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III Semester B.Com. (A &amp; F) Degree Examination, March - 2021

COMMERCE

Corporate Accounting

(CBCS Scheme Fresh)

Paper : 3.2

Time : 3 Hours

Maximum Marks : 70

**Instructions to Candidates:**

Answers should be completely in English.

## SECTION - A

1. Answer any
- five**
- sub-questions. Each carries
- two**
- marks.

(5×2=10)

- Who is an underwriter?
- Give the meaning of un - marked applications.
- What is average capital employed?
- Mention the factors determining the value of Goodwill.
- What is meant by managerial Remuneration?
- What is Average clause? When is it applicable?
- What is Salvage stock?



## SECTION - B

Answer any **three** questions. Each question carries **five** marks.

(3×5=15)

2. The Balance sheet of Suvarna Ltd. as on 31.3.2020 is as follows :

Liabilities	Rs.	Assets	Rs.
8% 5,000 preference shares of Rs. 10 each	50,000	Goodwill	10,000
10,000 equity shares of Rs. 10 each	1,00,000	Fixed Assets	1,80,000
Reserves (including provision for taxation Rs. 10,000)	1,00,000	Investments (5% Govt.loan)	20,000
8% Debentures	50,000	Current Assets	1,00,000
Creditors	25,000	Preliminary expenses	10,000
		Discount on Debentures	5,000
	<u>3,25,000</u>		<u>3,25,000</u>

The average profit of the company (after deducting interest on debentures and taxes) is Rs. 31,000. The market value of the machinery included in fixed assets is Rs. 5,000 more. Expected rate of return is 10%. Evaluate the goodwill of the company at five times of the super profits.

[P.T.O.]





3. Managing Director was entitled to a commission of 5% on the profits before charging his commission. The following details are given below for the year ended 31/3/2020.  
Net profit before charging his commission Rs. 40,00,000. The following had been charged off against the profits as determined as above :

Depreciation on fixed Assets 15,95,000.

Provision for Bad and doubtful debts 46,000

Other relevant information :

Bad debts during the year 40,000

Depreciation as per companies Act, 2013 19,58,000.

Determine the remuneration payable to the managing director from the above information.

4. On 15th september 2018, the premises and stock of a firm was destroyed by fire but the accounting records were saved from which the following particulars are available.

Particulars	Rs.
Stock on 1/4/2018	73,500
Stock on 31/3/2019	81,900
Purchases for the year 2018-19	3,98,000
Sales for the year 2018-19	4,87,000
Purchases from 1/4/2018 to 15/9/2018	1,62,000
Sales from 1/4/2018 to 15/9/2018	2,31,200

The stock salvage was Rs. 5,300. Show the amount of claim.

5. From the following particulars, prepare a departmental trading and profit and loss Account for the year ended 31/3/2019.

Particulars	Rs.
Stock on 1/4/2018 :	
Department A	5,000
Department B	7,000
Purchases during the year :	
Department A	60,000
Department B	50,000
Sales :	
Department A	80,000
Department B	75,000
Wages and carriage	15,500
Rent, Rates and Insurance	31,000
Office salary	7,750
Printing and stationery	3,100
Closing stock on 31/3/2019 :	
Department A	10,000
Department B	8,000

Apportion the expenses in proportion to the turnover of each department.





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## SECTION - C

Answer any **Three** questions. Each question carries **fifteen** marks.

(3×15=45)

6. From the following particulars, prepare the Mysore Branch Account in the books of Bengaluru H.O.

Particulars	Rs.
Stock on hand at Branch 1/4/2018	10,000
Debtors at Branch 1/4/2018	4,000
Petty Cash at Branch 1/4/2018	500
Furniture at Branch 1/4/2018	2,000
Prepaid Insurance 1/4/2018	150
Outstanding salary 1/4/2018	100
Goods sent to Branch	80,000
Cash sales by Branch	1,30,000
Credit sales by Branch	40,000
Amount collected from debtors	35,000
Amount received by the H.O. directly by from the branch debtors	2,000
Discount allowed to Branch debtors	100
Cash sent to Branch for Expenses :	
for Rent	2,000
for salaries	2,400
for petty expenses	1,000
for insurance premium	600
	6,000
(Paid up to 30th June 2018 at the rate of Rs. 600 P.A).	
Goods returned to H.O. from Branch	1,000
Goods returned to Branch by debtors	2,000
Stock on hand at Branch on 31/3/2019	5,000
Petty expenses at Branch	850

Depreciation on Branch furniture is 10% p.a.

7. The Kishore Co.Ltd. was formed on 1-4-2018 to takeover the business formerly carried on by Girish Co. Ltd. as from 31/6/2018. It was agreed that all profits made subsequent to this letter date should belong to the company, but interest on the purchase consideration (Rs. 50,000) at the rate of 6% p.a. should be paid to the vendors until the final settlement which took place on 1/9/2018. The following was the Profit & Loss Account as prepared on 31/3/2019.

Particulars	Rs.	Particulars	Rs.
To management expenses	3,000	By, Gross profit	20,000
To Bad debts	200		
To Director's fees	1,000		
To Interest to vendors	1,250		

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To preliminary expenses written off	500
To Depreciation	1,000
To Net profit	13,050
	<u>20,000</u>

20,000

It was found that, of the bad debts written off Rs. 100 related to debts taken over by the company. Calculate from the above, Pre & Post - incorporation profits.

8. Rashmi Ltd. issued 2,50,000 shares of Rs. 10 each which was underwritten as follows.

Mr. A - 75,000 shares (Firm underwriting 8,000 shares)

Mr. B - 62,500 shares (Firm underwriting 12,000 shares)

Mr. C - 62,500 shares (Firm underwriting NIL)

Mr. D - 50,000 shares (Firm underwriting 30,000 shares)

The total applications excluding firm underwriting but, including marked applications were for 1,80,000 shares. The marked applications were as under :

Mr. A : 40,000 shares; Mr. B : 36,000 shares; Mr. C : 24,000 shares and Mr. D : 48,000 shares. Calculate the net liability of each underwriter treating.

a. Firm underwriting as marked applications and

b. Firm underwriting as unmarked application.

9. The following is the Balance sheet of Prajwal Ltd. as on 31/3/2019 :

Liabilities	Rs.	Assets	Rs.
20000, 8% Redeemable		Fixed Assets	8,00,000
Preference shares of Rs. 10 each	2,00,000	Investments	2,00,000
40,000, 7% Redeemable		Stock	80,000
Preference shares of Rs. 10 each,		Debtors	1,20,000
Rs. 5 paid up	2,00,000	Bank	4,00,000
40,000 equity shares of Rs. 10			
each fully paid	4,00,000		
Securities premium	1,60,000		
General Reserve	1,20,000		
Capital Reserve	1,40,000		
Profit & Loss A/c	1,80,000		
Current liabilities	2,00,000		
	<u>16,00,000</u>		<u>16,00,000</u>



On 1/4/2018 the company redeemed both the preference shares at a premium of 10%. In order to pay off the preference share holders. The company issued 50,000 equity shares of Rs. 10 each at 5% premium.

Pass the journal entries and prepare balance sheet.