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| **ST. JOSEPH’S COLLEGE ( AUTONOMOUS), BANGALORE-27** | | | | | | |
| **B.Com – II SEMESTER**  **SEMESTER EXAMINATION: APRIL 2022**  (Conducted in July-August 2022)  **BC 2121/ BPS 2121 : Corporate Accounting** | | | | | | |
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|  |  |  |  |  |  |  |
| **Time- 2 hrs** | |  | **Max Marks-60** | | |  |
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| **This paper contains 3 printed pages and four parts** | | | | | | |

**SECTION A**

1. **Answer any FIVE (5) of the following questions each carries 3 marks [5x3=15]**
2. What is the objective of preparing financial statements?
3. The expected EPS of a company for the current year is Rs.10. In the industry the standard P/E ratio is 15 to 20. The company is in high growth stage. What is the best estimate of company’s share price? Should the share be purchased?
4. Give examples of cost which are not taken into consideration for recognition of PPE
5. State the treatment of pre-incorporation profit and loss.
6. Why do you prepare statement of changes in equity?
7. If an entity had a Rs.12,00,000 6% loan and Rs.2,00,00 8% loan. What is the weighted average cost of borrowing? Under what circumstances capitalisation of borrowing cost ceases?

**SECTION – B**

1. **Answer any TWO (2) of the following questions each carries 5 marks [2x5=10]**
2. What is the basis of apportionment for the following items while computing profit or loss prior or post incorporation
3. Directors fee
4. Salaries
5. Interest on Vendors Capital
6. Advertisement Expenses
7. Administration expenses
8. Write a note on the recording of current & non-current assets and liabilities in a balance sheet.
9. Mr.Dhruv constructs a fixed asset and following are the expenses incurred

|  |  |
| --- | --- |
| **Expenditure** | **Amount( Rs)** |
| Raw Material | 10,000 |
| Direct Expenses | 2,000 |
| Direct Labour(20% with construction of new asset) | 5,000 |
| Total administrative and office expenses (20% of expenses charges to construction of new asset) | 3,000 |
| Depreciation of asset used in the construction of new asset | 500 |
| Selling expenses | 300 |
| Advertisement expenses | 200 |

Calculate the value of Fixed Asset.

**SECTION – C**

1. **Answer any TWO (2) of the following questions each carries 10 marks [2x10=20]**
2. Sam Limited was incorporated on August 1, 2021. It had acquired a running business of Ram & Co. with effect from April 1, 2021. During the year 2021-22, the total sales were Rs.36,10,000. The sales per month in the first half year were half of what they were in the later half year. The net profit of the company, Rs.2,01,000 was worked out after charging the following expenses:

(i)Depreciation Rs.1,23,000

(ii) Directors’ fees Rs.50,000,

(iii) Preliminary expenses Rs.12,000,

(iv) Office expenses Rs.78,000,

(v) Selling expenses Rs.72,000

(vi) Interest to vendors upto August 31, 2021 Rs. 5,000.

Ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2022.

1. From the following balances extracted from the book of Mason Ltd prepare Statement of Profit and Loss as on 31st March, 2022

|  |  |
| --- | --- |
| **Particulars** | **Amount (Rs)** |
| Stock on 1st April 2021 | 1,50,000 |
| Purchases | 4,90,000 |
| Sales | 20,000 |
| Wages | 7,00,000 |
| Carriage Inward | 1,900 |
| Discount Received | 6,000 |
| Salaries | 20,800 |
| Rent | 9,600 |
| Stock on 31st March 2022 | 1,80,000 |
| Depreciation | 10,000 |
| Managerial Remuneration | 13,000 |
| Provision for Doubtful Debts | 1,000 |
| Sundry Expenses | 12,700 |

Provide a provision for tax at the rate of 50% of profit before tax

1. The following ledger balances were extracted from the books of Vogh Ltd as on 31st March ,2022

|  |  |
| --- | --- |
| **Particulars** | **Amount (Rs)** |
| Land and Building | 2,00,000 |
| 12% Debentures | 2,00,000 |
| Share Capital  Equity Shares of Rs.10 each fully paid | 10,00,000 |
| Plant and Machinery | 8,00,000 |
| Goodwill | 2,00,000 |
| Investment in shares of Rou Ltd | 2,00,000 |
| Bills Receivable | 50,000 |
| Debtors | 1,50,000 |
| Creditors | 1,00,000 |
| Bank Loan (Unsecured) | 1,00,000 |
| Provision for Taxation | 50,000 |
| Discount on Issue of 12% Debentures | 5,000 |
| Proposed Dividend | 55,000 |
| Stock | 1,00,000 |
| General Reserve | 2,00,000 |

You required to prepare Balance Sheet of the Company as per Schedule III, Part I of the Companies Act,2013.

**SECTION – D**

1. **The following is a compulsory question and carries fifteen marks only [1x15=15]**
2. Pinnacle Venture is considering investing in the equity of Best Systems, a start-up IT company. Pinnacle ventures required rate of return from this investment is 40 percent and it’s planned holding period is 5 years. You required to value the shares of Best System on the basis of Net Asset method to enable Pinnancle venture make a decision .
3. The following is the Balance Sheet of M/s Best System as on 31st March,2022.

|  |  |
| --- | --- |
| **Particulars** | **Amount (Rs)** |
| **Equity and Liabilities** |  |
| 1. **Shareholders Fund** |  |
| a)Share Capital  (10,000 Shares of Rs.10 each) | 1,00,000 |
| b)Reserve and Surplus |  |
| General Reserve | 50,000 |
| Taxation Reserve | 20,000 |
| Profit and Loss | 23,000 |
| 1. **Current Liabilities** |  |
| Creditors | 40,000 |
| Workmen Savings Account | 20,000 |
|  | **2,53,000** |
| **Assets** |  |
| 1. **Non-Current Assets** |  |
| Plant, Property and Equipment | 1,40,000 |
| Trademark | 20,000 |
| 1. **Current Assets** |  |
| Inventories | 20,000 |
| Debtors | 48,000 |
| Cash at Bank | 25,000 |
|  | **2,53,000** |

Plant, Property and Equipment is worth 30,000 more and Rs.5000 of the debtors is to be taken as bad. The profits of the company were : 2020- Rs.50,000; 2021- Rs.60,000 and 2022 – Rs.70,000.

It is the practice of the company to transfer 20% of the profits to Reserve. Ignoring taxation , find out the value of the shares of the company on the basis of net assets. Shares of similar companies listed on the stock exchange yielded 12% on their market value. Goodwill of the company is valued at Rs.1,00,000 **(8 marks)**

1. What are the various sources of information that Pinnacle Venture need to consider while undertaking valuation? Suggest the different methods of valuation available to Pinnacle Venture? (7 marks)