



DL-010-001405

Seat No. _____

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

March - 2022

Corporate Accounting - II

(Old Course)

Faculty Code : 010

Subject Code : 001405

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

[Total Marks : 70

- Instructions :** (1) All questions in this paper are compulsory.
(2) Figures on right hand side show marks of the question.
(3) Each question carries 14 marks.

- 1 For Gujarat ltd., calculate managerial remuneration for 14
part time director and manager from the following
information. Profit as per profit and loss account is
Rs. 23,10,000.

Particulars.....	Rs.
Capital expenses.....	5,25,000
Subsidy.....	4,20,000
Depreciation.....	70,000
Multiple shift allowance.....	1,05,000
Bonus to foreign technician.....	3,15,000
Provision for taxation.....	28,00,000
Accident compensation to injured employee	70,000
Ex-gratia payment.....	35,000
Loss on sale of fixed assets.....	70,000
Profit on sale of investments.....	2,10,000

OR

- 1 Saurashtra ltd. has earned profit of Rs. 1,97,940 during 14
the year ending 31-3-2017. Following additional information
has been received from the profit and loss account.

Particulars.....	Rs.
Provision for taxation.....	3,01,300
Remuneration to managing director	38,720
W/o. preliminary expenses	10,000
Loss on sale of investments.....	20,000

Depreciation (allowed up to Rs. 90,000) 96,600
 Provision for bad debt reserve 6,000
 Ex gratia payment to employees 4,000
 Capital profit from sale of building 10,000
 If managing director is entitled for the commission of 5% on profit then find out his outstanding amount regarding remuneration.

- 2 A company issued 1,00,000 equity shares of Rs. 10 each at 10% premium. The whole issue was underwritten by X, Y and Z in the ratio of 5:3:2. The company received 80,000 total applications of which 50% are marked applications which are in the ratio of their gross liabilities. Assuming that company has agreed to pay maximum commission as per law on issue price, pass necessary journal entries in the books of company. 14

OR

- 2 Girnar Ltd. issued 5,00,000 equity shares of Rs. 10 each at premium. The issue was fully underwritten as under : 14
 A 3,00,000 shares B 2,00,000 shares
 The net liability of both underwriters to purchase shares is in the ratio of 10:27 whereas company received total applications including marked applications were 4,63,000 shares. Total underwriting commission on issue price at a rate of 5% for both underwriters is Rs. 3,12,500. Pass necessary journal entries in the books of the company.

- 3 Write short notes on any two of the following : 14
 (1) Importance of Financial Statement analysis
 (2) limitations of Financial Statements
 (3) Discuss advantages of Common Size Financial Statements
 (4) Methods of Financial Statement analysis

OR

- 3 The Trading and P & L Account and Balance sheet of a company for the year 2016-17 is as follows: 14

Trading and P & L Account

Particulars	Amt. Rs.	Particulars	Amt. Rs.
To opening stock	5,000	By sales	62,500
To purchases	37,500	By closing stock	10,000
To admin. exp.	7,500		
To selling exp.	5,000		
To distribution exp.	2,500		
To net profit (?)	15,000		
	72,500		72,500

Balance sheet

Liabilities	Amt. Rs.	Assets	Amt. Rs.
Equity share capital	1,00,000	Land and Building	50,000
General reserve	12,500	Plant	57,500
P & L Account	10,000	Stock	10,000
Creditors	5,000	Debtors	7,500
Bills payable	3,750	Cash balance	5,000
Outstanding exp.	1,250	Bills	2,500
Bank overdraft	7,500	Preliminary exp.	7,500
	1,40,000		1,40,000

Calculate :

- (1) Current Ratio
- (2) Stock Ratio
- (3) Gross profit Ratio
- (4) Debtors Ratio [360 days]
- (5) Rate of return on Capital Employed
- (6) Liquid Ratio
- (7) Proprietary Ratio

4 The following is the Balance-Sheet of Rajkot Manufacturing Co. Ltd.as on 31-3-2017

14

Liabilities	Rs.	Assets	Rs.
<u>Share Capital :</u>		Goodwill	11,200
Equity Shares of Rs. 10 each, fully paid up	1,60,000	Building	1,48,000
10% Preference shares of Rs. 10 each,, fully paid up	40,000	Less : Depreciation	<u>32,000</u>
Reserves and Surplus	48,000	Machinery	1,48,000
15% Debentures of Rs. 100 each	80,000	Less : Depreciation	<u>28,000</u>
Creditors	32,000	Furniture	12,000
Bills Payable	12,000	Less : Depreciation	<u>2,000</u>
Provision for Taxation	12,000	<u>Investments :</u>	
Worker's Profit Sharing Fund	6,000	Shares in Subsidiary Co.	10,000
Provident Fund	10,000	10% Investments Face Value Rs. 30,000	
		interest is tax free)	<u>24,000</u>
		Debtors	48,400
		Less : Bad Debts Reserve	<u>2,000</u>
		Bills Receivable	20,000
		Stock	32,800
		Cash and Bank Balance	8,000
		Prepaid Expenses	800
		Discount on Debentures	800
	4,00,000		4,00,000

You are required to compute the value of the Goodwill of the company, at four years' purchase of its profits, taking into account, the following particulars :

- (1) The present market value of the building and machinery is ascertained at Rs. 1,80,000 and Rs. 1,04,000 respectively and the remaining assets are to be taken at their book values.
- (2) The market price of the shares of the company, doing similar business and giving dividend at 20%, is twice its paid up value.
- (3) The profit of the company before providing for tax at 50% for the last four years are as under:
Profit (Rs.) 70,400, 76,800, 73,600 and 80,000

OR

- 4 Ascertain the intrinsic value of Equity Shares of Saurashtra Co. Ltd. from the information provided below : 14

Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	50,000
1,00,000 10% Preference shares of Rs. 10 each	10,00,000	Land & Buildings (market value Rs. 14,00,000)	13,50,000
1,00,000 Equity Shares of Rs. 10 each	10,00,000	Plant and machinery	12,50,000
Reserve	4,00,000	Furniture	10,000
10% Debentures	4,00,000	<u>Investments :</u>	
<u>Depreciation Fund :</u>		Shares in Sub. Co. 1,50,000	
Land-Building 50,000		10% debentures in other Co. 40,000	1,90,000
Plant-Machinery 50,000	1,00,000	Debtors	60,000
Current Liabilities	95,000	Stock	80,000
		Cash & Bank balance	5,000
	29,95,000		29,95,000

Goodwill of the company is to be taken at three times the super profits. The company's average annual profit (after deducting tax @ 50%) are Rs. 2,73,000. Expected rate of return on equity employed is 10%.

- 5 Write a note on any **two** from the following : 14
- (a) Objectives of Social Accounting
 - (b) Limitations of Human Resources Accounting
 - (c) Methods of presentation of Social Responsibility Accounting
 - (d) Historical Accounting v/s Inflation Accounting