



M 7486

Reg. No. : .....

Name : .....

**III Semester B.Com. Degree (CCSS-Reg./Supple./Imp.)**

**Examination, November 2014**

**CORE COURSE IN COMMERCE**

**3B04 COM : Corporate Accounting**

**(2012 Admission Onwards)**

Time : 3 Hours

Max. Weightage : 30

**PART – A**

**Two bunches carrying equal weightage of one. Answer all.**

- I. 1) Loss prior to incorporation is debited in
  - a) Profit and Loss A/c
  - b) Goodwill Account
  - c) Reserve Account
  - d) Miscellaneous Account
- 2) An underwriter entering into agreement with other underwriters is known as
  - a) Open underwriting
  - b) Subunderwriting
  - c) Firm underwriting
  - d) Partial underwriting
- 3) Unexpired discount
  - a) prepaid discount
  - b) outstanding discount
  - c) unearned discount
  - d) rebate on bill discounted
- 4) The intrinsic value of shares means
  - a) total of assets
  - b) assets-liability
  - c) assets/no. of shares
  - d) net assets/no. of shares

**(W = 1)**

P.T.O.



II. Match the following :

- |                                  |   |
|----------------------------------|---|
| 5) Good will                     | a) Capital Reserve                                  |
| 6) Profit prior to incorporation | b) Balance Sheet                                    |
| 7) Claims not acknowledged       | c) Excess of purchase consideration over net assets |
| 8) Securities Premium            | d) Contingent Liability                             |
|                                  | e) Share Capital                                    |
|                                  | f) Net worth.                                       |
- (W = 1)

PART – B

Answer **any eight**. Each carries a weightage of **one**.

9. What is SLR ?
10. What are Contingent Liabilities ?
11. What is purchase consideration ?
12. What is net asset method ?
13. Give journal entry for closing the accounts of liability assumed by the purchasing company.
14. What is underwriting ?
15. What do you mean by un-marked applications ?
16. What are divisible profits ?



- 17. What do you mean by buy back of shares ?
- 18. How will you value goodwill under Average Profit Method ? (W = 8x1=8)

**PART – C**

Answer any six. Each carries a weightage of two.

- 19. Explain the various methods of computing Purchase Consideration.
- 20. State the factors affecting Goodwill.
- 21. What is slip system of posting ? State its advantages and disadvantages.
- 22. Describe the accounting treatment of pre incorporation profit and loss.
- 23. Calculate rebate on bill discounted on 31<sup>st</sup> March 2006.

Date of the bill	Amount	Period	Rate of discount
20-1-06	40,000	5 months	16%
10-2-06	20,000	4 months	18%
15-3-06	30,000	2 months	15%

24. The following is the Balance Sheet of X Ltd. as on the date of its acquisition by Y Ltd.

Liabilities		Assets	
Share Cap.	10,00,000	Goodwill	3,00,000
Reserve Fund	3,00,000	L and Building	5,00,000



Creditors	4,00,000	Machinery	4,00,000
Employees PF	1,00,000	Stock	2,00,000
		Debtors	3,50,000
		Cash	50,000
	<b>18,00,000</b>		<b>18,00,000</b>

On acquisition, goodwill is valued at Rs. 4,50,000, Land and building at Rs. 6,00,000 and Stock at Rs. 1,80,000. All assets and liabilities are taken over. Calculate the amount of Purchase Consideration.

25. Calculate Managerial remuneration in the following situation :

Net profit under Sec. 349 of the Companies Act Rs. 4,65,205.

- There is only one whole time director
- There are two whole time directors
- There are two whole time directors, a part time director and manager.

26. A company issued 50,000 shares of Rs. 100 each. These share were underwritten as follows :

P – 15000 shares and Q – 25,000 shares.

The public applied 35,000 shares. Determine the liability of P, Q and the Company.

(W = 6×2=12)

#### PART – D

Answer **any two**. **Each** carries a weightage of **four**.

27. A and B working in partnership, registered a Joint Stock Company under the name of AB Ltd. on 1<sup>st</sup> Sept. 2006 to take over the existing business with effect from 1<sup>st</sup> April 2006.

#### P and L A/c for the year ended 31-3-2007

Salaries and Wages	5,000	Gross Profit	42,000
Debenture Interest	2,500		
Depreciation	1,000		



Interest on purchases	5,400	
consideration (up to 30-9-06)		
Selling commission	6,000	
Directors fees	400	
Preliminary Exp. Written off	500	
Provision for taxation	2,500	
Dividend on equity		
shares @ 6%	3,000	
Balance c/d	15,700	
	<b>42,000</b>	<b>42,000</b>

Sales for the year totalled Rs. 1,12,500 out of which Rs. 75,000 related to the period from 1<sup>st</sup> Sept. 2006 to 31<sup>st</sup> March 2007.

Prepare a statement apportioning the profits between post and pre incorporation period indicating yours basis of allocation.

28. PQ Ltd. is formed to take over the business of P. Ltd. and Q. Ltd. for Rs. 2,50,000 and Rs. 1,25,000 payable in equity shares of Rs. 10 each. The balance sheets of two companies as on 31<sup>st</sup> March 2006 are as follows.

<b>Liabilities</b>	<b>P. Ltd.</b>	<b>Q. Ltd.</b>	<b>Assets</b>	<b>P. Ltd.</b>	<b>Q. Ltd.</b>
Share Capital	1,87,500	1,50,000	Machinery	56,250	18,750
Reserve	50,000	6,250	Furniture	50,000	25,000
Sundry Crs.	75,000	25,000	Stock	87,500	37,500



Bills payable	12,500	18,750	Sundry Drs.	1,00,000	50,000
			Bills Receivable	18,750	25,000
			Cash at Bank	12,500	43,750
	<b>3,25,000</b>	<b>2,00,000</b>		<b>3,25,000</b>	<b>2,00,000</b>

**Additional information :**

- 1) Sundry debtors of Q. Ltd. include Rs. 10,000 due from P Ltd.
- 2) Bills payable of P. Ltd. include Rs. 8,000 acceptances in favour of Q. Ltd. But bills receivable of Q. Ltd. includes Rs. 4,500 accepted by P. Ltd. Bills discounted by Q. Ltd. but not matured amounts to Rs. 3,500.
- 3) Stock of P. Ltd. includes Rs. 10,000 purchases from Q. Ltd. on which Q. Ltd made 20% profit on sales.

Pass necessary Journal entries in the books of PQ. Ltd. also draft the Balance Sheet of PQ. Ltd.

29. From the following information relating to A. Bank Ltd. prepare profit and loss account for the year ended 31<sup>st</sup> March 2009 along with necessary schedules.

	Rs. ( `000 )
Interest	31,628
Income from investments	11,810
Interest with RBI	4,243
Commission and Brokerage	2,907
Profit on Sale of investments	114
Interest on deposits	31,404
Interest on RBI borrowings	3,362
Payments to and provision for employees	9,717
Rent tax and lighting	955



Printing and stationary	213
Advertisement and Publicity	87
Depreciation on bank's property	292
Directors fees and expenses	7
Auditors fees	41
Law charges	22
Postage and telegrams	312
Repairs	91
Insurance	915
Other expenses	884
Balance of P and L A/c B/F	1524

The following adjustments are to be made :

- 1) Make provision for income-tax at 45%.
- 2) Transfer 25% of profit to statutory reserve and 5% to revenue reserve.
- 3) Dividend of 10% on capital of Rs. 20,00,000 for the year ended 31<sup>st</sup> March 2009 is proposed by the Board of Directors. **(W=2x4=8)**