

B.Com. (Part-II) Semester—IV Examination
CORPORATE ACCOUNTING
(Commerce)

Time : Three Hours]

[Maximum Marks : 80

Note :- (1) There are **three** sections A, B and C.

(2) Section-A – 20 marks, Section-B – 20 marks and Section-C – 40 marks.

SECTION—A

1. Surplus on revaluation should be treated as

(A) Revenue Reserve	(B) Other Income
(C) Statutory Reserve	(D) Capital Reserve
2. How many schedules are there in the amended form of Final Account of Banking Company ?

(A) 16	(B) 12
(C) 10	(D) 8
3. Bank prepare the accounts for the

(A) Calendar year	(B) Financial year
(C) Co-operative year	(D) Diwali year
4. is shown under Schedule No. 15.

(A) Interest Earned	(B) Operating Expenses
(C) Other Income	(D) Interest Expended
5. Revenue Account is also called as

(A) Policyholders' Account	(B) Shareholders' Account
(C) Creditors' Account	(D) None of these
6. Profit and Loss Account of General Insurance Companies are prepared in :

(A) Form A	(B) Form B
(C) Form C	(D) Form D
7. The principle of subordination is applicable to :

(A) Fire Insurance	(B) Marine Insurance
(C) Life Insurance	(D) All of these
8. The consideration in Insurance for covering the risk is called as

(A) Premium	(B) Claim
(C) Annuity	(D) None of these

9. A contributory is
- (A) A Debturholder (B) A Creditor
(C) A Shareholder (D) A convertible debentureholder
10. When the expenses of liquidation are to be borne by the Vender Company, then the vender company debits ?
- (A) Realisation Account (B) Bank Account
(C) Goodwill Account (D) Purchasing Company Account
11. Salaries due to clerk is preferential for a period not exceeding
- (A) One month (B) Two months
(C) Three months (D) Four months
12. Debentureholders having floating charge on all the Assets of the company is in
- (A) List No. A (B) List No. B
(C) List No. C (D) List No. D
13. Super Profit can excess of average profit over the normal profit.
- (A) Expected (B) Actual
(C) Future Profit (D) Past Profit
14. Normal Profit depends on
- (A) Average Capital (B) Normal Rate of Return
(C) Both (A) and (B) (D) None of the above
15. From the point of view of valuation of goodwill, the term capital employed means the Funds provided by
- (A) Shareholders only
(B) Debentureholders only
(C) Both shareholders and Debentureholders
(D) Shareholder, Debentureholder and creditor
16. How is Goodwill valued ?
- (A) Average profit method (B) Super profit method
(C) Capitalisation of profit method (D) All the above method
17. Which of the following is not zero valuable asset ?
- (A) Furniture and Fixtures (B) Discount on issue of share
(C) P&L account on asset side (D) Discount on issue of debenture
18. How many shares valuation of necessity are there ?
- (A) 7 (B) 8
(C) 9 (D) 10

19. For calculating the value of an equity share by yield method, it is essential to know :
- (A) Expected rate of return (B) Called up equity share capital
(C) Capital employed (D) None of the above
20. In comparison to face value, the valuation of shares is usually :
- (A) More (B) Less
(C) Equal (D) Less or more 1×20=20

SECTION—B

1. Proforma of Profit and Loss Account under Banking Companies Act. 4

OR

From the following information, prepare Schedule No. 15 and Schedule No. 16 of Ambika Bank Ltd. for the year ended 31st March, 2020 :

Interest on Fix Deposits	5,50,000	
Interest on Saving Bank Account	1,36,000	
Interest on Current Account	77,000	
Postage and Telegrams	3,000	
Sundry Expenses	4,400	
Printing and Stationery	5,800	
Establishment Expenses	1,05,000	
Rent and Taxes	42,000	
Director's Fees	6,000	
Audit's Fees	2,100	
Allowances	1,200	
Depreciation on premises	1,150	4

2. Write about Reinsurance. 4

OR

From the following particulars, prepare Accident Insurance. Revenue Account for the year ended 31st March, 2019 :

Schedule No. 15 and Schedule No. 16 of Ambika Bank Ltd. for the year ended 31st March, 2020 :

	Rs.	
Claims paid and outstanding	1,24,300	
Management Expenses	64,100	
Commission	18,300	
Premiums	3,80,400	
Interest and Dividends	3,200	
Accident Insurance Fund (01/04/2018)	89,400	

Additional Information :

- (i) Provide Rs. 300 for Expenses of Management for Accident Insurance Department.
(ii) In Accident Insurance Department claims intimated but not yet accepted are of Rs. 15,000.
(iii) Reserve for unexpired Risk is to be created at 50% of the net premium received. 4
3. The Ashay Co. went into Liquidation on 1st April, 2019. Prepare the Liquidator's Final Statement of Account from the following particulars :

	Rs.
(i) Secured creditors	1,30,000
(ii) Preferential creditors	30,000
(iii) Unsecured creditors	1,91,000
(iv) Liquidation Expenses	3,200
(v) Realisation of total Assets	3,15,500
(vi) Remuneration of 3% on realisation total assets and 2% on the amounts distributed to unsecured creditors.	4

OR

A Liquidator is entitled to receive remuneration @ 2% of the assets realised and 3% of the amount distributed among the unsecured creditors. The Assets are realised at Rs. 25,00,000 against which payment was made as follows :

Liquidation Exp.	Rs. 25,000
Preferential creditors	Rs. 75,000
Secured creditors	Rs. 8,00,000 and
Unsecured creditors	Rs. 18,00,000.

Calculate the remuneration of the liquidator. 4

4. Following particulars are available from the Business carried by Shri Sunil :

Particulars	Rs.
(i) Capital employed	1,90,000
(ii) <u>Trading Profit</u>	
2014	16,000
2015	20,000
2016	19,000
2017	22,000
2018	24,000
(iii) Normal Rate of Profit 10%.	

Compute the value of Goodwill on the basis of 4 years purchase on Super Profit Method. 4

OR

The average net profits expected in the future by Shanti firm are Rs. 36,000 per year. The average capital employed in the business by the firm is Rs. 2,00,000. The rate of interest expected from capital invested in this type of business is 10%. The remuneration of the partners is estimated to Rs. 6,000 per annum. Find out the value of Goodwill on the basis of two years purchase of super profits. 4

5. Abhay Ltd. provided that Goodwill shall be valued on basis of three years purchase of the simple average annual profit of last 4 year.

Liabilities	Rs.	Assets	Rs.
20,000 Equity shares of Rs. 10 each	2,00,000	Goodwill	2,00,000
General Reserve	2,00,000	Stock	5,00,000
Workers' Provident Fund	3,00,000	Debtors	4,00,000
Creditors	6,00,000	Bank	70,000
Profit & Loss A/c	1,70,000	Investment (Market Value (2,50,000))	3,00,000
	14,70,000		14,70,000

The profits for the last four years are Rs. 20,000, Rs. 25,000, Rs. 30,000 and Rs. 35,000. You are required to calculate price to be paid for each share by Net Asset Method. 4

OR

Explain the factors affecting value of shares. 4

SECTION—C

1. From the following information prepare Profit and Loss Account with schedule for Dena Bank Ltd. for the year ended 31st March, 2018 :

Particulars	Rs.
Commission received	70,000
Discount on bill discounted	21,00,000
Directors and Auditors' fees	50,000
Establishment Expenses	6,00,000
Interest on Loan	28,00,000
Interest on Fixed Deposits	29,00,000
Interest on Cash Credits	24,00,000
Sundry Expenses	20,000
Interest on Current Account	4,50,000
Interest on Overdrafts	6,00,000
Interest on Saving Bank Account	7,20,000
Postage and Telegrams	20,000
Printing & Stationery	30,000
Unexpired discount on bills discounted	5,50,000
Rent and Taxes	2,20,000

Adjustment

- (1) Make a provision for doubtful debt. Rs. 3,00,000. 8

OR

Explain the Functions of Banks. 8

2. Following information is taken from the books of Om Insurance Company Ltd. on 31st March, 2018 about Fire Insurance Business.

Particulars	Rs.
Reserve for unexpired risk (31/03/2018)	5,00,000
Additional Reserve (31/03/2018)	1,00,000
Claims Paid	6,40,000
Estimated Liability on outstanding claims :	
On 31 st March, 2018	65,000
On 31 st March, 2019	90,000
Management Expenses (Including Legal	
Charges of Rs. 30,000 in respect of claims)	2,80,000
Re-Insurance Premium	75,000
Re-Insurance Recoveries	20,000
Premium	11,20,000
Interest and Dividend	64,520
Income tax on the above	6,520
Profit on sale of investment	11,000
Commission	1,52,000

50% of premium is to be reserved for unexpired risk and Additional Reserve is to be maintained at Rs. 1,00,000, one-fourth ($\frac{1}{4}$) portion of the premium and claims relate to Business outside India.

Prepare Revenue Account of Fire Insurance Department for the year ended 31st March, 2018. 8

OR

Explain the types of Insurance. 8

3. The Mukta Company Ltd. went into voluntary liquidation on 31st March, 2018 with the following Assets and Liabilities.

	Rs.
Cash in hand	7,500
Stock which realized	2,96,000
Book debts which realized	4,92,000
Furniture which realized	10,500
Investment (mortgaged with the	
Bank against overdraft)	49,000
Unsecured creditors	5,37,750

Preferential creditors	52,950
Bank overdraft	40,000
6% Debentures (secured by a Floating charge on the assets of undertaking)	4,40,000

Interest on debentures is paid upto 30th Sept., 2018.

The excess amount realised by the bank was remitted to the liquidators. Debenture were paid of together with interest upto the date of winding up. A First and Final dividend was distributed to the creditors. The liquidators remuneration is to be calculated at 3% on the net amount realised (Including cash in hand) and 2% on the amount distributed to the unsecured creditors excluding preferential creditors. The expenses of winding up amounted to Rs. 10,150.

Prepare the liquidators final statement of Account and Working Notes.

8

OR

You are appointed as a liquidator of Ankita Co. Ltd. which took a decision of liquidation on 31st March, 2019, on which date the Financial Position of the company was as follows :

Liabilities	Rs.	Asset	Rs.
<u>Share Capital :</u>		Building	6,00,000
8,000 Equity shares of Rs. 100 each Rs. 80 called up	6,40,000	Machinery	2,00,000
2,000 preference shares of 100 each Rs. 70 called up	1,40,000	Book Debts	6,00,000
Secured Loan from Bank on Mortgage of Building	3,00,000	P&L A/c (Dr.)	2,00,000
Trade creditors	5,20,000		
	16,00,000		16,00,000

The Assets were realised as follows :

Building Rs. 5,00,000 (Sold by Bank)

Machinery Rs. 1,00,000

Book Debts Rs. 5,00,000

Expenses of liquidation amounted to Rs. 8,000. The liquidator is entitled to a remuneration of 5%, on realised value of Assets sold by the liquidator and collection of Book Debts and 2% on the amount paid to Equity Shareholders.

Prepare Liquidator's Final Statement of Account to be presented in the meeting of the shareholders and working note of Remuneration.

8

4. Following is the Balance Sheet of Sushanti' Co. Ltd. as on 31st March, 2019 :

Liabilities	Rs.	Asset	Rs.
<u>Capital :</u>		Goodwill	50,000
50,000 Equity shares of		Land & Building (cost)	2,20,000
Rs. 10 each full paid	5,00,000	Plant & Machinery (cost)	2,00,000
Bank overdrafts	1,16,700	Stock (cost)	3,00,000
Sundry creditors	1,81,000	Book debts – provision	
Provision for Taxation	39,000	for Bad Debts	1,80,000
Profit & Loss A/c (Cr.)	1,13,300		
	9,50,000		9,50,000

The Company commenced operations in the year 2014-15, with an authorised capital of Rs. 25,000 :

The profits earned before providing for taxation were an under :

Year	Profit Rs.
2014-15	1,44,000
2015-16	1,56,000
2016-17	1,86,000
2017-18	2,12,000
2018-19	1,40,000

You may assume income tax at the rate of 50% to be payable on these profits.

The average Dividend paid by the company for the last 5 year is 10% which is taken as reasonable return on the capital invested in the business.

Calculate :

- (i) Average profit
- (ii) Capital value of Profit
- (iii) Capital Employed
- (iv) Goodwill valued.

8

OR

A firms profit during 2016, 2017, 2018 and 2019 were Rs. 32,000, Rs. 40,000, Rs. 48,000 and Rs. 64,000, respectively. The firm has Capital investment of Rs. 2,00,000. A fair rate of return on Investment is 15% p.a. Calculate goodwill by capitalisation of Super Profit Method. Will the amount of goodwill be different if it is computed by Capitalisation of Average Profit ? 8

5. Find out the value of each Equity share of a company from the following information extracted from the books of account on 31st March, 2019 :

Balance Sheet
31st March, 2019

Liabilities	Rs.	Asset	Rs.
Share capital 15,000		Fixed Assets	1,25,000
Equity shares of Rs. 10		Current Assets	1,72,500
each Rs. 8 per share paid	1,20,000	Cash at Bank	32,500
Employees Provident		Cash in Hand	1,000
Fund	47,500	Preliminary Exp.	1,500
Sundry Liabilities Exp.	2,500		
10% Debentures	50,000		
Profit & Loss A/c (Cr.)	32,500		
Creditors	80,000		
	3,32,500		3,32,500

Following additional information is to be considered :

- (i) Value of Fixed Asset is to be taken at Rs. 1,50,000.
- (ii) Value of stock included in Current Assets is to be reduced by Rs. 1,45,000.
- (iii) No interest is given on Debentures for the last 6 months.
- (iv) A provision of Rs. 7,500 is to be made for income tax.
- (v) Contingent liabilities in respect of Bill Discount is expected to be Rs. 3,000.

Calculate Equity Share Valuation of net base method.

8

OR

SLB Ltd. has 50,000 equity shares of Rs. 10 each Rs. 8 paid. The company transferred 10% of profit to General Reserve every year. The expected profit (based on previous year's performance) before tax is Rs. 10,00,000 and the rate of tax is 65%, Normal rate of Dividend is 16% p.a. SLB Ltd. has 7% Pref. share capital of Rs. 4,00,000 divided into share of Rs. 10 each.

Find out the value of share by yield method.

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