MBC-161100010407 Seat No. ______

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

March / April - 2018

Advanced Corporate Accounting

(New Course)

Time : $2\frac{1}{2}$ Hours] [Total Marks : **70**

Instructions : (1) All questions are compulsory.
(2) All questions carry equal marks.

1 The following is the statement of profit and loss Account of MADHAV Ltd. For the year ended 3 1st March, 2017. **14**

	Rs.	Rs.
Gross Profit		5,00,000
Other Income		
Profit on the sale of Building		
(Cost of building Rs. 1,50,000		
and Total depreciation Rs. 50,000)		80,000
Dividend (Tax deducted Rs. 9,000)		30,000
Share premium received		40,000
		6,50,000
Less:		
Salary and Bonus	2,00,000	
Administration and Selling exp.	53,750	
Debenture Interest	12,500	
Donation on recognised institution	5,000	
Loss on sale of investments	10,000	
Depreciation	60,000	
Directors' fees	5,000	
Repairs and Maintenance	25,000	
Loss on sale of furniture		
(Depreciation Rs. 20,000)	11,250	
Bad debt reserve	15,000	
Scientific Research expenses	20,000	
(Equipment purchases)		
Provision of tax	1,00,000	
Written - off debenture expenses	7,500	5,25,000
Net Profit		**1,25,000**

Additional Information :

(1) Bad debts written off against the bad reserve is Rs. 5,000

(2) The amount of the salary and bonus includes Rs. 12,500 as previous year balance and Rs. 7,500 as amount paid to an employee for Ex-gratia compensation.

(3) As per Section 350 of the Companies Act, allowable depreciation is Rs. 57,500

(4) Repairs and Maintenance expenses include Rs. 10,000 for building construction.

From the above information calculate the commission payable to the managing director at 5% on Net Profit, after charging such commission.

OR

1 The manager of KALPESH and SATISH Ltd. Is entitled to get a salary of Rs. 1,250 per month plus 1% commission on the net profit of the company after such salary and commission. 'After considering the following particulars, the company earned the net profit of Rs. 1,52,000 for the year ending 31st march, 2017 : **14**

(1) Subsidy from government Rs. 30,000.

(2) Profit on sale of assets Rs. 50,000 (cost price Rs. 1,25,000 and written-down value Rs. 90,000)

(3) Salaries and bonus value Rs. 96,250.

(4) General expenses Rs. 37,000.

(5) Expenditure on scientific research Rs. 7,000 (cost of an apparatus.)

(6) Depreciation Rs. 41,000

(7) Manager's salary Rs. 15,000.

(8) Commission to manager Rs. 3,000) on account)

(9) Bad debts reserve Rs. 8,750.

(10) Provision for income-tax Rs. 1,20,000.

(11) Proposed dividend Rs. 50,000.

Depreciation under companies act Rs. 40,500.

Calculate :

(a) maximum remuneration payable to a manager as per companies act, and

(b) amount of remuneration payable to manager as per the condition.

2 AMIDHARA Limited issued 10,000 shares of Rs. 10 each. These shares were underwritten as follows : **14**

RAJAL: 6,000 shares,

PUSHPA: 2,500 shares,

SHILPA: 1,500 shares.

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

RAJAL: 800 shares,

PUSHPA: 300 shares,

SHILPA: 1,000 shares

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

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

RAJAL: 1,000 shares,

PUSHPA: 2,000 shares,

SHILPA: 500 shares

You are required to determine the liability of underwriters.

(a) If underwriters were not given any credit for firm underwriting.

(b) If underwriters were given credit for firm underwriting.

OR

2 Murlidhar Ltd. resolved to issue 1,60,000 equity shares of Rs 100 each at 20% premium, out of which 50 % shares were taken up by Directors and the remaining shares were issued to the public. The entire issue was underwritten as follows : **14**

A - 40,000 shares (Firm underwriting 8,000 shares)

B - 24,000 shares (Firm underwriting 4,000 shares)

C - 16.,000 shares (Firm underwriting 4,000 shares)

Applications were received for 72,000 shares in which the marked applications including firm underwriting were as follows :

A- 28,000 shares

B- 11,200 shares

C- 12,,800 shares

Determine the liability of all the underwriters of the benefit of the firm underwriting is to be given to the individual underwriters and also calculate the commission of each underwriter as per companies act.

3 From the following statement of financial position of NAVGHAN Ltd. as at 31st March, 2017, compute following Ratios for the year. 14

The Balance sheets of NAVGHAN Ltd. as on 31-3-2017.

Liabilities	Rs.	Asset's	Rs.
Share capital :			
Eq. share capital		Fixed Assets	60,00,000
30,000 eq. shares		Closing stock	5,00,000
of Rs. 100 each		Debtors	8,00,000
fully paid up	30,00,000	Bills receivables	50,000
10% Pref share		Cash and bank	2,80,000
capital 20,000		Fictitious assets	70,000
shares of Rs. 100			
each fully paid up	20,00,000		
General Reserve	10,00,000		
Profit and Loss A/c	6,00,000		
10% Debentures	5,00,000		
Bank OD	80,000		
Creditors	4,20,000		
Other liabilities	1,00,000		
	77,00,000		**77,00,000**

Additional information :

Sales .... Rs. 60,00,000

Purchases .... Rs. 35,00,000

Average stock .... Rs. 3,20,000

Sales, administrative and financial expenses -Rs. 6,00,000. Assume tax rate at 50%. 360 days to be taken for the year.

(1) Gross Profit Ratio

(2) Rate of Return on eq. shareholder's funds

(3) Current Ratio

(4) Debtors- Ratio

(5) Stock Turnover Ratio

(6) Operating Ratio

(7) Net Profit Ratio

OR

3 From the following data calculate: **14**

(1) Current ratio

(2) Liquid ratio

(3) Stock turnover ratio

(4) Operating ratio

(5) Rate of return on capital employed.

Balance Sheets as on 31-3-2017

Liabilities	Rs.	Assets		Rs.
Equity share capital		Land and Buildings		12,80,000
(Rs. 10 shares)	20,00,000	Plant and Machinery		1,60,000
Profit and Loss A/c	7,36,000	Cash		3,20,000
Creditors	2,08,000	Debtors	7,20,000	
Bills Payable	4,00,000	- BDR	80,000	6,40,000
Other Current liab.	40,000	Stock		9,60,000
		Prepaid insurance		24,000
	33,84,000			**33,84,000**

Income statement of the year ending 31-3-2017

	Rs.		Rs.
Sales Less : Cost of goods sold	80,00,000 61,60,000	Balance at the Beginning of the year (1-4-16)	
 Less: Operating expenses	18,40,000 13,60,000	Debtors	6,00,000
Net Profit Less: Income Tax 50%	4,80,000 2,40,000	Stock	8,00,000
Net profit after tax	2,40,000		

4 The following is the balance sheet of KIRAN Limited as on 31-3-2017: **14**

Liabilities	**Rs.**	**Assets**		**Rs.**
Equity share of Rs. 100 each fully paid up	8,00,000	Goodwill		50,000
3,000 10% preference shares of Rs. 100 each	3,00,000	Land and building	6,00,000	
General reserve	1,50,000	Less: depre.	60,000	5,40,000
Profit and loss a/c	60,000	Plant and Machinery	7,60,000	
15% debenture	2,50,000	Less: dep.	100,000	6,60,000
Creditor	70,000	Other fixed asset	1,00,000	
Bank overdraft	30,000	Less: depre.	25,000	75,000
Bills payable	10,000	Investment : Shares of subsidiary Company	30,000	
		15% debenture of Trilok ltd.	90,000	
		(Face value Rs. 85,000 interest is taxable)		1,20,000
		Stock		80,000
		Debtors	1,10,000	
		Less: B. D. res.	5,000	1,05,000
		Cash		31,000
		Preliminary expenses		9,000
	16,70,000			**16,70,000**

Additional information :

(1) The present market value of land and building is of Rs. 5,69,600

(2) The company's average annual profit (before including tax at 50%) is Rs. 3,60,000.

(3) The expected rate of return on capital employed in this type of business is considered to be 10%

(4) The value of goodwill of the company has been ascertained at Rs. 1,20,000.

From the above particulars, ascertain the fair value of equity shares of the company.

OR

4 The balance sheet of Vavaniya Ltd. As on 31-3-09 is as under : **14**

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity shares of Rs. 100 each fully paid	2,00,000	Goodwill	1,25,000
Equity shares of Rs. 10 each, Rs. 6 paid-up per share	1 50,000	Building	1 87,500
12% pref. share capital	1,50,000	Plant and Machinery	4,00,000
General reserve	75,000	**Investment :**	
Profit and loss a/c	1,25,000	(1) 10% govt. security (face value Rs. 75,000)	72,000
11% debentures	1 ,75,000	(2) Shares of subsidiary company	70,000
Creditors	1,00,000	Debtors 90,000 –bad debts res. 4,500	85,500
Bills payable	25,000	Stock	62,500
Workmen accident Compensation fund	25,000	Bills receivabie	11,500
		Cash and bank	7,500
		Debenture discount	3,500
	10,25,000		**10,25,000**

Other information :

(1) The market value of building is Rs. 3,00,000 and the market value of plant and machinery is 20% less than its book value.

(2) It is decided to reduce the value of stock by Rs. 12,500.

(3) The expected rate of return on capital employed is 12%.

(4) The average annual profit of the company after 50% tax for the last three years is Rs. 97,500.

Calculate the value of goodwill of the company on the basis of three years purchase of its super profits.

5 Write a note on : (any **two**) **14**

(1) Discuss EVA and EPS.

(2) Explain steps for Implementing EVA.

(3) What do you understand by net operating profit after Tax ?

(4) Importance of EVA.