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BCMCMCN 301

Third Semester B.Com. Degree Examination, February/March 2023
(NEP – 2020) (2022-23 Batch Onwards)
CORPORATE ACCOUNTING – I (DSCC)

Time : 2 Hours

Max. Marks : 60

Instruction : Answer *all* the Sections. Provide working notes wherever necessary.

SECTION – A

Answer **any five** questions.

(2×5=10)

1. State any two legal formalities to be followed by underwriting of shares.
2. What do you mean by marked and unmarked applications ?
3. How are pre-incorporation profits treated in the books ?
4. What do you mean by valuation of shares ?
5. What is intellectual Property Right ?
6. State any two advantages of Brand Valuation.
7. What do you mean by Right shares ?
8. State any two circumstances necessitating valuation of goodwill.

SECTION – B

Answer **any four** questions.

(5×4=20)

9. State the SEBI regulations regarding underwriting of shares.
10. Explain the factors affecting the valuation of goodwill.

P.T.O.



11. Abhay Ltd., was formed on 1st July 2021 to take over the business of Aman Traders with effect from 1st April 2021. The Profit and Loss A/c of the company for the year ending 31st March 2022 is given below :

	Rs.		Rs.
To Salary	27,000	By Gross Profit	1,40,000
To Rent and rates	12,000		
To Directors fees	3,600		
To Commission to agents	11,200		
To General expenses	9,600		
To Advertising	2,800		
To Audit fees	2,000		
To Debenture interest	3,600		
To Depreciation	14,800		
To Net profit	53,400		
	1,40,000		1,40,000

Additional Information :

- a) The average monthly sales for the first three months of 2020-21 were Rs. 32,000 and for the rest of the year was Rs. 64,000.
- b) Rent was paid at the rate of Rs. 1,000 per month.

Prepare a statement showing profit before and after incorporation.



12. A firm earned net profits during the last three years as follows :

I Year Rs. 36,000

II Year Rs. 40,000

III Year Rs. 44,000

The capital investment of the firm is Rs. 1,00,000

Normal rate of return is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profit.

13. Sunrise Ltd. has 50,000, 8% Preference shares of Rs. 10 each and 50,000 Equity shares of Rs. 10 each. The company transfers 10% of divisible profits to general reserve every year. The expected profit before tax is Rs. 1,00,000 and the rate of tax is 40%. Normal rate of dividend is 12%. Find out the value of Equity Share by Yield method.

14. From the following information, you are required to prepare statement of Profit and Loss as per Schedule III :

	Rs.
Purchases	4,00,000
Opening stock	20,000
Closing stock	30,000
Wages	5,000
Salaries	6,000



Interest on loan	3,000
Depreciation on furniture	2,000
Printing and Stationery	1,000
Audit fee	3,000
Legal expenses	1,500
Other expenses	30,000
Sales	7,00,000

SECTION – C

Answer any two questions.

(15×2=30)

15. Nature Ltd., issued 4,00,000 Equity shares of Rs. 10 each. The entire issue was underwritten as follows :

A-25%, B-25%, C-25%, D-10% and E-15%

A commission of 2% was payable for underwriting. The marked applications were as follows :

A-1,02,000 shares, B-95,000 shares, C-60,000 shares, D-32,000 shares and E-51,000 shares. Direct applications were received for 10,000 shares.

Calculate :

- 1) The liability of each underwriter.
- 2) Give journal entries in the books of Nature Ltd.



16. Forest Ltd., was incorporated on 1st July 2020 to take over the business of Water Enterprises with effect from 1st April 2020. The following Profit and Loss A/c. for the year ended 31st March, 2021 was drawn up :

	Rs.		Rs.
To Commission	2,625	By Gross Profit	98,000
To Advertisement	5,250	By Bad debts recovered	500
To Directors salary	9,000		
To Depreciation	2,800		
To Salaries	18,000		
To Insurance	600		
To Preliminary Expenses	700		
To Rent	3,000		
To Discount	350		
To Bad Debts	1,250		
To Net Profit	54,925		
	98,500		98,500

4=20)

The following details are available :

- a) The average monthly turnover from 1-7-2020 onwards was double than the that of previous months.
- b) Rent was paid at Rs. 250 per month.
- c) Advertisement expenses were directly apportioned to the sales.

Prepare a statement showing pre-incorporation and post incorporation profits.



17. The following is the balance sheet of R Ltd., as on 31-3-2022 :

Liabilities	Rs.	Assets	Rs.
Share capital Rs. 10 each	2,00,000	Land and Buildings	1,10,000
General reserve	40,000	Plant and Machinery at cost	
Taxation reserve	60,000	(less depreciation)	1,30,000
Workmen savings account	30,000	Trade marks	20,000
Profit and Loss account	32,000	Stock	48,000
Creditors	98,000	Debtors	88,000
		Cash	52,000
		Preliminary expenses	12,000
	4,60,000		4,60,000

The Plant and Machinery is worth Rs. 1,20,000 and Land and Buildings have been valued at Rs. 2,40,000 by an independent valuer. Rs. 8,000 of the debts is bad. The profits of the company have been as follows. 2020 – Rs. 80,000; 2021 – Rs. 90,000 and 2022 – Rs. 1,06,000. It is the company's practice to transfer 25% of the profits to reserve and provide 40% for taxation. Find out the fair value of the shares. Similar companies give an yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs. 1,60,000.



18. From the following information relating to Ram Ltd., Prepare a Balance Sheet as per Schedule III as on 31-3-2022.

Debit balance	Rs.	Credit balance	Rs.
Fixed Assets	50,00,000	Equity shares of	
Investments	2,50,000	Rs. 10 each	10,00,000
Debtors	13,80,000	Pref. shares of	
Loans and advances	5,30,000	Rs. 100 each	8,00,000
Miscellaneous expenditure	60,000	Securities Premium A/c	8,00,000
Profit and Loss A/c (loss)	4,00,000	Secured loans	18,00,000
Goodwill	3,00,000	Bills payable	3,00,000
Closing stock	14,00,000	General Reserve	32,00,000
Cash at bank	3,40,000	Unsecured loans	3,10,000
		Creditors	12,50,000
		Provision for taxation	2,00,000
	96,60,000		96,60,000