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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **B.COM - II SEMESTER** |
| **SEMESTER EXAMINATION: APRIL 2019** |
| **BC 2118/BPS 2118- Corporate Accounting** |
| **Time- 2 1/2 hrs** |  | **Max Marks-70** |  |
| **This paper contains \_\_\_printed pages and four parts** |

**SECTION A**

**Answer any FIVE of the following. Each question carries two marks. (5x2=10)**

1. Give two rationale behind branch accounting.
2. What do you mean by super profit?
3. Give two circumstances of valuation of goodwill.
4. What are the methods of valuation of shares?
5. What is CDT?
6. Give two factors affecting valuation of shares.

**SECTION B**

**Answer any THREE of the following. Each question carries five marks. (3x5=15)**

7.The following particulars are available in respect of the business of Indira Ltd:

 1. Profit earned for the years:

 2013-14 Rs.50000, 2014-15 Rs.60000, 2015-16 Rs.55000

 2. Profit of 2013-14 included a non-recurring income of Rs.15000

 3. During 2014-15 closing stock was undervalued by Rs.10000

 4. Normal rate of return 10%

 5. Average capital employed Rs.300000

 Calculate the value of goodwill based on 5 years purchase of super profit.

8.Following is the Balance Sheet of Nischal Ltd as on 31-03-2017:

 Liabilities Rs. Assets Rs.

 8000 class ‘A’ Eq shares 400000 Fixed Assets 760000

 10000 class ‘B’ Eq shares 300000 Current Assets 240000

 Reserves and Surplus 100000

 Current Liabilities 200000 -------------

1000000 1000000

Nishanth Ltd. is interested in purchasing substantial shares of Nischal Ltd. For this purpose, ascertain the intrinsic value of each class of equity share assuming that fixed assets are 20% more and current assets are 10% less.

9.Pass Journal entries for the following transactions in the books of the Head office:

a. Goods sent and intimated by HO to Kanpur Branch on 28th March worth Rs1500 but not received by the branch up to 31st March.

b. Goods sent by Mumbai Branch to Kanpur Branch for Rs.3000 not yet recorded.

c. Kanpur Branch paid Rs.5000 for a machine purchased by the HO in Kanpur.

d. A remittance of Rs.8500 made by Kanpur Branch to the HO on 30th March was received only on 4th April.

e. Mumbai Branch paid Rs.1000 dividend to a local shareholder on behalf of the HO.

10.Classify the following items under appropriate heads as Current and non-current:

a. Capital reserve b. Loose Tools c. Calls in advance d. Provision for tax

e. Shares in ICICI Bank f. Live stock g. Building under construction

h. Stores and spare parts i. Mortgage Loan j. Short term investments

**SECTION C**

**Answer any TWO of the following. Each question carries ten marks. (2x15=30)**

11. Camy Ltd. has an authorized capital of 100000 Equity shares of Rs.10 each and 3000, 5% Preference shares of Rs.100 each. Following is the trial balance as on 31.03.2018

|  |  |  |
| --- | --- | --- |
| Particulars | Debit (Rs.) | Credit (Rs.) |
| Equity share capital |  | 1000000 |
| 5% Preference share capital |  | 200000 |
| Preference dividend | 5000 |  |
| Purchases and sales | 1106700 | 1408000 |
| Stock (01.04.2017) | 291450 |  |
| Interest received |  | 6000 |
| Building  | 850000 |  |
| Investments | 58000 |  |
| Debtors and creditors | 283700 | 256500 |
| Bad debts | 7500 |  |
| Salaries | 177100 |  |
| Provision for bad debts |  | 4000 |
| Rates and insurance | 12500 |  |
| Balance at bank | 82550 |  |
| TOTAL | **2874500** | **2874500** |

Additional information:

1. Stock on 31.03.2018 Rs. 326300.
2. Provision for bad debts to be increased to Rs. 5500.
3. Depreciate building by 10%.
4. Rs. 30000 to be transferred to general reserve.
5. Provide for balance preference dividend.

Prepare Income statement and Balance Sheet as per Companies’ Act.

12. Balu and Co. has a branch at Chennai. Goods are sent by the HO at invoice price which is at a profit of 20% on invoice price. All expenses of the branch are paid by the HO. Prepare Branch Account from the following particulars:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount  | Particulars | Amount |
| Opening balance:Stock at IPPetty cashOutstanding salary | 55000050003750 | Goods returned by Branch at IP | 15000 |
| Goods sent to branch at IP | 1000000 | Credit sales | 1140000 |
| Expenses paid by HO:RentWagesSalaries(@Rs.3750per month) | 300001000048750 | Closing balance:Stock at IPDebtorsPetty cash | 6500001000006250 |
| Remittances made to HO:Cash salesCash collected from debtors | 1325001050000 | Goods returned by customersBad debtsAllowances to customers | 350001500025000 |

13.Following is the Balance Sheet of a Limited company as on 31.12.2015

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Asset | Amount |
| Share Capital: |  | Land & Machinery | 1,10,000 |
| Issue, Subscribe and Paid up: 2,000 shares of Rs.100 each | 200,000 | Plant & Machinery | 1,30,000 |
| General Reserve |  40,000 | Debtor |  88,000 |
| Profit & Loss A/C |  32,000 | Bank |  52,000 |
| Sundry Creditors | 1,28,000 | Preliminary Expenses |  12,000 |
| Income tax reserve |  60,000 |  |  |
|  |  |  |  |
|  | **4,60,000** |  | **4,60,000** |

The Expert valued the land and building at Rs. 2,40,000, Goodwill at Rs. 1,60,000 and plant and machinery at Rs. 1,20,000. Out of the total debtors, it is found that debtors of Rs. 8,000 are bad. The profit of the company has been as follows:

2013 Rs. 90,000

2014 Rs. 80,000

2015 Rs. 1,06,000

The Company follows the practice of transferring 25% of profits to general reserve. Similar type of companies earns 10% rate of return. Ascertain value of share of the company under:

 (i) Intrinsic value method;

 (ii) Yield method;

(iii) Fair value method.

**SECTION D**

**Answer the following compulsory question. The question carries fifteen marks. (1x15=15)**

14. The Balance Sheet of a Limited company is as follows:

|  |  |
| --- | --- |
|  Equity & Liability | Amount |
| 5000 Eq. Share of 100 each  | 5,00,000 |
| General reserve | 2,00,000 |
| P/L account | 1,00,000 |
| Current Liability  | 1,00,000 |
| TOTAL | **9,00,000** |
|  Assets |  |
| Fixed Asset | 4,00,000 |
| 6% Government bonds | 1,00,000 |
| Current Assets | 4,00,000 |
| TOTAL | **9,00,000** |

The net profits after tax is as follows:

2013- 1,30,000

2014- 1,25,000 (including loss due to fire in factory godown of Rs.15000)

2015- 1,50,000

The normal rate of return is 15%.

The current assets are valued at 4,20,000.

Find out the goodwill as

i)3 years purchase of weighted average profit.

ii) 4yrs purchase of super profit.

iii) Capitalization of super profit.

iv) Annuity value is 3.78.