

III Semester B.B.A. Examination, Nov./Dec. 2018  
(CBCS) (2015-16 and Onwards) (F + R)  
**BUSINESS ADMINISTRATION**

**3.3 : Corporate Accounting**

Time : 3 Hours

Max. Marks : 70

**Instruction :** Answer should be written in **English** only.

**SECTION – A**

1. Answer **any five** questions, **each** question carries **two** marks : **(5×2=10)**
- What is an authorised capital ?
  - What do you mean by Financial Analysis ?
  - Define Goodwill.
  - What is meant by valuation of shares ?
  - Define a Holding Company.
  - What is pre-acquisition profit ?
  - Expand 'EBITDA'.

**SECTION – B**

Answer **any three** questions of the following **Each** question carries **six** marks. **(3×6=18)**

- Differentiate between reserves and provisions.
- Calculate the trend percentages from the following figures of 'X' Ltd. taking 2013-14 as the base year :

(₹ in lakhs)

Year	Sales	Stock	PBT
2013-14	1881	709	321
2014-15	2340	781	435
2015-16	2655	816	458
2016-17	3021	944	527
2017-18	3768	1154	672

P.T.O.



4. The profits disclosed by Sarnya Ltd. for the past 5 years were as follows :

2013-14 – ₹ 40,000 (including abnormal profit ₹ 5,000)

2014-15 – ₹ 50,000 (after charging abnormal loss ₹ 10,000)

2015-16 – ₹ 45,000 (excluding ₹ 5,000 insurance premium)

2016-17 – ₹ 60,000

2017-18 – ₹ 80,000 (including profit on sale of building ₹ 20,000)

You are required to calculate the value of goodwill at 2 years purchase of average profits.

5. The following is the Balance Sheet of MARIA Trading Co. Ltd.

**Balance Sheet as on 31-3-2018**

Liabilities	Amount	Assets	Amount
2000, 6% Preference shares of ₹ 100 each	2,00,000	Fixed Assets	3,00,000
30,000, Equity shares of ₹ 10 each	3,00,000	Current assets	3,00,000
Liabilities	1,00,000		
	<b>6,00,000</b>		<b>6,00,000</b>

The market value of fixed assets are 10% more than book value.

The market value of current assets is 5% less than book value. There is an unrecorded liability of ₹ 5,000. Assume preference shares have no priority. You are required to value the equity shares.

6. Under which heading the following items are shown in the Balance Sheet of a company :

a) Sinking fund

b) Debentures

c) Fixed deposit from public

d) Preliminary expenses

e) Underwriting commission

f) Tax deducted at source.



SECTION – C

Answer **any three** questions of the following. **Each** question carries **fourteen** marks. **(3×14=42)**

7. Premier Company Ltd. had an authorised capital of ₹ 6,00,000 in equity shares of ₹ 10 each. The Trial Balance on 31-03-2015 is given below :

Calls in arrears	7,500
Premises	3,00,000
P and M	3,30,000
Interim dividend (including corporate dividend tax)	37,500
Stock (1-4-2014)	75,000
Fixtures	7,200
Debtors	87,000
Goodwill	25,000
Cash in hand	760
Cash at bank	39,900
Purchases	1,85,000
Preliminary expenses	5,000
Wages	84,865
General expenses	16,835
Freight and carriage	13,115
Salaries	14,500
Director's fees	5,725
Bad debts	2,100



Debenture interest paid	9,000
Called up capital	4,00,000
6% Debenture	3,00,000
Profit and Loss A/c (1-4-2014) Cr.	14,500
Bills payable	38,000
Creditors	50,000
Sales	4,15,000
General Reserve	25,000
Bad debts provision (1-4-2014)	3,500

**Adjustments :**

- 1) Depreciate plant and machinery by 10%.
- 2) Write off preliminary expenses ₹ 500.
- 3) Provide for debenture interest due.
- 4) Of the debtors ₹ 500 are further bad.
- 5) Provide for R.D.D. at 5% on debtors.
- 6) Closing stock ₹ 95,000.

Prepare income statement and Balance Sheet.

8. The Balance Sheets of 'D' Ltd. and 'G' Ltd. as on 31-3-2017 are as given below :

<b>Equity and Liabilities</b>	<b>'D' Ltd.</b>	<b>'G' Ltd.</b>
Equity share capital	1,50,000	4,00,000
Preference share capital	1,20,000	1,60,000
Reserves	14,000	18,000
Long term loans	1,15,000	1,30,000



Bills payable	2,000	-
Creditors	12,000	4,000
Outstanding expenses	15,000	6,000
Proposed dividend	10,000	90,000
<b>Total</b>	<b>4,38,000</b>	<b>8,08,000</b>
<b>Assets :</b>		
Land and building	80,000	1,23,000
Plant and machinery	3,34,000	6,00,000
Temporary investments	1,000	40,000
Inventories	10,000	25,000
Book debts	4,000	8,000
Prepaid expenses	1,000	2,000
Cash and bank balance	8,000	10,000
<b>Total</b>	<b>4,38,000</b>	<b>8,08,000</b>

Compare the financial position of two companies with the help of common size Balance Sheet.

9. Following is the Balance Sheet of Shiva Ltd. as on 31-3-2015 :

<b>Liabilities</b>	<b>Amt.</b>	<b>Assets</b>	<b>Amt.</b>
Share capital	30,00,000	Fixed assets	20,00,000
Reserves and surplus	7,50,000	Current assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	<b>50,00,000</b>		<b>50,00,000</b>

The net profit after taxation for the past 4 years were ₹ 7,85,000, ₹ 8,45,000, ₹ 8,50,000 and ₹ 8,60,000 respectively. Normal rate of return on average capital employed is 20%. The investments are 8% Government Bonds. Calculate goodwill at 3 years purchase of super profits.



10. Following is the Summarised Balance Sheet of X Ltd. as on 31-3-2015

Liabilities	Amt.	Assets	Amt.
40,000 shares of ₹ 10 each	4,00,000	Goodwill	1,00,000
Reserve fund	1,00,000	Fixed assets	4,50,000
Profit and Loss A/c	35,000	Current assets	1,90,000
9% Debentures	1,00,000	Preliminary expenses	25,000
Current liabilities	1,30,000		
	<b>7,65,000</b>		<b>7,65,000</b>

For the purpose of valuation of shares, fixed assets were valued at ₹ 5,00,000 and G.W. at ₹ 1,50,000. There is a necessity of RBD at 10% on Debtors of ₹ 75,000. It is found that stock was overvalued by ₹ 9,000. The net profit for three years were ₹ 69,000, ₹ 71,800 and ₹ 90,200, respectively after taxation out of this profit 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 Equity share by asset method and yield method and also calculate the fair value of share.

11. From the following information you are required to prepare consolidated Balance Sheet of 'P' Company Ltd. and its subsidiary 'Q' Company Ltd. as on 31-3-2018 :

Liabilities	P Ltd.	Q Ltd.	Assets	P Ltd.	Q Ltd.
Share capital :			G.W.	2,00,000	50,000
Shares of ₹ 100 each	8,00,000	4,00,000	Plant	5,00,000	2,50,000
General reserve	2,90,000	1,00,000	Buildings	2,00,000	1,00,000
P and L A/c	2,60,000	50,000	Investments		
Loans	2,00,000	1,00,000	3000 shares		
Creditors	1,50,000	60,000	in Q Ltd.	3,60,000	-



Bills payable	1,00,000	40,000	Loans and advances	-	60,000
			Stock	1,20,000	90,000
			Debtors	1,50,000	1,00,000
			B.R.	1,00,000	50,000
			Bank	1,70,000	50,000
	<b>18,00,000</b>	<b>7,50,000</b>		<b>18,00,000</b>	<b>7,50,000</b>

**Additional Information :**

- 1) Bills payable of Q Ltd. includes ₹ 30,000 due to 'P' Ltd.
- 2) Sundry Creditors of 'P' Ltd. includes ₹ 50,000 due to Q Ltd.
- 3) On the date of acquisition of shares (1-04-2017) 'Q' Ltd.'s Balance Sheet should a general reserve of ₹ 40,000 and P and L A/c credit balance of ₹ 20,000.

**SECTION - B**

(in lakhs)

Year	Share Capital	Reserves	Stock	Debtors
2013-14	1000	200	300	400
2014-15	1200	300	400	500
2015-16	1500	400	500	600
2016-17	1800	500	600	700
2017-18	2000	600	700	800