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BCMCMCN 301

**Third Semester B.Com. Degree Examination,
December 2024/January 2025
(NEP – 2020) (2022 – 23 Batch Onwards)
CORPORATE ACCOUNTING – 1**

Time : 2 Hours

Max. Marks : 60

Instructions : 1) Answer *all* the Sections.
2) Provide working notes *wherever* necessary.

SECTION – A

Answer **any five** questions.

(5×2=10)

1. What is meant by partial underwriting ?
2. Raj Limited announced a rights issue of four shares of ₹ 100 each at a premium of 160% for every five shares held by the existing shareholders. The market value of the shares at the time of rights issue is ₹ 395. What is the value of right ?
3. How do you allocate the following items between pre-incorporation and post-incorporation periods ?
 - a) Rent received
 - b) Advertising
 - c) Directors fees
 - d) Gross Profit.
4. What are unmarked applications ?
5. Give the meaning of brand valuation.
6. How are pre-incorporation profits and losses treated in the books of accounts ?
7. What do you mean by a Warrant ?
8. State any four factors affecting the value of goodwill of a business.



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SECTION – B

Answer **any four** questions.

(4×5=20)

9. State the SEBI regulation regarding underwriting of shares.
10. Excel Limited issued 2,00,000 equity shares of ₹ 10 each. The whole issue of the shares is underwritten by :
- Ram : 50% Krishna : 30% Govinda : 20%
- Applications for 1,60,000 shares were received in all, out of which marked applications were as follows :
- Ram : 45,000 shares, Krishna : 30,000 shares; Govinda : 25,000 shares.
- Determine the net liability of each underwriter.
11. The net profits of Anand Limited after providing for taxation for the past 5 years are : ₹ 42,000, ₹ 45,000, ₹ 45,000, ₹ 41,000 and ₹ 47,000. The capital employed in the business is ₹ 4,00,000 on which a reasonable rate of return of 10% is expected. Calculate the goodwill under capitalization of super profit method.
12. Professional Enterprises Limited was incorporated on 1-7-2020 took over a running business on 1-4-2020. In the year 2020 – 21, the total sales were ₹ 24,00,000. Sales for January and February was 125% times that of the average sales. Sales from March to July was 50% of the average sales. Sales for August and September was 25% and sales for October and November was double the average monthly sales, and the balance of sales is for December. Calculate time and sales ratio.
13. Amar Limited proposed to purchase the business carried on by Anand Limited. Goodwill for this purpose is agreed to be valued at two years purchase of the weighted average profits of the past four years :

Year	Profits in ₹	Weights
2020	30,300	1
2021	31,200	2
2022	36,000	3
2023	45,000	4





On scrutiny of the accounts, following adjustments to profits revealed :

- a) During 2021 major repair was made in respect of plant incurring ₹ 9,000 which was charged to revenue. It was agreed to capitalize this for goodwill calculation subject to adjustment of depreciation at 10% on diminishing balance method.
- b) The closing stock of 2021 was over-valued by ₹ 3,600.

Calculate the value of goodwill of the firm.

14. Explain the circumstances which necessitate the valuation of shares ?

SECTION – C

Answer **any two** questions.



(15×2=30)

15. From the following Trial Balance of Mayur Company Limited as on 31st March 2024, prepare Statement of Profit and Loss.

Debit Balances	₹	Credit Balances	₹
Calls in arrears	64,000	Share Capital	10,00,000
Land	1,00,000	Sales	8,31,000
Building	2,50,000	Creditors	1,32,000
Machinery	1,50,000	Securities Premium	60,000
Furniture	32,000	General Reserve	2,60,000
Carriage	23,000		
Wages	1,14,000		
Salaries	1,46,000		
Bank charges	1,000		



Coal, gas and water	7,000	
Rent and rates	8,000	
Purchases	5,00,000	
Bills receivables	12,000	
General expenses	19,000	
Debtors	4,28,000	
Opening Stock	2,50,000	
Insurance	4,000	
Cash at bank	1,30,000	
Cash in hand	45,000	
	22,83,000	22,83,000

**Adjustments :**

- Charge depreciation on buildings @ 2%, Machinery @ 10% and Furniture @ 8%.
- Stock at the year-end valued at ₹ 3,00,000.

16. Following is the summarized Balance Sheet of Veena Limited as on 31-3-2024 :

Equity and Liabilities	Note No.	Amount (₹)
Share Capital : 40,000 shares of ₹ 10 each	1	4,00,000
Reserves and Surplus : Reserve Fund	2	1,00,000
: Profit and Loss A/c	2	35,000
9% Debentures	3	1,00,000
Current Liabilities	4	1,30,000
Total		7,65,000



Assets

Fixed Assets	5	4,50,000
Goodwill	5	1,00,000
Current Assets	6	1,90,000
Preliminary expenses	6	25,000
		7,65,000

For the purpose of valuation of shares, fixed assets were valued at ₹ 5,00,000 and goodwill at ₹ 1,50,000. There is a necessity of RBD @ 10% on sundry debtors of ₹ 75,000. It is found that stock was revalued by ₹ 9,000.

The net profits for three years were ₹ 69,000, ₹ 71,800 and ₹ 90,200 respectively after taxation. Out of the profits 20% was placed to reserve, the proportion being considered reasonable in the industry in which the company is engaged and where the normal rate of return is 10%. Compute the value of each share by :

- a) Net Asset method
- b) Yield method and
- c) Fair value method.



17. Varun Limited issued 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The entire issue is underwritten by the underwriters as follows :

Sandhya – 1,00,000 shares (Firm underwriting – 40,000 shares)

Vindhya – 60,000 shares (Firm underwriting – 20,000 shares)

Sharanya – 40,000 shares (Firm underwriting – 10,000 shares)



Share applications received in total for 1,50,000 shares. The marked applications including firm underwriting were as follows :

Sandhya : 50,000 shares

Vindhya – 30,000 shares

Sharanya – 20,000 shares



The underwriters are entitled to the maximum commission of 4%. Calculate the liability of each underwriter and pass journal entries.

18. Bajaj Limited was incorporated on 1st August 2023. It took over the business of a firm with effect from 1st April 2023. From the following figures relating to the year ending 31st March 2024, ascertain the profit prior to incorporation and profit after incorporation.

- a) Sales for the year were ₹ 60,00,000 out of which sales upto 1st August 2023 were ₹ 25,00,000.
- b) Gross Profit for the year were ₹ 18,00,000.
- c) The expenses for the year were as follows :

Rent	1,10,000
Electricity charges	10,000
Commission to selling agent	30,000
Salaries	1,50,000
Director's fees	38,000
Interest on debentures	60,000
Audit fees	15,000



Discount on Sales	36,000
Depreciation on Fixed Assets	2,40,000
Miscellaneous expenses	48,000
Advertising	1,80,000
Stationery and Printing	36,000
Travelling expenses of selling agent	60,000
Interest to vendors (up to 1-10-2023)	30,000
Bad Debts (₹ 5,000 relates to pre-incorporation)	15,000

