



III Semester B.B.A. Degree Examination, November/December 2017
(Semester Scheme) (CBCS) (F + R) (2015-16 and Onwards)
BUSINESS ADMINISTRATION
Paper – 3.3 : Corporate Accounting

Time : 3 Hours

Max. Marks : 70

Instruction : Answers should be written in English only.

SECTION – A

Answer **any five** questions. **Each** question carries **two** marks : **(5×2=10)**

1. a) What do you mean by paid up capital ?
b) Give the meaning of vertical balance sheet.
c) Mention any two objectives of financial statements.
d) What is super profit ?
e) How do you calculate average capital employed ?
f) Mention any two factors considered for valuation of shares.
g) What is minority interest ?

SECTION – B

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

2. What do you mean by pre and post acquisition profits ? What are the steps in calculation of pre-acquisition profits and post-acquisition profits ?
3. Sneha and Co. agreed to purchase the business. The profits for the last four years were :
2013 – ₹ 30,000, 2014 – ₹ 50,000, 2015 – ₹ 60,000, 2016 – ₹ 52,000.
The business was supervised by the management and remuneration payable from alternative employment if not engaged in the business comes to ₹ 7,000 p.a. Find out the amount of Goodwill, if it is valued at three years purchase of average profits of last four years.
4. From the following details, calculate the value of each equity share on the basis of yield method. 5000, 9% preference shares of ₹ 100 each – ₹ 5,00,000
1,25,000 equity shares of ₹ 10 each. ₹ 8 paid up – ₹ 10,00,000 expected profit before tax p.a. – ₹ 5,45,000 rate of taxation – 40%.
Transfer to General Reserve – 20% profit after tax normal rate of return – 15%.



5. Calculate the trend percentages from the following figures of a company by assuming 2014 as base year :

	₹ in lakhs		
Year	2014	2015	2016
Net sales	220	190	250
Cost of goods sold	120	110	150
Gross profit	100	80	100
Operating expenses	20	15	22
Net operating income	80	65	78
Non-operating income	20	15	12
Non-operating expenses	100	80	90
Net profit	10	12	15
	90	68	75

6. Under which heading the following items are shown in the Balance Sheet of a company
- Calls in arrears
 - Security premium
 - Advance payment of tax
 - Short term loans and advances
 - Sundry creditors
 - Land and Building ?

SECTION - C

Answer **any three** questions of the following. **Each** question carries **fourteen** marks :

(3×14=42)

7. The following Trial Balance has been extracted from the books of TRISHA Ltd., as on 31-03-2017 :

Debit balance		₹	Credit balance		₹
Opening stock	1,50,000		Equity share capital	5,00,000	
Purchases	3,80,000		Purchase returns	10,000	
Wages	60,000		Sales	11,50,000	
Furniture	25,000		Discount	6,300	
Carriage	2,000		Surplus account	1,70,000	
Salaries	12,000		Sundry creditors	33,700	
Rent	15,000		General Reserve	82,000	
Trade expenses	11,000		Bills payable	13,000	
Sundry debtors	54,000		Provision for doubtful debts	3,000	
Plant and machinery	12,00,000				
Cash at bank	21,500				
Patents	9,000				
Bills receivable	14,000				
Bad debts	6,500				
Discount allowed	8,000				
	19,68,000			19,68,000	

**Additional information :**

- Stock on 31-03-2017 ₹ 2,00,000.
- Depreciate plant and machinery at 12%, furniture at 10% and patents at 20%.
- Further bad debts amounted to ₹ 4,000 and provide 5% on debtors for doubtful debts.
- Provide for income tax at 35% and ignore corporate dividend tax.
- The board of directors recommended a dividend of 25%.

Prepare a statement of profit or loss for the year ended 31-03-2017 and balance Sheet as on that date as per companies Act of 1956.

8. The following are the Balance Sheets of a company for the year ending 31-03-2016 and 31-03-2017 :

Liabilities	₹ 2016	₹ 2017	Assets	₹ 2016	₹ 2017
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Redeemable P.S. capital	1,50,000	1,00,000	Land and building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant and machinery	80,000	2,00,000
P and L a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

You are required to prepare competitive Balance Sheet and interpret the results.

9. Following is the Balance Sheet of a company as on 31-03-2017 :

Liabilities	₹	Assets	₹
Share capital	15,00,000	Land and building	5,00,000
Reserves and surplus	3,75,000	Plant and machinery	4,00,000
Creditors	5,00,000	Furniture	1,00,000
Bills payable	1,25,000	Current assets	12,50,000
		Investments	2,50,000
	25,00,000		25,00,000

The investments are 10% Government bonds. The net profit after taxation for the last four years were ₹ 3,75,000, ₹ 4,50,000, ₹ 4,60,000 and ₹ 4,70,000 respectively.

Normal rate of return on average capital employed is 10%.

Calculate goodwill at 4 years purchase of super profits (based on weighted average profit).



10. Following is the Balance Sheet of a company as on 31-3-2017 :

Liabilities	₹	Assets	₹
Share capital		Land and building	1,40,000
20,000 shares of ₹ 10 each	2,00,000	Plant and machinery	1,40,000
General reserve	1,00,000	Furniture	40,000
Sundry creditors	80,000	Stock	40,000
Bills payable	40,000	Debtors	96,000
Workmen's savings a/c	40,000	Cash at bank	50,000
Surplus a/c	60,000	Preliminary expenses	14,000
	5,20,000		5,20,000

Plant and machinery is valued at ₹ 1,20,000, Land and Building at ₹ 2,60,000. The debtors are considered at ₹ 10,000 as bad. The profits of the company were : 2014-15 – ₹ 1,00,000, 2015-16 – ₹ 1,30,000, 2016-17 ₹ 1,40,000. It is the practice of the company to transfer 20% of profits to the reserve a/c.

Compute the value of shares under :

- Net assets method
- Yield method.

11. H. Ltd., acquired 40,000 shares of ₹ 10 each in 'S' Ltd. on 1st October 2016. The Balance Sheet of 'H' Ltd. and 'S' Ltd. as on 31-3-2017 were as follows :

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital			Good will	50,000	—
(Shares of			Machinery	2,50,000	2,25,000
₹ 10 each	10,00,000	5,00,000	Furniture	10,000	20,000
Reserves	50,000	75,000	Shares in		
Surplus a/c	25,000	22,500	'S' Ltd.	4,40,000	—
9% debentures	—	1,00,000	9% debentures		
Trade payables	2,00,000	1,00,000	in 'S' Ltd.	40,000	—
Bills payable	10,000	5,000	Stock	2,60,000	3,25,000
			Debtors	90,000	1,35,000
			Bills receivable	5,000	7,500
			Cash	1,40,000	90,000
	12,85,000	8,02,500		12,85,000	8,02,500

Additional Information :

- Bills receivable of 'S' Ltd includes bill for ₹ 4000 accepted by 'H' Ltd.
- Trade payables of 'S' Ltd includes ₹ 10,000 due to 'H' Ltd.
- An amount of ₹ 15,000 was transferred by 'S' Ltd from current year profit to reserves.

Prepare consolidated Balance Sheet as on 31-03-2017.