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PRESIDENCY UNIVERSITY BENGALURU

**SET A**

SCHOOL OF MANAGEMENT

**END TERM EXAMINATION – MAY / JUNE 2024**

**Semester :** Semester II - 2023

**Course Code :** COM2008

**Course Name :** Corporate Accounting

**Program :** BBA

**Date :** June 18, 2024

**Time :** 09.30am to 12.30pm

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Question paper consists of 3 parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

**PART - A**

**ANSWER ANY 5 QUESTIONS 5 X 2 = 10M**

* 1. Define Debentures.

(CO1) [Knowledge]

* 1. Where do you show the following items under Pre and Post incorporation P& L Account: a. Bad debts realized of Previous year

b. Directors fees

* 1. List out any two factors influencing value of Shares.

(CO3) [Knowledge]

(CO4) [Knowledge]

* 1. List out the components that make up the shareholders' funds as sub-classified on the face of the balance sheet?
  2. Explain the meaning of "Money Received against Share Warrants."
  3. Outline the Net Assets Method and explain how it is used to value shares.
  4. Give two Examples for Employee benefit expenses .

(CO5) [Knowledge] (CO5) [Knowledge] (CO4) [Knowledge] (CO5) [Knowledge]

**PART - B**

**ANSWER ANY 5 QUESTIONS 5 X 10 = 50M**

* 1. Explain the different types or classes of preference shares with reference to dividend, participation, convertibility, and redemption.

(CO1) [Comprehension]

* 1. K Limited registered with an authorized equity capital of Rs. 2,00,000 divided into 2,000 shares of Rs. 100 each, issued for subscription of 1,000 shares payable at Rs. 25 per share on application, Rs. 30 per share on allotment, Rs. 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these share capital transactions.

(CO2) [Comprehension]

* 1. A Company was incorporated on 1st May, 2022 to take over a business from the Preceding 1st January. The accounts were made up to 31st December, 2022 as usual and the Trading and profit and loss account gave the following result:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount | Particulars | Amount |
| To Opening Stock | 1,40,000 | By Sales | 12,00,000 |
| To Purchases | 9,10,000 | By Closing Stock | 1,50,000 |
| To Gross Profit c/d | 3,00,000 |  |  |
|  | **13,50,000** |  | **13,50,000** |
| To Rent, rates & Insurance | 18,000 | By Gross Profit b/d | 3,00,000 |
| To Director’s fees | 20,000 |  |  |
| To Salaries | 51,000 |  |  |
| To Office Expenses | 48,000 |  |  |
| To Travellers Commission | 12,000 |  |  |
| To Discounts | 15,000 |  |  |
| To Bad debts | 3,000 |  |  |
| To Audit fees | 8,500 |  |  |
| To Depreciation | 6,000 |  |  |
| To Debenture interest | 4,500 |  |  |
| To Net Profit | 1,14,000 |  |  |
|  | 3,00,000 |  | 3,00,000 |

It is ascertained that the sales for November and December are one and half times the average of those for the year, whilst those for February and April are only half the average, all the remaining months having average sales. Apportion the year profit between the pre and post incorporation periods.

(CO3) [Comprehension]

* 1. Explain the Process of Valuation of shares under Intrinsic value method and Yield Value Method.

(CO4) [Comprehension]

* 1. Ram Ltd invited applications from public for 1,00,000 shares of Rs.10each at a premium of Rs.5per share. The entire issue was underwritten by underwriters P, Q, R & S to the extent of 30%, 30%, 20% & 20% respectively with the provision of firm underwriters of 3,000 ; 2,000 ; 1,000 ; 1,000 respectively. The underwriters are entitled to the maximum commission as per the provisions of the company’s act of 1956. The company received applications for 70,000 shares (excluding firm Underwriters) out of which applications for 19,000 ; 10,000 ; 21,000 ; 8,000 were marked in favour of P, Q, R & S.

Calculate the liability of each underwriter by providing relief for firm applications also ascertain the underwriting commission payable to different underwriters.

(CO1) [Comprehension]

* 1. Mention the Headings of the below items in Balance Sheet :
     1. Bills Receivables
     2. Bank Over draft
     3. Bills Payable
     4. Cash in Hand e.Machinery

f.Workmens Compensation

g.General Reserve h.Investments i.Equity Shares

j.Provision for Taxation.

(CO5) [Comprehension]

* 1. N Enterprises Ltd purchased business from Mukesh on 1-4-2022. N Ltd was incorporated on 1-7- 2022. Find out the profits earned by the company prior to and after incorporation:

1. From April 2022 to March 2022 total sales was Rs.2,40,000 .The trend of sales was as follows: April and May : Half of the average sales for each month

August, Sept, Oct and Jan : Average Sales for each Month

Feb and March : Half of the sales for each month .

1. Cost of Goods Sold : Rs.60,000
2. Salary and Other Expenses : Rs.6,000
3. Bad debts : Rs.2,400
4. Interest for Purchase Consideration which was paid to Mukesh's Old business on 1-11-2022 Rs,2,100
5. Expenses exclusively related to the company Rs.8,900.

(CO3) [Comprehension]

**PART - C**

**ANSWER ANY 2 QUESTIONS 2 X 20 = 40M**

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

|  |  |
| --- | --- |
| **Balances** | **(Rs.)** |
| Cost of materials Consumed | 1,60,000 |
| Amortization of intangible assets | 74000 |
| Depreciation on Plant and Machinery | 16,000 |
| Wages | 1,20,000 |
| Sales (Net) | 2000000 |
| Interest on Bank Loan | 32000 |
| Salaries | 50000 |
| Other income | 65000 |
| Other Expense | 60000 |
| Interest on debentures | 23000 |

B. Identify and describe how the nature of financial statements, encompassing factors such as the use of historical cost, adherence to accounting conventions, application of fundamental assumptions, and incorporation of personal judgments, shapes the accuracy and reliability of a company's financial reporting.

(CO5) [Application]

* 1. From the information given below and the balance sheet of XYZ limited as on 31st to March 2024 Find the value of its equity shares by intrinsic value method, yield method and Fair value method.

|  |  |
| --- | --- |
| **Equity and Liabilities** | Rs |
| 60,000 Equity Shares of Rs. 100 each | 6000000 |
| 20000, 7% Preference shares of  Rs. 100 each | 2000000 |
| General Reserve | 350000 |
| Profit and Loss a/c | 500000 |
| 9% Debentures | 250000 |
| Creditors | 55000 |
| Trade Payable | 12000 |
| Total | 9167000 |
| **Assets** |  |
| Goodwill | 4600000 |
| Patents | 1900000 |
| Land and Building | 400000 |
| Plant and Machinery | 370000 |
| Furniture | 160000 |
| Investments | 200000 |
| Stock | 800000 |
| Debtors | 65000 |
| Cash at Bank | 400000 |
| Preliminary Expenses | 100000 |
| Bills Receivable | 172000 |
| TOTAL | 9167000 |

Goodwill is revalued at Rs. 4000000 while Plant and Machinery is expected to realize Rs.400000 Debtors are subjected to the Provision for bad debts @4%. The annual transfer to the General Reserve is 15% of the net profit. The normal rate of return expected is 20%. The tax rate is 15%. Preference shares have preference as to capital and dividend.

(CO4) [Application]

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Debit** | **Rs.** | **Credit** | **Rs.** |  |
| Advance to Manager | 400000 | Equity Share Capital | 6000000 |  |
| Cash at Bank | 350000 | Capital Reserve | 80000 |  |
| Furniture & Fixture | 800000 | General reserve | 120000 |  |
| Land and Building | 2500000 | Bank Loan | 900000 |  |
| Machinery | 2800000 | 9%Debentures | 200000 |  |
| Patents | 199000 | Public deposits | 350000 |  |
| Brokerage on issue of shares (unwritten off) | 500000 | Provision for Employees Welfare Fund | 600000 |  |
| Trade Receivables | 350000 | Deferred tax | 50000 |  |
| Debtors | 200000 | Proposed Dividend | 165000 |  |
| Advance Tax | 70000 | Short term loan | 530000 |  |
| Investment in Bonds (1 year) | 320000 | bank overdraft | 70000 |  |
| Stock in trade | 400000 | Unpaid dividend | 45000 |  |
| Closing stock | 250000 | Profit & Loss A/c | 72000 |  |
| Goodwill | 150000 | Bills Payable | 82000 |  |
| Bills Receivable | 40000 | Sundry Creditors | 65000 |  |
| **TOTAL** | **9329000** | **TOTAL** | **9329000** |  |
|  |  |  |  | (CO5) [Application] |