



III Semester B.Com. Examination, March/April 2022

(CBCS) (Fresh)

(2021 – 22 and Onwards)

COMMERCE

Paper – 3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answer can be written either fully in **Kannada** or **English** only.

SECTION – A

1. Answer **any five** sub-questions. **Each** sub-question carries **two** marks. (5×2=10)
- How do you treat unmarked applications in partial underwriting ?
 - Who is an underwriter ?
 - What do you mean by Normal Rate of Return ?
 - i) If the closing capital employed is ₹ 6,00,000.
ii) Net profit for the current year ₹ 1,20,000.
What is average capital employed ?
 - State the different methods of valuation of shares.
 - State any four reasons for valuation of shares.
 - What is Tax deducted at source ?

SECTION – B

Answer **any 3** questions. **Each** question carries **5** marks. (3×5=15)

2. Suraj Company Ltd., issued 1,00,000 shares of ₹ 10 each for public subscription. The issue was underwritten as follows :
Prashanth = 30%, Prakash = 30% and Pramila = 20%.
However, the company received applications for 70,000 shares of which marked applications were as follows :
Prashanth = 10,000 shares; Prakash = 20,000 shares and Pramila = 16,000 shares.
Determine the Net liability of each underwriter.
3. Under which heading would you show the following in company final accounts ?
- Goodwill
 - Patents
 - Loose Tools
 - Livestock
 - Proposed Dividend.



4. Chethan Limited agreed to purchase the business of a sole trader and for that purpose goodwill is to be valued at 3 years purchase of the average of previous 4 years adjusted profits. The profits for the year ending 31st March 2018; 2019; 2020 and 2021 were as follows : ₹ 80,000, ₹ 1,00,000, ₹ 96,000 and ₹ 1,20,000. Following additional information is available.
- Annual Management Expenses ₹ 9,600.
 - Provide Insurance Premium at ₹ 400 p.a.
- Compute the value of Goodwill.

5. Following are the particulars of AS Ltd.

Fixed Assets ₹ 8,00,000

Current Assets ₹ 5,00,000

1,00,000 Equity shares of ₹ 10 each ₹ 10,00,000

Bank overdraft ₹ 80,000

6% Debentures ₹ 4,00,000

Other current liabilities ₹ 1,20,000

Goodwill ₹ 2,00,000

The market value of fixed assets is 12% more than the book value and that of current assets is 5% less than book value. There is an unrecorded liability of ₹ 15,000. Ascertain the value of Equity Share by Net Asset method.

6. Harsha Ltd., issued 20,000, 12% debentures of ₹ 100 each at a discount of 5% payable as follows :
- on application ₹ 40
 - on allotment ₹ 55.
- Show the journal entries including those for cash, assuming that all the installments were duly collected.

SECTION – C

Answer **any 3** questions. **Each** question carries **12** marks.

(3×12=36)

7. Nisha Ltd., issued 3,00,000 equity shares of ₹ 10 each at a discount of 10% for public subscription.

The issue was underwritten by the underwriters as follows :

A – 1,00,000 shares (Firm underwriting 20,000 shares)

B – 75,000 shares (Firm underwriting 10,000 shares)

C – 50,000 shares (Firm underwriting 7,500 shares)

D – 75,000 shares (Firm underwriting 12,500 shares)

The total applications excluding firm underwriting but including marked applications were received for 2,40,000 shares. The marked applications were as under :

A – 65,000 shares, B – 40,000 shares, C – 25,000 shares, D – 40,000 shares.

Calculate the net liability of each underwriter treating :

- Firm underwriting as marked applications
- Firm underwriting as unmarked applications.



8. Following is the Balance Sheet of Harmeet Limited as on 31st March 2021.

Liabilities	₹	Assets	₹
30,000 Equity shares of ₹ 20 each fully paid	6,00,000	Goodwill	25,000
25,000 Equity shares of ₹ 20 each ₹ 8 paid	2,00,000	Building	6,00,000
15,000 Equity shares of ₹ 10 each fully paid	1,50,000	Machinery	3,75,000
10,000 Equity shares of ₹ 10 each ₹ 5 paid	50,000	Investments	50,000
Profit and loss A/c	5,00,000	Stock	3,00,000
Creditors	2,00,000	Debtors	1,50,000
		Bills Receivable	50,000
		Bank	1,30,000
		Preliminary Exp.	20,000
	17,00,000		17,00,000

The Goodwill is valued at ₹ 15,000, Buildings at ₹ 12,00,000, Machinery at ₹ 3,00,000. Investments at ₹ 35,000, Stock at ₹ 2,50,000, Debtors at ₹ 1,40,000. There was a unrecorded liability of ₹ 20,000.

Determine the value of different shares under Intrinsic value method.

9. The Balance Sheet of Rakshith Ltd., as on 31-12-2021 :

Liabilities	₹	Assets	₹
Equity shares of ₹ 10 each	10,00,000	Fixed Assets	8,00,000
General Reserve	4,00,000	Investments	2,00,000
Profit & Loss A/c	2,00,000	(5% Govt. Bonds)	
Current liabilities	2,00,000	Current Assets	8,00,000
	18,00,000		18,00,000

Additional Information :

a) Net profit before taxation (Tax at 50%) 2019 – ₹ 5,20,000, 2020 – ₹ 5,00,000, 2021 – ₹ 6,00,000.

b) Normal Rate of Return is 10%.

c) Current Assets are to be taken at ₹ 8,40,000.

d) There was a unrecorded liability of ₹ 40,000.

Ascertain the value of Goodwill under :

i) 4 years purchase of super profits

ii) Capitalisation of super profits

iii) Annuity method.

Taking Annuity factor of Re. 1 for five years at 10% as ₹ 3.78.



10. Pass Journal Entries at the time of redemption of debentures for the following transactions :

- P Company Ltd., issued 10% debentures of the total value of ₹ 2,00,000 at a premium of 5% to be redeemed at par at the end of 4 years.
- Q Company Ltd., issued 15,000, 9% debentures of ₹ 100 each at par and redeemable at par at the end of 5 years.
- R Company Ltd., issued 5,000, 12% debentures of ₹ 100 each at par. These debentures are redeemable at 10% premium at the end of 4 years.
- S Co. Ltd., issued 8% debentures of ₹ 4,00,000 at a premium of 10% to be redeemed at par at the end of 4 years.
- T Co. Ltd., issued ₹ 2,00,000, 12% debentures at a discount of 5% redeemable at premium of 5% at the end of 5 years.

11. From the following Trial Balance of Suresh Limited, prepare Balance Sheet of the company as on 31-03-2021.

Debit	₹	Credit	₹
Cash at Bank	3,00,000	Equity share capital	5,00,000
Current Assets	2,00,000	Preference share capital	5,00,000
Non-current Investments	1,00,000	Reserves and Surplus	1,00,000
Land and Building	8,00,000	Non-current Liabilities	8,00,000
Furniture	2,00,000	Current Liabilities	2,00,000
Office Equipment	1,00,000	Staff Provident Fund	2,00,000
Goodwill	2,00,000	Deposits from Public	2,00,000
Stock	4,00,000		
Bills Receivable	2,00,000		
Total	25,00,000	Total	25,00,000

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12.

SECTION – D

13.

Answer **any one** of the following. **Each** question carries **nine** marks.

(1×9=9)

12. List the various functions of underwriters.

13. List out the conditions to be fulfilled for redemption of debentures.