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**Presidency University**

**Bengaluru**

 **SCHOOL OF COMMERCE**

**Make-Up Examinations, July 2024**

**Semester**: II

**Course Code**: COM2008

**Course Name**: CORPORATE ACCOUNTING

**Program:** BCOM

**Date**: 04-07-2024

**Time**: 09.30am to 12.30pm

**Max Marks**: 100

**Weightage**: 50%

 **Instructions:**

1. *Read the all questions carefully and answer accordingly.*
2. *Question paper consists of three parts.*
3. *Scientific and Non Programable Calculators are Permitted.*
4. *Do not write any information on the question paper other than roll number.*

**Part A**

**Answer any FIVE Questions. (5 Q x 2 M = 10 M)**

1. Explain the different methods of valuation of shares. (C.O.No.4) [Knowledge]

2. Identify any one difference between equity share and preference share. (C.O.No.1) [Knowledge]

3. Explain the meaning of Statutory Company. (C.O.No.1) [Knowledge]

4. Explain the difference between issued capital and subscribed capital. (C.O.No.1) [Knowledge]

5. Explain the meaning of "Money Received against Share Warrants." (C.O.No.5) [Knowledge]

6. State the meaning of "Finance Cost" in the context of a company's expenses. (C.O.No.5) [Knowledge]

7. Outline the Net Assets Method and explain how it is used to value shares. (C.O.No.4) [Knowledge]

**Part B**

**Answer any FIVE Questions. (5 Q x 10 M = 50 M)**

8. List the merits and demerits of equity shares, highlighting their advantages and disadvantages in corporate financing and investment decisions. (C.O.No.1) [Comprehension]

9. Explain the Process of Valuation of shares under Intrinsic value method and Yield Value Method. (C.O.No.4) [Comprehension]

10. From the following details calculate the value of each equity share on yield basis .
5000 9% Preference shares of Rs.100 each                5,00,000
1,25,000 equity Shares of Rs.10 each                        10,00,000
Expected Profits per year before tax                            5,45,000
Rate of Taxation                                                                     40%
Transfer to reserve                                                                 20%
Normal rate of return                                                                15%.
Depreciation                                                                             20%. (C.O.No.4) [Comprehension]

XYZ Ltd., was incorporated on July 1, 2023, to take over the business of ABC & CO., as a going concern from 1, April 2023 was as follows:
Profit and Loss account of XYZ Ltd., for the year ended 31 March 2024.

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs** |
| To Office Expenses | 15000 | By Trading account (Gross Profit) | 565000 |
| To Carriage | 12350 |   |   |
| To Bank Charges | 6500 |   |   |
| To Preliminary Expenses | 5400 |   |   |
| To Bad debts | 3000 |   |   |
| To Interest on Loan | 10500 |   |   |
| To Rent and Taxes | 25000 |   |   |
| To Insurance | 8300 |   |   |
| To Electricity Charges | 4580 |   |   |
| To Salaries | 132000 |   |   |
| To Director‟s fees | 50000 |   |   |
| To Auditors‟ fees | 30000 |   |   |
| To Commission | 7980 |   |   |
| To Advertisement | 13400 |   |   |
| To Discount | 6700 |   |   |
| To Net Profit | 234290 |   |   |
| **Total** | 565000 | **Total** | 565000 |

The total turnover for the year ending March 31, 2024, was Rs.5,00,000 divided into Rs 200,000 for the period up to July 1, 2023, and Rs. 300,000 for the remaining period.
You are required to prepare a statement apportioning properly the net profit of the company as between a) profits available for distribution; b) profits prior to incorporation.

 (C.O.No.3) [Comprehension]

12. ABC limited company with a capital of Rs.4,00,000 divided into equity share
of Rs.10 each, places its entire issue in the market. The whole issue has been
underwritten as follows: A-120,000 B-140,000 C-40,000, D-60,000 E-8,000 F-32,000.
The application received on the forms marked by the underwriters are A-100,000
B-94,000 C-26,000, D-4,000 E-8,000 F-28,000.
80,000 equity shares were received as unmarked applications calculate the
liability of each underwriter. Also calculate the commission (@5%) payable to each underwriter. (C.O.No.3) [Comprehension]

13. XYZ Limited issued 4,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share,
payable at Rs. 3 on application, Rs. 5 on allotment (including premium) and the balance in two
calls of equal amount. Applications were received for 5,00,000 shares and pro-rata allotment was
made to all the applicants. The excess application money was adjusted towards allotment. Mr X
who was allotted 500 shares failed to pay both the calls and his shares were forfeited after the
second call. Record necessary journal entries in the books of XYZ Limited.

 (C.O.No.1) [Comprehension]

14. Draft the Specimen of Balance Sheet as per Companies act of 2013. (C.O.No.1) [Comprehension]

**Part C**

**Answer any TWO Questions. (2 Q x 20 M = 40 M)**

15. From the following information given below and the Balance sheet of A Ltd on 31st March 2023. Find the value of Shares by Intrinsic value method, Yield method and Fair value method.
a) Company’s Prospects for 2022-23 are good.
b) Buildings are now worth Rs.3,50,000
c) Profits for the last three years have shown and annual increase of Rs.50,000. The Annual transfer to reserve is 25% of net profit.
d) Preferential shares have preference as to Capital and Dividend.
e) Normal rate of return expected is 15%.

**Balance Sheet as on 31-3-2023**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount** | **Assets** | **Amount** |
| 1,000 8% Preference shares of Rs.100 each fully paid | 1,00,000 | Buildings | 72,000 |
| 4,000 Equity Shares of Rs.100 each fully paid | 4,00,000 | Furniture | 3,000 |
| Reserves and Surplus | 1,50,000 | Stock (Market Value) | 4,50,000 |
| Profit and Loss Account:Balance as on 1-4-2022Add: Profit for 2022-23(Before transfer to reserve) | 80,0004,30,000 | Investment (at cost)(Face value: 4,00,000) | 3,35,000 |
| Creditors | 50,000 | Debtors | 2,80,000 |
|   |   | Bank | 60,000 |
|   |   | Preliminary Expenses | 10,000 |
|   | **12,10,000** |   | **12,10,000** |

 (C.O.No.4) [Application]

16. From the following Ledger balances of XYZ LTD., prepare the Balance Sheet of the company as on 31st March 2024 as per Schedule III of the Companies Act.

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **Debit** | **Credit** |
| Land and Building | 2000000 |   |
| Machinery | 2800000 |   |
| Patents | 199000 |   |
| Preliminary Expenses | 500000 |   |
| Trade Receivables | 350000 |   |
| Debtors | 200000 |   |
| Advance Tax | 850000 |   |
| Government Bonds (1 year) | 320000 |   |
| Equity Share Capital |   | 6500000 |
| Capital Reserve |   | 80000 |
| Security Premium |   | 120000 |
| Bank Loan |   | 900000 |
| 9%Debentures |   | 200000 |
| Stock in trade | 400000 |   |
| Closing stock | 250000 |   |
| Trademarks | 150000 |   |
| Bills Receivable | 40000 |   |
| Public deposits |   | 350000 |
| Provision for Employees PF |   | 600000 |
| Deferred tax |   | 50000 |
| Advance salary | 500000 |   |
| Proposed Dividend |   | 165000 |
| Short term loan |   | 530000 |
| bank overdraft |   | 70000 |
| Unpaid dividend |   | 45000 |
| Profit & Loss A/c |   | 72000 |
| Bills Payable |   | 82000 |
| Sundry Creditors |   | 65000 |
| Cash at Bank | 350000 |   |
| Furniture & Fixture | 920000 |   |
| **TOTAL** | **9,829,000** | **9,829,000** |

 (C.O.No.5) [Application]

17. A. From the following particulars, prepare Statement of profit and loss for the year ending 31st March 2024, showing profit before tax as per schedule III of the companies Act – 2013

|  |  |
| --- | --- |
| **Balances** | **(Rs.)** |
| Sales (Net) | 4000000 |
| Amortization of intangible assets | 100000 |
| Depreciation on Plant and Machinery | 220,000 |
| Wages | 150000 |
| Interest on Bank Loan | 132000 |
| Salaries | 500000 |
| Other income | 250000 |
| Other Expense | 600000 |
| Interest on debentures | 23000 |
| Cost of materials Consumed | 1236000 |
| Other employee benefits | 12000 |
| Rent and Taxes | 15000 |
| Advertisement | 32300 |

B. Explain the primary objectives of financial statements, and how do they benefit various stakeholders in making informed decisions about a company? (C.O.No.5) [Application]