



RAK-010-001405

Seat No. _____

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

March / April - 2019

Corporate Accounting - 2 : Paper - 405

(Old Course)

Faculty Code : 010

Subject Code : 001405

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

[Total Marks : 70

- Instructions :** (1) Show all the working notes as a part of the answer.
(2) Figures to the right indicate full marks of the question.

- 1 The manager of Gauri Ltd. is entitled to salary of 14 Rs. 6,000 p.m. and commission at the rate of 3% of the net profit of the company before charging such salary and commission. The Profit and Loss Account for the year ended on 31st March, 2019 is as under :

Particulars	Rs.	Particulars	Rs.
To General Expenses	1,08,000	By Gross Profit	12,74,000
To Salaries and Bonus	4,00,000	By Subsidy from the Government	30,600
To ex-gratia payment to employees	10,000	By Profit on sales of Building	17,400
To Scientific Research (New Laboratory set-up)	1,60,000		
To Selling and Distribution Expenses	68,000		

RAK-010-001405]

1

[Contd...

To Debenture Interest	32,000	
To Director's Fees	6,400	
To Loss on sales of Machinery	2,000	
To Provision for Depreciation	13,600	
To Development Rebate Reserve	2,000	
To Commission to Manager (on account)	20,000	
To Income-tax	2,00,000	
To Net Profit	3,00,000	
	13,22,000	13,22,000

Additional Information :

- (1) Depreciation allowable according to Companies Act is Rs. 13,200.
- (2) Cost of Building sold during the year was Rs. 56,000, while its written down value was Rs. 42,000.
- (3) Cost of Machinery sold was Rs. 40,000, while its depreciated value was Rs. 20,000.
- (4) Amount of salary and bonus includes the salary of Rs. 72,000 paid to the manager.

From the above information, find out the commission payable to the manager.

OR

- 1 From the following details of Raj Ltd., calculate the managerial remuneration payable to the managing director of the company at the rate of 5% of the profit. Also determine the excess remuneration paid if any :

Net profit for the year ended on 31st March, 2019 is Rs. 8,00,000 after considering the following :

- (1) Depreciation Rs. 1,60,000
- (2) Preliminary expenses Rs. 40,000

- (3) Provision for taxes Rs. 12,40,000
- (4) Directors fees Rs. 32,000.
- (5) Bonus Rs. 60,000
- (6) Profit on sales of fixed assets Rs. 62,000 (original cost Rs. 80,000 and written down value Rs. 44,000).
- (7) Bad debts reserve Rs. 36,000.
- (8) Scientific research expenditure for setting up new machinery Rs. 80,000.
- (9) Remuneration of managing director paid Rs. 1,20,000.

Other Information :

- (1) Depreciation allowable as per the Companies Act is Rs. 1,40,000.
- (2) Bonus liability as per Payment of Bonus Act is Rs. 72,000.

2 Rollins Ltd. issued 1,80,000 equity shares each of Rs. 10. Following underwriters have underwritten the whole issue : **14**

A = 90,000 shares, B = 60,000 shares, C = 30,000 shares.

They have also agreed for firm underwriting for following shares :

A = 15000 shares, B = 9,000 shares, C = 9,000 shares

The company received applications for 1,20,000 shares excluding firm underwriting. Out of these, marked applications were as under:

A = 36,000 shares, B = 30,000 shares, C = 24,000 shares

You are required :

- (1) to determine the liability of each underwriter assuming that no credit is given for firm underwriting.
- (2) to find out underwriting commission at the rate of 5%.
- (3) to pass necessary journal entries in the books of Rollins Ltd.

OR

- 2 Roman Ltd. has issued 2,00,000 equity shares of Rs. 10 each at 50% premium. The whole issue was fully underwritten by three underwriters as under. 14

X = 40%, Y = 40%, Z = 20%

Total applications including firm underwriting and marked applications were received for 1,80,000 shares.

Underwriters	Firm Underwriting	Marked Applications
X	10,000 shares	50,000 shares
Y	5,000 shares	40,000 shares
Z	5,000 shares	30,000 shares

5% Commission is payable to underwriters. No credit is given for firm underwriting.

Prepare a statement showing the liabilities of underwriters and pass journal entries in the books of the company.

- 3 (a) From the following information of Styles Ltd., prepare a statement showing trend percentage (Consider 2015-16 as the base year). 7

Particulars	2015-16 Rs.	2016-17 Rs.	2017-18 Rs.	2018-19 Rs.
Sales	2,00,000	1,90,000	2,40,000	2,60,000
Less : Cost of goods sold	1,20,000	1,17,800	1,39,200	1,45,600
Gross Profit	80,000	72,200	1,00,800	1,14,400
Less : Office and selling expenses	20,000	19,400	22,000	24,000
Net Profit	60,000	52,800	78,800	90,400

- (b) What do you mean by Financial Statements ? Explain the objectives and limitations of Financial Statements. 7

OR

3 The Balance Sheets of Samragini Ltd. are as under.

14

Liabilities	31-3-2018	31-3-2019	Assets	31-3-2018	31-3-2019
	Rs.	Rs.		Rs.	Rs.
Equity Share			Fixed Assets	9,00,000	10,40,000
Capital	4,00,000	5,00,000	Stock	1,20,000	1,60,000
10% Preference			Debtors	1,40,000	1,30,000
Share Capital	2,00,000	2,00,000	Cash/Bank	40,000	30,000
Reserves	2,40,000	3,20,000	Preliminary		
10% Debentures	2,00,000	2,00,000	Exp.	40,000	20,000
Bank Overdraft	1,20,000	70,000			
Creditors	80,000	90,000			
	12,40,000	13,80,000		12,40,000	13,80,000

Additional Information :

Particulars	2017-18	2018-19
	Rs.	Rs.
Total sales(cash sales is 3/5 of credit sales)	16,00,000	24,00,000
Cost of goods sold	12,00,000	16,80,000
Administrative, Selling and Distribution Expenses	1,60,000	2,40,000
Net Profit before Interest and Tax	2,40,000	4,80,000

Stock as on 1-4-2017 was Rs. 80,000 and rate of taxation is 50%.

From the above information, calculate the following ratios for both the years and give your brief opinion.

- (1) Net Profit Ratio
- (2) Return on Capital Employed
- (3) Current Ratio
- (4) Debtors Ratio
- (5) Stock Turnover Ratio
- (6) Capital Gearing Ratio
- (7) Total Assets Turnover Ratio

4 The Balance Sheet of Crazy Ltd. as on 31-3-2019 is 14
as under.

Liabilities	Rs.	Assets	Rs.
3,000 Equity shares of Rs. 100 each fully paid	3,00,000	Goodwill	28,000
1,600, 10% preference share of Rs. 100 each fully paid	1,60,000	Fixed Assets	5,40,000
General Reserve	2,08,000	10% Provident Fund	
Profit and Loss A/c.	50,000	Investments	1,20,000
8% Debentures	1,00,000	10% Gov. Securities (face value Rs. 80,000 and interest is taxable)	72,000
Creditors	40,000	Other Current Assets	2,00,000
Provident Fund	1,20,000	Preliminary Expenses	36,000
Workers' Profit Sharing Fund	10,000	Debenture Discount	12,000
Provision for Taxes	20,000		
	10,08,000		10,08,000

Additional Information :

- (1) The present market value of fixed assets is Rs. 3,70,000 and remaining assets are to be valued at their book values.
- (2) The expected rate of return is 10%.
- (3) The profit of the company before 50% taxes for the last four years are Rs. 1,52,800, Rs. 1,48,000, Rs. 1,41,200 and Rs. 1,66,000 respectively.

Calculate the value of goodwill at four year's purchase of super profit.

OR

4 The Balance Sheet of Kalasur Ltd. as on 31-3-2019 is 14
as under :

Liabilities	Rs.	Assets	Rs.
9,000 Equity shares of Rs. 100 each	9,00,000	Building	7,50,000
10% Preference Shares capital	3,00,000	Furniture	4,50,000
General Reserve	90,000	Investments	90,000
Creditors	2,10,000	Debtors	1,50,000
Bills Payable	30,000	Cash and Bank	90,000
	15,30,000		15,30,000

Additional Information :

- (1) Market price of Building is 30% more and that of Furniture is 20% more.
- (2) Market price of investments is Rs.1,05,000.
- (3) Provision for bad debts is to be made on Debtors at the rate of 10%.
- (4) Expected rate of return is 12%.
- (5) The average profit before distribution of dividend is Rs. 2,22,000.
- (6) Goodwill is valued at Rs. 1,26,000.

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

5 Answer the following : (any two) **14**

- (1) CPP method and CCA method of Inflation Accounting.
- (2) Advantages and Limitations of Human Resource Accounting.
- (3) Meaning and Scope of Social Responsibility Accounting.