



AAK-010-001405 Seat No. _____

B. B. A. (Sem. IV) (CBCS) Examination

April / May - 2016

405 - Corporate Accounting - II

Faculty Code : 010

Subject Code : 001405

Time : $2\frac{1}{2}$ Hours]

[Total Marks : 70

- Instructions :** (1) Give answer of all the questions in one answer book only.
(2) Show working as a part of your answers.
(3) Figures to the right side indicate full marks of the questions.

1 Multiple Choice Questions (M.C.Qs) : 20

- (1) What is a rate of remuneration for a part time director, where company has one managing director ?
(A) 3% (B) 5%
(C) 1% (D) 15%
- (2) A Company has incurred Loss. Its effective capital less than Rs. 1 crore. Maximum managerial remuneration shall be _____
(A) 2,00,000 (B) 75,000
(C) 2,25,000 (D) 60,000
- (3) When there is one managing director and one whole time director then maximum remuneration is _____.
(A) 8% (B) 1%
(C) 5% (D) 10%
- (4) _____ section of Companies Act 1956, restricts the payment of underwriting commission.
(A) 76 A (B) 76
(C) 78 (D) 78 A

- (5) Underwriting Commission payable is credited to _____
- (A) Under writers Account
 - (B) Share Premium Account
 - (C) Share Capital Account
 - (D) Preliminary Expenses Account
- (6) A Company issued the shares of Rs. 10,00,000 at 12% premium. It can pay maximum underwriting commission.
- (A) 54,000
 - (B) 50,000
 - (C) 56,000
 - (D) 55,000
- (7) After closing the underwriting commission A/c company will transfer closing balance to _____
- (A) Underwriters Account
 - (B) Bank Account
 - (C) Equity Shares Account / Debenture Account
 - (D) Profit and Loss Account
- (8) Comparative statement is called _____
- (A) Ration Analysis
 - (B) Vertical Analysis
 - (C) Horizontal Analysis
 - (D) None of the above
- (9) From the following which is not the characteristic of the financial statement?
- (A) Two Statements
 - (B) Single Purpose
 - (C) Multi Purpose
 - (D) All of the above

- (10) In the calculation of current ratio which of the following item is not included?
- (A) Proposed Dividend
 - (B) Pre-paid Expenses
 - (C) Provision for Taxation
 - (D) None of the above.
- (11) Super Profit = _____
- (A) Average profit – Weighted Average Profit
 - (B) Capital Employed – Average Profit
 - (C) Capital Employed – Expected Profit
 - (D) Average Profit – Expected Profit
- (12) Interest on Non-trading investments must be deducted from _____
- (A) Average Profit
 - (B) Super Profit
 - (C) Capital Employed
 - (D) None of the above
- (13) How many methods are there to evaluate goodwill?
- (A) One
 - (B) Two
 - (C) Three
 - (D) Five
- (14) How many methods are there for valuation of shares?
- (A) Four
 - (B) One
 - (C) Two
 - (D) Five
- (15) What is the object of Social Responsibility of Accounting?
- (A) Betterment of Society
 - (B) Betterment of Investors
 - (C) Betterment of Customers
 - (D) All of the above

- (16) Which is the method used in Inflation Accounting ?
- (A) Replacement Reserve Method
 - (B) Current Cost Accounting
 - (C) Partial Change Method
 - (D) All of the above
- (17) "HRA is Human Resource Identification and Measuring Process and also its communication to the Interested Parties" This definition is given by _____
- (A) American Accounting Association
 - (B) ICAI
 - (C) D. Crowther
 - (D) American Board of Studies
- (18) In CPP method of inflation accounting the conversion Factor is computed on the basis of _____
- (A) Historical Cost
 - (B) Price Index
 - (C) Current Cost
 - (D) None of the above.
- (19) For which method of inflation accounting this formula is used
- $$= \text{Historical Cost of Assets} \times \text{Conversion Factor}$$
- (A) CPP
 - (B) CCA
 - (C) Both (A) and (B)
 - (D) None
- (20) Which of the following is the method of financial statements analysis?
- (A) Cash Flow Analysis
 - (B) Fund Flow Analysis
 - (C) Both (A) and (B)
 - (D) None

- 2** From the following information prepare balance sheet **10**
as given below:

Total Debt to net worth 1.4

Total Assets Turnover 3

Inventory Turnover 9

Average Collection Period

(360 days in a year) 20 days

Current Ration 3.3

Quick Ration 1.3

Total Debt Rs. 3,50,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Owner's Fund	----	Plant	----
Long Term Debt	----	Inventory	----
Current Liabilities	----	Receivables	----
		Cash	----

OR

- 2 The information given below is taken from financial records of two companies : 10

Particulars	A Co. Ltd	B Co. Ltd
Total Sales (Out of which 20% are cash sales)	3,20,000	3,20,000
Cost of goods sold	2,24,000	2,08,000
Net Profit (After 50% Income Tax)	16,000	25,600
Equity Share Capital	1,00,000	80,000
Retained Earnings	24,800	66,200
15% Debentures	80,000	66,500
Creditors	35,000	50,000
B.O.P.	9,000	20,000
Fixed Assets	1,60,000	1,55,000
Stock	32,000	80,000
Debtors	40,000	36,000
Cash	16,000	10,000
Preliminary Expenses	800	1,200

From above information calculate the following Ratio for the companies :

- (1) Current Ratio.
- (2) Debtors Ratio (360 days to be taken for the year).
- (3) Operating Ratio.
- (4) Rate of Return on Shareholder's Fund.
- (5) Rate of Return on Total Capital Employed.

- 3** Moon Ltd. Issued 60,000 shares which were underwritten as follows : **10**

X = 30,000 shares

Y = 20,000 shares

Z = 10,000 shares

The underwriters made applications for firm underwriting as follows :

X = 5,000 shares

Y = 3,000 shares

Z = 3,000 shares

The total subscription of 40,000 shares excluding firm underwriting but including market applications for 30,000 shares marked application received were as under.

X = 12,000 shares

Y = 10,000 shares

Z = 8,000 shares

Determine the liabilities of individual underwriters :

- (a) Credit for firm underwriting is not given to underwriters.
- (b) Credit for firm underwriting is given to underwriters.

OR

- 3** Raj Limited issued 60,000 equity shares each of Rs. 10 for public subscription at a price of Rs. 9 per shares. **10**

The Issue was underwritten by Ram and Rahim as follows :

Ram : 30,000 shares

Rahim : 20,000 shares

The company received application for 56,000 shares of which marked application were Ram- 24,000 and Rahim – 16,000 underwriters are to be paid 5% commission

Calculate net Liability of underwriters. Also show distribution of commission amongst them.

4 The following is the balance sheet of Maya ltd. As on 10
31/03/2015 :

Liabilities	Amount	Assets	Amount
Capital		Goodwill	1,25,000
2,00,000 equity		Patents	22,500
shares of Rs. 10 per		Land & Buildings	13,50,000
each fully paid up		Other Fixed Assets	16,50,000
7,500 10% Preference	20,00,000	Plant and Machinery	1,87,500
Shares of Rs. 100		Investments	
each fully paid up	7,50,000	Shares in	
General Reserve	3,75,000	Subsidiary	75,000
Profit & Loss account	1,50,000	10% debentures of	
12% Debentures	6,25,000	Sun Ltd. At face	
Bills Payable	1,00,000	Value (Interest	
Provident Fund	25,000	is taxable)	2,25,000
Creditors	1,50,000	Debtors	2,62,500
		Stock	2,00,000
		Prepaid expenses	5,000
		Cash and Bank	72,500
	41,75,000		41,75,000

Additional Information :

- (1) The Market value of land & Buildings and other Fixed Assets are 17,22,500 and 17,50,000 Respectively.
- (2) The Patents are now useless.
- (3) The Company's Average profit before tax is 9,00,000. Tax rate is 50%.
- (4) The expected rate of return in this type of Business is 10%.

Calculate the Value of Goodwill of the company on the Basis of three years purchase super profit.

OR

4 The following is the balance sheet of Mahi Ltd. As on 31-03-2015 10

Liabilities	Amount	Assets	Amount
Equity Capital	4,00,000	Goodwill	30,400
40,000 Equity shares of Rs. 10 each		Land & Buildings	5,40,000
Preference Share Capital 40,000		Less	
10% preference shares		Depreciation	20,000
of Rs. 10 each	4,00,000	Plant & Machinery	5,00,000
General Reserve		Less	
and surplus	1,28,000	Depreciation	20,000
Profit and Loss Account	32,000	Furniture	25,600
15% Debentures	1,60,000	Less	
Creditors	32,000	Depreciation	1,600
Bills Payable	14,000	Investments;	
Provident Fund	40,000	10% Investments	
		against P.F.	40,000
		12% Debentures	
		of Sun Ltd. (face	
		value Rs. 48,000	
		and Interest	
		is taxable)	45,600
		Stock	32,000
		Debtors	24,000
		Less	
		B.D.R.	1,600
		Cash & Bank	11,600
	12,06,000		12,06,000

Additional Information :

- (1) The present value of Land and Building is Rs. 5,69,600
- (2) The Company's Average annual profit (before deduction tax at 50%) is Rs. 2,24,000.
- (3) The Expected Rate of return on capital employed is 10%.
- (4) The value of Goodwill of the Company has been ascertained at 60,800.

From the above information find out the fair value of Equity shares of the company.

- 5 The Sunshine Ltd. Manager's monthly salary is Rs. 16,000 10 and he is entitled to earn an extra salary and 2% commission on net profit. Before calculating its commission. The profit and loss account for the year ended 31-03-2015 is as follow :

Particulars	Amount	Particulars	Amount
General Expenses	5,04,000	Gross Profit	54,16,000
Depreciation	4,00,000		
B.D.R.	40,000		
Salary to Manager	1,92,000		
Salary to Staff	13,36,000		
Commission to Manager (Drawing on Current Account)	40,000		
Provision for Tax	68,000		
Net Profit	22,24,000		

Calculation of Provision for B.D.R. is as follow :

Closing Balance	60,000
Add: Bad debts during the year	<u>20,000</u>
	80,000
Less : Opening Balance	<u>40,000</u>
	40,000

The amount of depreciation is debited on profit and loss account is the same amount necessary for calculation of Managerial remuneration. Manager cannot be given salary + commission more than 5% of net profit. Calculate the remuneration to be paid or the amount paid in excess of remuneration.

OR

- 5 From the following information of Riya ltd. Calculate the managerial remuneration. **10**

Particulars	Amount	Particulars	Amount
General Expenses	19,500	Gross Profit	14,40,000
Depreciation	1,80,000	Profit on Sale	
B.D.R.	6,000	of Building	1,50,000
Salary to Staff	3,90,000	Subsidy from Govt.	30,000
Bad Debts	3,000		
Selling and distribution Expenses	39,000		
Repairs	45,000		
Provision for Tax	1,50,000		
Proposed Dividend	30,000		
Balanced C/d	7,57,500		
	<u>16,20,000</u>		<u>16,20,000</u>

Other information :

- (1) Staff salary includes Rs. 30,000 for ex-gratis paid.
- (2) Repair includes capital expenses of Rs. 30,000.
- (3) Profit on sale of building includes Revenue profit of Rs. 75,000 and capital profit of Rs. 75,000.

6 Write notes on the following : (any **two**) **10**

- (1) CPP method of Inflation Accounting.
 - (2) Historical Accounting Vs Inflation Accounting
 - (3) Human Resource Accounting
 - (4) Importance of Financial Statement Analysis.
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