



NAZ-010-001405 Seat No. _____

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

March / April - 2017

405 - Corporate Accounting - II

Faculty Code : 010

Subject Code : 001405

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

[Total Marks : 70

- Instructions :** (1) Give answer of the entire question 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 Following information are available for the year ended on 31-12-2015 14

Equity share capital	10,00,000
10% pref. share capital	5,00,000
10% debentures	1,50,000
10% long term loan	1,00,000
Retained earnings	2,50,000
Current assets	7,50,000
Fixed assets	17,50,000
Fictitious assets	50,000
Opening stock	1,85,000
Closing stock	1,50,000
Net profit (after tax deductions at 60%)	2,50,000

Additional information :

- (1) Credit sales is 1.5 times of cash sale
- (2) Debtors and bills receivable are 1/3 portion of current assets.
- (3) Stock turnover ratio is 10 times
- (4) Gross profit ratio is 33%

From the above information calculate following ratio :

- (1) Net profit ratio
- (2) Operating ratio
- (3) Debtors ratio (consider 360 days)
- (4) Ownership ratio
- (5) Gearing ratio
- (6) Rate of return on capital employed
- (7) Rate of return on shareholders' fund
- (8) Rate of return on equity capital

OR

- 1 The information given below is taken from financial records of two companies 14

Particulars	X Co. Ltd.	Y Co. Ltd.
Total Sales (Out of which 20% are cash sales)	6,40,000	6,40,000
Cost of goods sold	4,48,000	4,16,000
Net Profit (After 50% Income Tax)	32,000	51,200
Equity Share Capital	2,00,000	16,000
Retained Earnings	49,600	1,32,400
15% Debentures	1,60,000	1,33,000
Creditors	70,000	1,00,000
B.O.P.	18,000	40,000
Fixed Assets	3,20,000	3,10,000
Stock	64,000	1,60,000
Debtors	80,000	72,000
Cash	32,000	20,000
Preliminary Expenses	16,00	2,400

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.

- 2** MOHIT Ltd. Issued 50,000 equity shares of Rs. 10 at Rs. 15 per share for public subscription. The whole Issue was underwritten by X Y and Z in the ratio of 2 : 1 : 1 the underwriters applied for firm underwriting as follows : **14**
- Riya = 1,500 shares
Mira = 1,000 shares
Tiya = 2,000 shares
- The company received applications for 45,000 equity shares (excluding firm underwriting) of which marked applications were as follows :
- Riya = 20,000 shares
Mira = 10,500 shares
Tiya = 14,000 shares
- Underwriters are to be paid commission @ 3% of issued price
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

- 2** DAX Limited issued 30,00,000 equity shares of Rs. 10 each @ 20% premium. Whole issue is underwritten as under : **14**
- | | |
|---------|---------|
| A : 40% | B : 30% |
| C : 20% | D : 10% |
- Total applications received by the company are for 24,00,000 shares out of which marked applications are
A : 5,40,000 B : 4,50,000 C : 3,00,000 D : 3,60,000
- Rate of underwriting commission is 5% on issue of shares.
You have to find out
- (a) Liability of each underwriter and
 - (b) The underwriting commission payable to each of them.

3 The following is the balance sheet of SUNSHINE Ltd. as **14**
on 31-3-2016

Liabilities	Amount	Assets	Amount
<u>Capital 60000</u> equity		Land & Buildings	1,95,000
shares of Rs. 10		Furniture	15,000
per each fully paid up	6,00,000		
1,500 10% Preference Shares			
of Rs. 100 each fully			
paid up	1,50,000		
General Reserve	2,25,000		
Profit & Loss a/c		<u>Investments</u>	
2014-15 1,20,000		5% Gov. securities	
2015-16 6,45,000	<u>7,65,000</u>	(face value Rs. 6,00,000	
		and interest is tax free)	5,70,000
Creditors	52,500	Debtors	3,45,000
Depreciation fund:		Stock	6,75,000
Building 30,000		Bills receivable	15,000
Investment 52,500	82,500	Preliminary exp.	7,500
		Cash and Bank	52,500
	18,75,000		18,75,000

Additional Information :

- (1) The building is now worth Rs. 337500
- (2) Companies doing similar business show a profit earning capacity of 20% on market value of their shares.
- (3) The profits for the past 3 years have shown an increase of Rs. 45000 annually.
- (4) The profit for 2014-15 shown above is before tax, assume tax 50%
- (5) For computation of average profit, weights to be used are 1, 2, and 3 respectively.

Calculate the Value of Goodwill of the company at 3 years purchase of its super profit.

OR

3 The following is the balance sheet of VIHAR Ltd. as on **14**
31-03-2015 :

Liabilities	Amount	Assets	Amount
Equity Capital	4,00,000	Goodwill	1,36,000
40,000 Equity shares of Rs. 10 each			
Equity share capital of Rs. each	2,00,000	Fixed assets	1,68,000
General Reserve and surplus	1,20,000	Cash	22,000
Current liabilities	1,50,000	Stock	2,40,000
Liabilities for expenses	10,000	Stock	32,000
		Debtors	2,90,000
		Preli. exp.	20,000
	8,80,000		8,80,000

Additional Information :

- (1) The fixed assets have been valued 25% higher than its book value.
- (2) The Company's Average annual profit after tax was 120000
- (3) The Expected Rate of return on capital employed is 10%.
- (4) The value of Goodwill is to be calculated by average of book value and valuation made at 3 years `purchase of super profit.
- (5) Debtors are considered good except Rs. 6000. Liabilities for expenses are no longer required and acclaim for bonus of Rs. 20000 is likely to be paid.

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

4 The Sunflowers Ltd. Manager's monthly salary is Rs. 16,000 **14**
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	6,80,000		
Net Profit	22,24,000		
	54,16,000		54,16,000

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

4 From the following information of MAHI Ltd. Calculate the 14 managerial remuneration.

Particulars	Amount	Particulars	Amount
Salaries to staff	1,25,000	Gross Profit	8,75,000
Office expenses	50,000	Profit on Sale of Building	50,000
Repair to P and M	10,000	Grant from government	38,000
Director's fees	12,500		
Bad Debts	5,000		
NAZ-010-001405]	6		[Contd...

Depreciation	25,000		
Donation to charitable trust	15,000		
Managing director's salary	37,500		
Interest on bank loan	18,000		
Income tax	40,000		
Net profit	6,25,000		
	9,63,000		9,63,000

Other information :

- (1) The cost of building sold was Rs. 1,25,000, on which the depreciation written off was Rs. 35,000.
- (2) The managing director is paid salary Rs. 3,125 p.m.
- (3) Depreciation chargeable as per Company Act provision comes to Rs. 20,000.

5 Write notes on the following : (any two)

14

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