



**DD-010-001405**

Seat No. \_\_\_\_\_

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

**April / May - 2015**

**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** Choose the right option : **20**

- (1) As per Companies Act, profit is calculated in accordance with Section \_\_\_\_\_  
(A) 349 (B) 350  
(C) 348 (D) 351
- (2) When company's capital is between 5 crore to 25 crore at that time monthly remuneration shall not exceed  
(A) 75,000 (B) 1,00,000  
(C) 1,25,000 (D) 1,50,000
- (3) In case of profit, maximum managerial remuneration shall not exceed  
(A) 5% (B) 1%  
(C) 11% (D) 15%

- (4) Which Section is required to follow for calculation of depreciation of the time of computing managerial remuneration?
- (A) 349 (B) 350  
(C) 98 (D) 348
- (5) Underwriting Commissions is calculated on the basis of \_\_\_\_\_
- (A) Face value (B) Issue price  
(C) Either (A) or (B) (D) Neither (A) nor (B)
- (6) To find out unmarked application, which of the following formula is used ?
- (A) Marked application + firm application  
(B) Marked application – firm application  
(C) Total application + marked application  
(D) Total application – marked application
- (7) If three underwrites X, Y and Z have underwritten for entire amount of shares of 5,00,000 in the proportion of 2:2:1, then state the liability of Z.
- (A) 1,50,000 shares (B) 1,00,000 shares  
(C) 2,00,000 shares (D) 1,20,000 shares
- (8) When issue of shares is underwritten by one underwriter, it is called :
- (A) Firm underwriting (B) Full underwriting  
(C) Sole underwriting (D) None of the above

- (9) What is the main object of the user of financial statements to know about the firm ?
- (A) Profitability                      (B) Liquidity
- (C) Solvency                          (D) All of the above
- (10) In common-sized balance sheet, \_\_\_\_\_ is taken as 100 and all items are presented as % of \_\_\_\_\_
- (A) Fixed Assets, Total Assets
- (B) Total Assets, Total Assets
- (C) Total Assets, Fixed Assets
- (D) Fixed Assets, Current Assets
- (11) Net Profit ratio is 25%, Net profit is Rs. 5,00,000. Therefore Operating expenses shall be:
- (A) 10,00,000                      (B) 20,00,000
- (C) 15,00,000                      (D) 12,50,000
- (12) 'Return on capital employed, Return on assets' and 'Return on shareholders' equity ratios belongs to \_\_\_\_\_
- (A) Liquidity Ratios                (B) Rs. Profitability Ratios
- (C) Solvency Ratios                (D) None of these
- (13) While calculating goodwill, Pref. Dividend must be deducted from:
- (A) Goodwill                          (B) Super Profit
- (C) Average Profit                  (D) Capital Employed

(14) If the profit is constantly increasing, which method should be used to find out the average profit?

- (A) Simple average method
- (B) Expected profit method
- (C) Super profit method
- (D) Weighted average method

(15) Calculate from the following information, the fair value of equity shares of Rs. 100 each, on which Rs. 80 is paid up :

- (1) Paid-up Equity Capital                      Rs. 80,00,000
- (2) Net Assets (M.V.)                              Rs. 9,60,000
- (3) Average annual Profit after tax        Rs. 1,28,000
- (4) ERR    10%

- (A) Rs. 130                                      (B) Rs. 124
- (C) Rs. 112                                      (D) Rs. 128

(16) Find out the market value of a share from the following details :

- (1) 10,000 ordinary shares of Rs. 10 each on which paid up Rs. 80,000.
- (2) Annual average profit Rs. 16,000.
- (3) Provision for tax Rs. 2,000.
- (4) Expected Rate of return 12% .

- (A) Rs. 11.67                                      (B) Rs. 15
- (C) Rs. 12.67                                      (D) Rs. 10.67

- (17) CPP method means \_\_\_\_\_
- (A) Current Power of Position Method.
  - (B) Current Power of Price Method.
  - (C) Current Purchasing Price Method
  - (D) Current Pruchasing Power Method
- (18) What is the object of Social Responsibility of Accounting ?
- (A) Betterment of Society
  - (B) Betterment of Customers
  - (C) Betterment of Investors
  - (D) All of the above
- (19) Disclosure of the value of the human resources in the financial statements is made as a \_\_\_\_\_
- (A) Supplementary information
  - (B) Part of financial statements
  - (C) Statutory obligation
  - (D) None of these
- (20) The first attempt to value human beings in monetary terms was made by \_\_\_\_\_
- (A) Lav and Schwartz
  - (B) William Pyle
  - (C) Shultz
  - (D) William Petty

- 2 Vijay Limited issued 10,000 shares of Rs. 10 each. These shares **10**

were underwritten as follows:

Ajay : 6,000 shares, Amar : 2,500 shares, Anil : 1,500 shares.

In addition to the above underwriting there was a firm underwriting as follows :

Ajay : 800 shares, Amar : 300 shares, Anil : 1,000 shares

Total subscriptions received by the company (including firm underwriting and marked applications) were 7,500 shares.

The marked applications (excluding firm underwriting) were as follows :

Ajay : 1,000 shares, Amar : 2,000 shares, Anil : 500 shares

You are required to determine the liability of underwriters if underwriters were given credit for firm underwriting.

**OR**

- 2 Ashok Ltd. issued 90,000 shares each of Rs. 10. Following three **10**

underwriters have taken responsibility as under :

Param : 45,000 shares, Pavan : 30,000 shares, Pravina : 15,000 shares.

They have also agreed for firm underwriting for following shares :

Param : 7,500 shares, Pavan : 4,500 shares, Pravina : 4,500 shares.

The company received applications for 60,000 shares which does not include firm underwriting. Out of these, marked applications were as under for 45,000 shares.

Param : 18,000 shares, Pavan : 15,000 shares, Pravina : 12,000 shares.

Determine the liability of each underwriter if no credit is given for firm underwriting.

3 Profit & Loss A/c. of Shilpa Ltd. from the year ended 31-3-'11 10

is as follows :

Dr.		Profit & Loss A/c.		Cr.	
Particulars	Amt. Rs.	Particulars	Amt. Rs.		
Salary & Bonus to Staff	1,30,000	Gross Profit	4,80,000		
Selling & Distri. exp.	13,000	Profit on sale of build	50,000		
General Expenses	6,500	Subsidy from govt.	10,000		
Depreciation (according to Section 350)	60,000				
Bad debts	1,000				
Bad debts Reserve	2,000				
Repairs	15,000				
Provision for tax	50,000				
Dividend proposed	10,000				
Balance c/d	2,52,500				
	<b>5,40,000</b>		<b>5,40,000</b>		

**Other Information:**

- (1) Repairs includes capital expenses of Rs. 10,000.
- (2) Profit on sale of building includes Revenue Profit of Rs. 25,000 and Capital Profit of Rs. 25,000.
- (3) Staff salary includes Rs. 10,000 for ex-gratia paid.

Calculate profit for managerial remuneration.

**OR**

- 3 The manager of Arav Ltd. is entitled to get a monthly salary of **10**  
Rs. 5,000 and a commission of 2% on net profit after calculating his  
commission. P & L A/c for the year ended 31-3-2012 is as follows :

**P & L A/c**

<b>Dr.</b>		<b>Cr.</b>	
<b>Particulars</b>	<b>Amt. Rs.</b>	<b>Particulars</b>	<b>Amt. Rs.</b>
Salary & Bonus	3,85,000	Gross Profit	18,00,000
General Expenses	1,48,000	Govt. Subsidy	1,20,000
Depreciation	1,64,000	Profit on Sale of	
Scientific Research Exp. (Instruments purchased)	28,000	Fixed Assets	2,00,000
Salary of Manager	60,000	(C.P. 5,00,000)	
Manager's Commission	12,000	Written down	
Paid in advance		Value Rs. 3,60,000)	
Bad debts Reserve	35,000		
Provision for Tax	4,80,000		
Proposed dividend	2,00,000		
Balance C/d	6,08,000		
	<b>21,20,000</b>		<b>21,20,000</b>

Depreciation allowable as per Companies Act is Rs. 1,62,000.

Calculate the maximum remuneration to manager account to Section 387.



- 4 Prepare a Balance Sheet from the particulars furnished hereunder : **10**

Stock velocity	:	6
Gross Profit Margin	:	20%
Capital to Turnover Ratio	:	2
Fixed Assets to Sale Ratio	:	4
Debt Collection Period	:	2 months
Creditors Payment Period	:	73 days

Gross Profit was Rs. 60,000; Excess of closing stock over opening stock was Rs. 5,000. Difference in Balance Sheet represents Bank Balance. The entire sales and purchases are made on credit basis.

**OR**

- 4 A company supplies the following information : **10**

**Balance Sheet**

<b>Capital &amp; Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share capital	2,00,000	Goodwill	1,20,000
Reserves & surplus	58,000	Plant & machinery	1,50,000
Debentures	1,00,000	Stock	80,000
Creditors	40,000	Debtors	45,000
Bills payable	20,000	Cash	17,000
Other current liabilities	2,000	Misc. current assets	8,000
	<b>4,20,000</b>		<b>4,20,000</b>

Sales (credit) for the year = Rs. 4,00,000

Gross profit = Rs. 1,60,000



5 The following is the Balance Sheet of Riya Ltd. as on 31-3-2011: 10

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
10% Preference		Goodwill	1,50,000
Share Capital	6,00,000	Fixed assets	18,75,000
Equity shares of Rs. 10		Investments	3,00,000
Each fully paid up	15,00,000	Current Assets	18,00,000
Reserves and Surplus	9,00,000	Preliminary expenses	75,000
Current Liabilities	12,00,000		
	<b>42,00,000</b>		<b>42,00,000</b>

Additional Information is as under :

- (1) The rate of normal expected return in this type of business is considered 15%.
- (2) The average profit of the company (after tax at 50%) for the last three years amount Rs. 6,45,000.
- (3) For the purpose of valuation of shares, Goodwill of the business of the company is to be valued at 4 years purchase of its super profits.
- (4) At present fixed assets are worth 20% above their book-value.
- (5) Of the investment, 60% is non- trading and the balance is trading. All trade investments are to be valued at 25% above their book value. A uniform rate of dividend is earned at 15% p.a. on both the types of investments which is taxable.

From the above particulars ascertain the Fair Value of the Equity.

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

**10**

- (1) Limitations of social responsibility accounting.
  - (2) Various methods of inflation accounting.
  - (3) Advantages and disadvantages of HRA.
  - (4) Any two methods of HRA.
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