares.
3. Blue Moon Ltd. forfeited 2000 equity shares of Rs. 100 each due to nonpayment of first call money of Rs. 25 each and final call money of Rs. 15 each. All these shares are re-issued at a price of Rs. 80 each. Pass necessary Journal Entries in the Books of the Company.
4. Sagar Ltd. , Kolar issued 60,000 equity shares of Rs. 100 each at a discount of 5% of which 75% was underwritten by Mr. Srivaru. The company received applications for 80% of the issue of them 65% of applications had the stamp of Mr. Srivaru. The underwriting commission is 5% of the issue price. Calculate the underwriter liability and his commission.

P.T.O.

5. From the following particulars of Rajesh Ltd. prepare Income Statement.
   a) Net profit before tax Rs. 16,75,000
   b) Provision for taxation 33.5%
   c) Transfer to reserve fund 20% after tax
   d) Share capital :
      i) 30,000, 15% preference shares of Rs. 100 each
      ii) 30,000 equity shares of Rs. 100 each Rs. 75 paid up.
   e) Proposed dividend to equity share holders 20%
   f) Profit and Loss Account balance b/f Rs. 2,00,000 (ignore C.D.T).

SECTION – C

Answer **any four** questions. **Each** question carries **fifteen** marks. **(4×15=60)**

(Question No. **10** is **compulsory**).

6. Akash Ltd. issued 4,00,000 shares of Rs. 10 each at a premium of Rs. 5 each. The whole of the issue was underwritten as follows :

   Mr. A – 2,00,000 shares (firm underwriting 25,000 shares)

   Mr. B – 1,00,000 shares (firm underwriting 15,000 shares)

   Mr. C – 1,00,000 shares (firm underwriting 10,000 shares)

   The underwriting commission is 5% on the issue price and the company agreed to treat firm underwriting application as marked forms.

   The Co.received applications for 3,00,000 (excluding firm underwriting) of which marked application were as under :

   A – 85,000 shares, B – 95,000 shares, C – 80,000 shares

   You are required to show :
   a) Net liability of underwriters in terms of No. of shares
   b) Commission due to each underwriters and
   c) Net amount due from each underwriter to the company.

7. Sunshine Ltd. issued 1,00,000 share of Rs. 10 each at a premium of 5%, payable Rs. 2 on application, 4.50 (including premium) on allotment,Rs. 2.50 on first call and the balance on second and final call. Applications are received for 1,25,000 shares, of them 10,000 shares applications are rejected and for the remaining shares are allotted on pro-rata basis.

   All the money duly received except Mr. Vijay who failed to pay his first and final call money on 75 shares and Mr. Ajay who failed to pay his final call money on 125 shares. Both the shares are forfeited and re-issued to Mr. Sanjay at a price of Rs. 9/-

   Pass necessary Journal Entries in the books of the Company.

8. The following information is given :

   a) Capital employed Rs. 1,50,000

   b) Normal rate of return 10%

   c) Present value of annuity of Re. 1 for 5 year at 10% = 3.78

   d) Net profit for five years : 31st March, 2010 Rs. 14,400, 2011 Rs. 15,400, 2012 Rs. 16,500, 2013 Rs. 17,000, 2014 Rs. 17,900.

   The profits included non-recurring profit on an average basis of Rs. 1,000 out of which it had declined that even non-recurring profits had a tendency of appearing at the rate of Rs. 750 per annum.

   You are required to calculate Goodwill.

   a) As per 5 year's purchase of super profit method

   b) As per capitalization of super-profit method

   c) As per 3 years purchase of average profits

9. Following are the figures extracted from the books of M/s Praveen Ltd.

   Share capital :

9% preference shares of Rs. 100/-		3,00,000
1000 equity shares of Rs. 100/-, Rs. 60 called up		60,000
1000 equity shares of Rs. 100/- Rs. 35 called up		35,000
1000 equity shares of Rs. 100/- fully called up		1,00,000
Reserves and surplus :		
General reserve Rs.	2,00,000	
P/L account	50,000	2,50,000

   On a fair valuation of all the assets of the company it is found that they have an appreciation of Rs. 75,000.

   The Articles of association provided that in case of liquidation, the preference share holders will have a further claim to the extent of 10% of the surplus assets. Ascertain the value of each preference share and equity share assuming liquidation. Ignore expenses of liquidation.

10. The following Trail Balance has been extracted from the books of Anthony Ltd. as on 31st March 2014, you are required to prepare :

a) Income statement for the year ending 31st March, 2014 and

b) Balance Sheet as on that date :

Debit Balances	Amount	Credit Balances	Amount
Land and Building (Cost Rs. 3,00,000)	1,40,000	Share capital	2,00,000
Plant and Machinery (Cost 2,00,000)	1,21,600	8% Debentures	1,00,000
Furniture cost 15,000	8,000	Bank overdraft	1,500
Investments	6,000	General Reserve	30,000
Preliminary Expenses	4,000	Sundry creditors	10,000
Advance income tax	8,000	Security premium	6,000
Printing and stationary	1,200	Gross profit	1,14,000
Stock on 31-3-2013	1,28,000	Sinking fund	40,000
Salaries	8,000	Profit and Loss account (1-4-2013)	8,500
Debtors	70,000		
Cash at Bank	2,400		
Cash in Hand	2,000		
Interest	2,000		
Debentures Interest	4,000		
Directors fees	2,000		
Rent, Rates and Interest	2,800		
Total	**5,10,000**	**Total**	**5,10,000**

Adjustments :

1) Provide depreciation on :
   a) Land and buildings at 5% on straight line basis.
   b) Furniture and plant and machinery @ 20% on reducing balance basis.
2) Provide Rs. 5,000 for bad debts.
3) Provide for audit fees Rs. 2,500. Provision for income tax Rs. 14,000 and debentures interest for 6 months.
4) Insurance prepaid Rs. 800.
5) Write off half of preliminary expenses.
6) Directors have recommended :
   a) Transfer of Rs. 10,000 to sinking fund
   b) Transfer of Rs. 4,000 to general reserve
   c) Equity dividend @ 8% on paid up capital
   d) Provide for corporate dividend tax @ 16.2225%