



7010

Second Semester 5 Yr. B.Com. LL.B. Examination, October/November 2021
CORPORATE ACCOUNTING

Duration : 3 Hours

Max. Marks : 80

- Instructions :**
- 1. Answer any five questions from group (a), each question carries 10 marks.**
 - 2. Answer any five questions from group (b), each question carries 6 marks.**
 - 3. Answers should be written either in English or Kannada completely.**

- Q. No. 1. (a) X Ltd. issued 5,00,000 equity shares of ₹ 10 each. A, B, C and D underwrite the entire issue in the ratio of 4 : 3 : 2 : 1 respectively in consideration of commission allowed by law. Applications were received for 4,50,000 shares of which marked applications were as follows : Marks : 10
A – 2,20,000 shares, B – 1,10,000 shares, C – 90,000 shares and D – 10,000 shares.
Calculate :
i) The liability of each underwriter
ii) Commission received by each underwriter.
- Q. No. 1. (b) State the advantages of underwriting. Marks : 6
- Q. No. 2. (a) Avinash Ltd. issued 5,00,000 shares of ₹ 10 each which was underwritten as follows : Marks : 10
Abhay – 1,50,000 shares (Firm underwriting 16,000 shares)
Bhaskar – 1,25,000 shares (Firm underwriting 24,000 shares)
Chandra – 1,25,000 shares (Firm underwriting NIL)
David – 1,00,000 shares (Firm underwriting 60,000 shares)
The total applications received excluding firm underwriting but including marked applications were for 3,60,000 shares.
The marked applications were as under :
Abhay – 80,000 shares
Bhaskar – 72,000 shares
Chandra – 48,000 shares
David – 96,000 shares
Calculate the liability of each underwriter treating firm underwriting as unmarked applications.
- Q. No. 2. (b) Distinguish between marked and unmarked applications. Marks : 6

P.T.O.



- Q. No. 3. (a) XYZ Company Ltd. issued 10,000 equity shares of ₹ 10 each, payable as ₹ 2 on application, ₹ 3 on allotment and balance on first call.

Marks : 10

Applications were received for 12,000 shares. The Directors of the company allotted them as under :

Applicants for 8,000 shares were allotted all the shares applied for, 2,000 shares were allotted to the applicants of 3,000 shares and no shares were allotted to the applicants of 1,000 shares. Application, allotment and call money were duly received.

Pass necessary journal entries in the books of the company.

- Q. No. 3. (b) Explain briefly the different types of share capital with example.

Marks : 6

- Q. No. 4. (a) ABC Co. Ltd. registered with a nominal capital of ₹ 5,00,000 in equity shares of ₹ 100 each, 3,000 of which were issued, payable as to ₹ 12.50 on application, ₹ 12.50 on allotment, ₹ 25 three months after allotment and the balance to be called up as and when required.

Marks : 10

All the money up to allotment were duly received but as regards the call of ₹ 25, a shareholder holding 100 shares did not pay the amount due. Another shareholder who was allotted 150 shares paid them up in full.

Pass journal entries and prepare Balance Sheet of the company.

- Q. No. 4. (b) On 1-1-19 the directors of Bhuvan Co. Ltd. resolved that 2,000 equity shares of ₹ 100 each are to be forfeited for the non-payment of first call and final call money of ₹ 20 and ₹ 30 each respectively. On 1-2-19 the above forfeited shares were re-issued as fully paid up at ₹ 75 per share. Pass Journal Entries for forfeiture and re-issue of shares.

Marks : 6



Q. No. 5. (a) Satish Ltd. was incorporated on April 1, 2018, with an authorised capital of ₹ 1,00,000 and took over the running business of Jayanth as from January 1, 2018. The following is the summarised P & L A/c for the year ended December 31, 2018.

Marks : 10

Particulars	₹	₹
Sales :		
i) January 1, 2018 to March 31, 2018	1,20,000	
ii) April 1, 2018 to December 31, 2018	<u>3,80,000</u>	5,00,000
Cost of sales for the yr.	<u>3,08,000</u>	
Administrative Expenses	35,360	
Selling commission	17,500	
Goodwill written off	4,000	
Interest to vendors	<u>7,460</u>	
Upto May 31 st , 2018		
Distribution expenses	25,000	
Preliminary expenses	6,600	
Debenture Interest	6,400	
Depreciation	8,880	
Directors fees	<u>2,000</u>	4,21,200
Net profit		78,800

Prepare a statement showing the net profit of pre-incorporation as well as post incorporation period, also showing the basis of apportionment.

Q. No. 5. (b) State the ratios to be used for apportionment of the following :

Marks : 6

- Electricity charges
- Rent
- Interest to vendors on purchase consideration
- Salesmen salaries
- Discount received from creditors
- Bad debts.



Q. No. 6. (a) The promoters of a company purchased a running business on 1st January 2018 and was incorporated on 1st May 2018. The P & L A/c for the yr. ended 31st December 2018 is as follows.

Marks : 10

Particulars	₹	Particulars	₹
To Rent, rates		By GP	1,50,000
and salaries	12,000		
To Directors sitting fees	3,600	By Discount received	
To Preliminary expenses	4,900	from creditors	6,000
To Carriage outwards			
and selling expenses	5,500		
To Interest paid to			
vendors	10,000		
To Profit	1,20,000		
	1,56,000		1,56,000

Additional Information :

- i) Sales upto 30-4-2018 were ₹ 3,00,000 out of total sales of ₹ 15,00,000 of the year.
- ii) Purchases upto 30-4-2018 were ₹ 3,00,000 out of total purchases of ₹ 9,00,000 of the year.
- iii) Interest paid to vendors on 1-11-2018 @ 10% p.a. on ₹ 1,00,000 being purchase consideration.

Prepare Profit and Loss A/c for the year ended 31st December 2018, showing the profits earned prior to and after incorporation and also show the transfer of the same to the appropriate account.

Q. No. 6. (b) Explain the steps involved in the calculation of pre-incorporation and post incorporation profit.

Marks : 6



Q. No. 7. (a) The following particulars are available in respect of the business carried on by Nitesh Ltd.

Marks : 10

- i) Profits earned : 2012 – 13 – ₹ 1,00,000,
2013 – 14 – ₹ 96,000 and 2014 – 15 – ₹ 1,04,000.
- ii) Profit of 2014 – 15 include ₹ 4,000 income from investment.
- iii) The stock is not insured and it is thought prudent to insure the stock in future. The insurance premium is estimated at ₹ 1,000 p.a.
- iv) Normal rate of return 10%.
- v) Average capital employed ₹ 8,00,000

Calculate the value of goodwill under

- a) 5 years purchase of super profits method
- b) Capitalisation of super profits method.

Q. No. 7. (b) What are the various methods of valuation of goodwill ?

Marks : 6

Q. No. 8. (a) From the given Balance Sheet and other information ascertain the value of equity shares under :

Marks : 10

- i) Intrinsic value method
- ii) Yield value method.

Balance Sheet of RP Ltd. as at 31-03-2018

Liabilities	₹	Assets	₹
2,000 E. shares of ₹ 100 each	2,00,000	Land and buildings	1,10,000
General reserve	40,000	Plant and machinery	1,30,000
P & L A/c	32,000	Patents and trade marks	20,000
Creditors	1,28,000	Stock	48,000
Bills payable	60,000	Debtors	88,000
		Cash and Bank	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000



An independent valuer valued the assets of the company as under :

Land and Buildings – ₹ 2,40,000, Goodwill – ₹ 1,60,000 and Plant and Machinery ₹ 1,20,000. The other assets are worth their book value.

The profits of the company have been as follows :

2015 – 16 – ₹ 80,000

2016 – 17 – ₹ 90,000

2017 – 18 – ₹ 1,06,000

The company follows the practice of transferring 25% of profits to general reserve. Normal rate of return is 12%.

Q. No. 8. (b) Write a note on methods of valuation of shares. Marks : 6

Q. No. 9. (a) From the given Trial Balance, prepare a Balance Sheet of Mahesh Ltd. as on 31st March 2018. Marks : 10

	Dr.	Cr.
Share capital (40,000 equity shares of ₹ 10 each)	–	4,00,000
Bills Receivable	90,000	–
10% Mortgage loan	–	1,70,000
Stores and spares	1,15,000	–
Debtors	1,66,000	–
Plant and Machinery	2,90,000	–
Goodwill	40,000	–
Provision for tax	–	26,000
General reserve	–	1,30,000
Cash in Hand	18,000	
Calls-in-arrears	2,000	
Marketable securities	5,000	
	7,26,000	7,26,000

Q. No. 9. (b) Give the format of statement of profit and loss (New format). Marks : 6



Q. No. 10. (a) State the headings under which the following items must be shown in the Balance Sheet of a company.

Marks : 10

- i) Subscribed capital
- ii) Debenture Redemption Reserve
- iii) Provision for tax
- iv) Outstanding Expenses
- v) Trade marks
- vi) Closing stock
- vii) Office Equipment
- viii) Calls-in-Arrears
- ix) Sundry creditors
- x) Investment in securities.

Q. No. 10. (b) Write a note on :

Marks : 6

- i) Share capital
 - ii) Reserves and surplus
 - iii) Long-term Borrowings.
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