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III Semester B.B.A. Degree Examination, March/April - 2023

**BUSINESS ADMINISTRATION**

**Corporate Accounting**

*(CBCS Semester Scheme Repeaters 2018)*

**Paper : 3.3**

**Time : 3 Hours**

**Maximum Marks : 70**

**Instructions to Candidates:**

Answer should be written in English only.

**SECTION-A**

Answer any **Five** sub-questions. Each sub-question carries **2** marks.

**(5×2=10)**

1. a) What are current assets?
- b) Write any two objectives of financial statements.
- c) Define goodwill.
- d) Mention any four factors to be considered while valuing the shares.
- e) What is a subsidiary company?
- f) What is trend analysis?
- g) Write the meaning of dividend.

**SECTION - B**

Answer any **Three** questions. Each question carries **6** marks.

**(3×6=18)**

2. What are the factors to be considered while determining the goodwill?

**[P.T.O.]**





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3. Prepare a comparative income statement from the following particulars of Swadeshi company limited and interpret the results.

Rs. in lakhs

Particulars	2020-21	2021-22
Cost of goods sold	600	750
<u>Operating expenses :</u>		
Administration	20	20
Selling expenses	30	40
Net profit	150	190
<b>Total</b>	<u>800</u>	<u>1,000</u>
Net sales	800	1,000
<b>Total</b>	800	1000

4. The Net profit of a business after providing for taxation for the past five years are : Rs. 80,000, Rs. 92,000, Rs.85,000. Rs. 1,05,000. and Rs. 1,18,000.

The capital employed in the business is Rs. 8,00,000. The normal rate of return expected in this type of business is 10%.

It is expected that the company will be able to maintain its super - profit for the next 5 years.

Calculate the value of goodwill on the basis of :

- a) 5 years purchase of super profit method.
- b) Capitalisation of super -profit method.



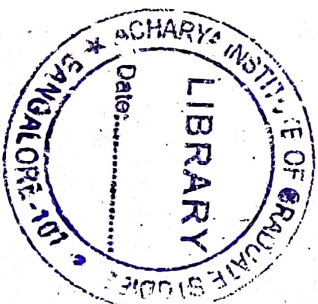
5. Calculate minority interest from the following :

XYZ Ltd., acquired 56,000 shares of Rs. 10 each in ABC Ltd. on 1-10-2021. The following balances are extracted from the balance sheet of ABC Ltd. as on 31-3-2022.

- i. Share capital 70,000 shares of Rs. 10 each.
- ii. General reserve (on 01.04.2021) Rs. 1,40,000.
- iii. P/L Account (on 01.04.2021) Rs. 2,24,000.
- iv. Profit during the year 2021-22 Rs. 1,20,000.

6. Under which heading and sub - headings will the following items appear in the balance sheet of a company.

- a) Capital reserve.
- b) Goodwill.
- c) Sundry debtors.
- d) Plant and machinery.
- e) Sundry creditors.
- f) Provision for taxation.



## SECTION - C

Answer any **Three** questions of the following. Each question carries **14** marks.

(3×14=42)

7. Premier company Ltd., had an authorised capital of Rs. 6,00,000 in equity shares of Rs. 10/- each.

The following is the list of balances extracted from the books on 31-3-2022.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Furniture	7,200	
Calls - in - arrears	7,500	
Plant and machinery	3,00,000	
Premises	3,30,000	
Interim dividend (including corporate dividend tax)	37,250	
Stock (01-04-2021)	75,000	
Debtors	87,000	
Goodwill	25,000	
Cash in hand	750	
Cash at bank	60,900	
Purchases	1,85,000	
Wages	84,865	
Preliminary expenses	5,000	
General expenses	6,835	
Advertising	10,000	
Freight charges (outwards)	13,115	
Salaries	14,500	
Directors fees	5,725	
Bad debts	2,110	
Debenture interest paid	9,000	
Subscribed capital		4,00,000
6% debentures		3,00,000
Profit and Loss Account		14,250
Bills payable		38,000
Creditors		50,000
Sales		4,15,000
General reserve		25,000
Bad debts reserve (1-4-2021)		3,500
Loan		21,000
	<b>12,66,750</b>	<b>12,66,750</b>

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**Adjustments :**

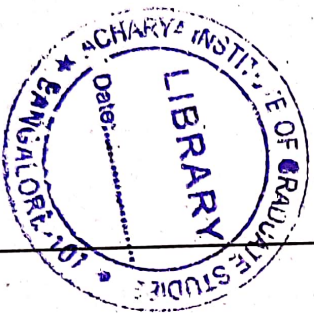
- i. Depreciate plant and machinery by 5%, Building 2% and furniture by Rs. 1,200.
- ii. Write off Rs. 1,000 from preliminary expenses.
- iii. Provide half year's debenture interest.
- iv. Reserve for doubtful debts on 31-3-2022, should be equal to 1% on sales.
- v. Outstanding directors fee Rs. 275.
- vi. Goods value of Rs. 1,500 were distributed as free samples during the year, but was not recorded till 31-3-2022.
- vii. Closing stock Rs. 95,000.

You are required to prepare financial statements as per the companies Act, 2022.

8. From the following balance sheet of Sumethra industries Ltd., compute the trend percentages using 2012-13 as base and comment on the result

Rs. in lakhs

Particulars	2012-13	2013-14	2014-15
Share capital	2,00,000	2,50,000	3,00,000
Reserves	1,00,000	1,50,000	1,50,000
Loan	2,00,000	1,00,000	50,000
Creditors	3,00,000	4,00,000	2,00,000
Buildings	2,00,000	2,50,000	3,00,000
Plant	2,00,000	2,50,000	1,00,000
Stock	2,50,000	2,50,000	1,50,000
Debtors	1,00,000	1,00,000	1,00,000
Cash at bank	50,000	50,000	50,000



P.T.O.



9. The profits disclosed by Chaira Ltd., for the past 5 years were as follows :

2017-18	-	Rs. 40,000 (including abnormal profit Rs. 5,000).
2018-19	-	Rs. 50,000 (after charging abnormal loss Rs. 10,000).
2019-20	-	Rs. 45,000 (excluding Rs. 5,000 insurance premium).
2020-21	-	Rs. 60,000
2021-22	-	Rs. 80,000 (including profit on sale of building Rs. 20,000).

You are required to calculate the value of goodwill at 2 years purchase of average profits under simple average profit method.

10. Following are the particulars of XYZ Ltd.,

Particulars	Rs.
Equity shares of Rs. 10 each	4,00,000
5% debentures	1,00,000
Current liabilities	1,30,000
Fixed assets	5,50,000
Current assets	2,00,000
Goodwill	50,000

- The profits for the last 3 years were Rs. 51,600, Rs. 52,000 and Rs. 51,650 respectively.
- 20% is transferred to reserve.
- Normal rate of return is 10%

Compute the value of shares under :

- Net assets method
- Yield method



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11. 'H' Ltd., acquired 80,000 shares of Rs. 10 each in 'S' Ltd., as on 01-10-2021. The summarized balance sheet of 'H' Ltd. and 'S' Ltd. as on

31-3-2022 were as follows :

Liabilities	H. Ltd.,	S. Ltd.,	Assets	
	(Rs.)	(Rs.)	H. Ltd.,	S. Ltd.
			(Rs.)	(Rs.)
<u>Share capital :</u>				
Shares of Rs. 10 each	20,00,000	10,00,000	Machinery	6,00,000
Reserves	1,00,000	1,50,000	Furniture	20,000
Profit and Loss A/c	50,000	45,000	<u>Investments :</u>	
9% Debentures	-	2,00,000	Shares in 'S' Ltd	8,80,000
Creditors	4,00,000	2,00,000	9% Debentures in 'S' Ltd	80,000
Bills payable	20,000	10,000	Stock	5,20,000
			Debtors	1,80,000
			Bills Receivable	10,000
			Cash	-2,80,000
<b>Total</b>	<b>25,70,000</b>	<b>16,05,000</b>	<b>Total</b>	<b>25,70,000</b>
				<b>16,05,000</b>

**Additional Information :**

- i. Bills Receivable of 'S' Ltd., includes Bills worth Rs. 8000 accepted by 'H' Ltd.
- ii. Creditors of 'S' Ltd., includes Rs. 20,000 due to 'H' Ltd.
- iii. An amount of Rs. 30,000 was transferred by 'S' Ltd., from the current year's profits to Reserves.

You are required to prepare the consolidated balance sheet as on 31-03-2022.

