LIBRARY
BMS COLLEGE OF LAW
Bull Temple Road, Basavanagudi,
Bengaluru - 560 019.

7010

Second Semester 5 Year B.Com. LL.B. (Even Sem.) Examination, August/September 2024
CORPORATE ACCOUNTING

Duration : 3 Hours | Max. Marks : 80

Instructions :
1. **Answer all five Units.**
2. **One essay type question and short note/problems are compulsory from each Unit.**
3. **Figures to the right indicate marks.**
4. **Answer should be written in English completely.**
5. **Use simple calculator.**

UNIT – I

Q. No. 1. (a) AB Co. Ltd. incorporated on 10th Jan. 2022 issued a prospectus inviting application for 1000000 equity shares of Rs. 10 each. The whole issue was underwritten by A, B, C and D in the ratio 4 : 3 : 2 : 1 respectively, for commission allowed by law. Applications were received for 900000 shares of which marked applications were as follows :

A – 440000 shares B – 220000 shares

C – 180000 shares D – 20000 shares

You are required to find out the liabilities of underwriters as also the commission receivable by each underwriter. Marks : 10

OR

(a) What is underwriting of shares ? Explain the features of underwriting of shares. Marks : 10

(b) Parrot Ltd. issued 80000 shares of Rs. 10 each for public subscriptions. The issue was underwritten as follows :
Titiba – 25%, Sparrow – 30% and Pigeon – 25%.
The company received a total of 56000 applications of which marked are as follows :
Titiba – 16000, Sparrow –12000, Pigeon – 16000.
Determine the liability of each underwriter. Marks : 6

OR

(b) Write a short note on firm underwriting. Marks : 6

P.T.O.

UNIT – II

Q. No. 2. (a) Swan Ltd. issued 20000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows :

On application – Rs. 2

On allotment – Rs. 5 (including premium)

On final call – Rs. 5.

All the shares were subscribed for and the company received all the money due except allotment and call money on 400 shares. These share were forfeited and reissued as fully paid up at Rs. 11 per share.

Prepare journal entries in the books of Swan Ltd. Marks : 10

OR

(a) Explain the different types of preference shares. Marks : 10

(b) Write a note on share capital, called capital and issued capital. Marks : 6

OR

(b) Grapes Ltd. made an issue of 10000 equity shares of Rs. 100 each, payable Rs. 25 on applications, Rs. 35 on allotment and Rs. 40 on call. All the shares are subscribed and amount duly received.

Pass journal entries in the books of Grapes Ltd. Marks : 6

UNIT – III

Q. No. 3. (a) Write a note on ratios involved in profit prior to incorporation. Marks : 10

OR

(a) Peacock Ltd. was incorporated on 1st May 2020. It acquired a running business as of 1st January 2020. Information for the year ended 31st December 2020 was as under :

Gross Profit – Rs. 16,00,000

Salaries – Rs. 3,20,000

General Expenses – Rs. 80,000

Carriage on Sales – Rs. 1,20,000

Advertisement – Rs. 1,60,000
Interest on Debentures – Rs. 48,000
Director's fees – Rs. 32,000
Audit fees – Rs. 40,000
Interest to vendors (Till 30th June) – Rs. 80,000
Depreciation – Rs. 1,60,000
Sales upto 1st May were Rs. 16,00,000 and after 1st May 2020 were Rs. 64,00,000.
Prepare a statement showing the profit prior to and after incorporation. Marks : 10

(b) List out the following into sales/time ratio and give reasons. Advertising, Rent, Salaries, Audit fees, Insurance, Electricity charges. Marks : 6

OR

(b) Write a short note on significance of profit prior to incorporation. Marks : 6

UNIT – IV

Q. No. 4. (a) Array Ltd. profit and loss for last 5 years are as follows :

2016 – Rs. 60,000
2017 – Rs. 40,000
2018 – Rs. 45,000 (loss)
2019 – Rs. 85,000
2020 – Rs. 82,500

The average capital employed in the business was Rs. 2,50,000. The expected rate of return on capital invested is 5%. The managerial remuneration is expected to be at Rs. 15,000 per annum.

Ascertain the amount of goodwill on the basis of 2 years purchase of super profit, based on an average of 5 years. Marks : 10

OR

(a) Explain all the methods of valuating Goodwill. Marks : 10

(b) What are the factors effecting valuation of shares ? Marks : 6

OR

(b) Compute the value of equity share from the following information :

A) 10000, 10% preference shares of Rs. 100 each

B) 40000 equity shares of Rs. 10 each

C) Profit for the year are

2019 – Rs. 4,00,000, 2020 – Rs. 4,00,000

2021 – Rs. 3,80,000, 2022 – Rs. 4,10,000

D) Tax rate is assumed to be at 35%

E) Transfer to reserve – 10%

F) Normal rate of return – 20% Marks : 6

UNIT – V

Q. No. 5. (a) Explain the format of Balance Sheet with imaginary figures and items. Marks : 10

OR

(a) Explain the following item's treatments :

A) Calls in arrears

B) Unclaimed dividend

C) Final dividend

D) Proposed dividend

E) Corporate dividend tax Marks : 10

(b) Write a note on any 3 items which comes in the Balance Sheet of Joint Stock Company. Marks : 6

OR

(b) Explain the profit and loss account with format. Marks : 6