



DAC-161100010407 Seat No. _____

B. B. A. (Sem. IV) (CBCS) (W.E.F. 2016) Examination

April - 2022

Advanced Corporate Accounting

(Old Course)

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

[Total Marks : 70

Instructions : (1) All the questions carry equal marks.

(2) Attempt any five questions.

1 The following is the Profit and Loss Account of 14
Umang Ltd. for the year ending on 31-3-2021 :

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Salary and Bonus	4,00,000	Gross Profit	10,00,000
Office and Selling Expenses	1,07,500	Profit on sales of Building (Cost price Rs. 3,00,000, Total Depreciation Rs. 1,00,000 and Selling price Rs. 3,60,000)	1,60,000
Debenture Interest	25,000	Dividend (Tax Deducted at Source Rs. 18,000)	60,000
Donation to recognized institution	10,000	Share Premium received	80,000
Loss on sales of Investments	20,000		
Depreciation	1,20,000		
Director fees	10,000		
Repairs and Maintenance	50,000		
Loss on sales of Furniture (Depreciated value Rs. 40,000)	22,500		

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Bad Debts Reserve	30,000	
Scientific Research Expenses (Equipments purchased)	40,000	
Provision for Taxes	2,00,000	
Debenture issue expenses written off	15,000	
Net Profit	2,50,000	
	13,00,000	13,00,000

Additional information :

- (1) Bad Debts written off against Bad Debts Reserve is Rs. 10,000.
- (2) The amount of salary and bonus includes Rs. 25,000 as previous year's balance and Rs. 15,000 as amount paid to an employee for ex-gratia compensation.
- (3) As per Sec. 350 of the Companies Act, allowable depreciation is Rs. 1,15,000.
- (4) Repairs and Maintenance expenses include Rs. 20,000 for Building construction.

From the above information, calculate the commission payable to the Managing Director after charging 5% commission on the net profit.

- 2** Shivay Ltd. has employed a manager and three whole-time directors. It pays 5% commission to the manager and 2% to each of the whole-time directors. The commission payable to the manager is calculated on the profit left after charging his commission and commissions of whole-time directors are calculated on the profit left after charging their commission and the commission payable to the manager. The Profit and Loss Account for the year ending on 31-3-2021 is given below :

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Office expenses	2,20,000	Gross Profit	6,80,000
Selling and Distribution expenses	60,000	Profit on sales of Plant and Machineries	80,000
Provision for Depreciation	1,00,000		
Managerial Remuneration	30,000		
Income-tax	1,50,000		
Net Profit	2,00,000		
	7,60,000		7,60,000

Additional Information :

- (1) Selling and Distribution expenses include the cost of new showroom of Rs. 40,000.
- (2) Provision for Depreciation includes development rebate of Rs. 20,000.
- (3) The original cost of plant sold was Rs. 3,00,000 and it was sold for Rs. 3,20,000.

Calculate net profit for managerial remuneration and also commission payable to the manager and to the whole-time directors.

3 Mahadev Ltd. issued 40,000 shares of Rs. 100 each. **14**

The whole issue was fully underwritten by X, Y and Z as under :

X = 24,000 shares, Y = 10,000 shares, Z = 6,000 shares

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

X = 3,200 shares, Y = 1,200 shares, Z = 4,000 shares

Company received applications for 30,000 shares including marked applications and firm underwriting applications.

Marked applications were as under :

X = 4,000 shares, Y = 8,000 shares, Z = 2,000 shares

Determine the liabilities of underwriters :

- (a) If credit for firm underwriting is not given to underwriters.
- (b) If credit for firm underwriting is given to underwriters.

4 Shambhu Ltd. issued 1,80,000 shares of Rs. 10 each. 14

Following three underwriters have underwritten the whole issue.

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

They have also agreed for firm underwriting for following shares :

A = 15,000 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

- (1) Determine the liability of each underwriter assuming that no credit is given for firm underwriting.
- (2) Give journal entries in the books of Shambhu Ltd.
- (3) 5% commission is payable to the underwriters.

5 On the basis of the following Balance Sheets of Shankar Ltd. prepare Common Size Balance Sheets : 14

Liabilities	31-3-19	31-3-20	Assets	31-3-19	31-3-20
	Amt. (Rs.)	Amt. (Rs.)		Amt. (Rs.)	Amt. (Rs.)
Equity Share			Land and		
Capital	19,20,000	30,00,000	Building	14,40,000	29,40,000
General			Furniture	12,00,000	12,60,000
Reserve	12,00,000	12,00,000	Cash and		
Provision for			Bank	4,80,000	3,00,000
Taxes	2,40,000	6,60,000	Debtors	7,20,000	6,00,000
Bills Payable	3,84,000	5,40,000	Stock	9,60,000	9,00,000
Creditors	10,56,000	6,00,000			
	48,00,000	60,00,000		48,00,000	60,00,000

6 The following is the Balance Sheet of Bholanath Ltd. as 14
on 31-3-2021 :

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Equity Share Capital	2,00,000	Fixed Assets	4,00,000
Reserves and Surplus	1,38,000	Debtors	22,000
10% Debentures	2,00,000	Stock	1,00,000
Creditors	32,000	Bills Receivable	8,000
Bills Payable	12,000	Cash and Bank	52,000
	5,82,000		5,82,000

Additional Information :

- (1) Sales Rs. 4,00,000.
- (2) Net Profit after 50% tax Rs. 80,000.

From the above information, calculate the following ratios :

- (1) Net Profit ratio
- (2) Return on Capital Employed
- (3) Current ratio
- (4) Proprietary ratio
- (5) Debtors ratio (360 days)

7 The Balance Sheet of Shiv Ltd. as on 31-3-2021 is as 14
under :

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
6,000 Equity shares of Rs. 100 each fully paid	6,00,000	Goodwill	56,000
3,200, 10% Preference shares of Rs. 100 each fully paid	3,20,000	Fixed Assets	10,80,000
General Reserve	4,16,000	10% Provident Fund	
Profit and Loss A/c	1,00,000	Investments	2,40,000
8% Debentures	2,00,000	10% Gov. Securities (Face value	
Creditors	80,000	Rs. 1,60,000 and	
Provident Fund	2,40,000	interest is taxable)	1,44,000
Workers' Profit Sharing Fund	20,000	Other Current Assets	4,00,000
Provision for Taxes	40,000	Preliminary Expenses	72,000
		Debenture Discount	24,000
	20,16,000		20,16,000

Additional Information :

- (1) The present market value of fixed assets is Rs. 7,40,000 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. 3,05,600, Rs. 2,96,000, Rs. 2,82,400 and Rs. 3,32,000 respectively.

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

- 8 The Balance Sheet of Mahakal Ltd. as on 31-3-2021 is as 14 under :

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
18,000 Equity shares of Rs. 100 each	18,00,000	Building	15,00,000
10% Preference Share Capital	6,00,000	Furniture	9,00,000
General Reserve	1,80,000	Investments	1,80,000
Creditors	4,20,000	Debtors	3,00,000
Bills Payable	60,000	Cash and Bank	1,80,000
	30,60,000		30,60,000

Additional Information :

- (1) Market price of Building is 30% more and that of Furniture is 20% more.
- (2) Market price of Investments is Rs. 2,10,000.
- (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. 4,44,000.
- (6) Goodwill is valued at Rs. 2,52,000.

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

9 Explain the concept of Economic Value Added (EVA). 14
Also discuss importance of EVA.

10 From the following income statement of Decker Ltd. 14
calculate EVA for the year 2020-21 :

Particulars	Amt. (Rs.)
Sales	50,00,000
Less : Operating cost	30,00,000
Less : Interest cost.....	1,20,000
Earnings before taxes.....	18,80,000
Less : Taxes @ 40%	7,52,000
Earnings after taxes	11,28,000

The existing capital structure of the company consists of equity capital worth Rs. 15,00,000 having 15% cost of equity and 12% Debentures worth Rs. 10,00,000.
