

**B.B.A. (Part—II) Semester—IV Examination**  
**CORPORATE ACCOUNTING**  
**Paper—BBA/404**

Time : Three Hours]

[Maximum Marks : 80

- Note :—**(1) There are **three** Sections (A, B, and C).  
 (2) Section A – **20** marks, Section B – **20** marks and Section C – **40** marks.  
 (3) **All** questions are compulsory.  
 (4) In Section A, first solved MCQ will be taken into consideration.  
 (5) Section B and Section C comprise of short and long questions respectively.  
 One each from respective unit having internal choice from the same unit.  
 (6) Show necessary working notes.

**SECTION—A**

Choose the appropriate option and write.

1. Rebate on Bills discounted is :
 

|                                |                       |
|--------------------------------|-----------------------|
| (a) An accrued income          | (b) An item of income |
| (c) Income received in advance | (d) None              |
2. The Financial Statements of a Banking Company are now required to be prepared :
 

|  |                               |
|--|-------------------------------|
| (a) On the historical cost basis         | (b) On replacement cost basis |
| (c) On historical as well as replacement | (d) None                      |
3. Acceptance, endorsement and guarantees are shown in the Balance Sheet of a Bank under the heading :
 

|                                  |                                |
|----------------------------------|--------------------------------|
| (a) Other Liabilities            | (b) Contra entries             |
| (c) At the foot of Balance Sheet | (d) Omitted from Balance Sheet |
4. Bills payable appearing on the Trial Balance of a Bank signifies :
 

|   |  |
|---|--|
| (a) Credit bills of a Bank                    | (b) Letter of Credit   |
| (c) Bills accepted on behalf of the customers | (d) Traveller cheque, DD, mail and telegraphic transfers outstanding as at the close of the Financial Year |
5. Re-insurance Premium is the amount of premium paid by :
 

|   |  |
|---|--|
| (a) One company to another on the same business | (b) Same person to two or more companies |
| (c) One insured to another insured              | (d) None                                 |

6. A valuation of Balance Sheet is prepared by :
- (a) Joint Stock Company (b) Banking Company  
(c) Life Insurance Company (d) None
7. The Commission paid by the reinsurer is known as :
- (a) Commission on direct business (b) Commission on Re-insurance ceded  
(c) Commission on Re-insurance accepted (d) An income
8. In Life Insurance, the profit of the business is ascertained :
- (a) Every year (b) Once in 2 years  
(c) Once in 6 months (d) Every month
9. Net Profit is transferred to \_\_\_\_\_ A/c.
- (a) Net Revenue (b) Receipts and Expenditure  
(c) General Balance Sheet (d) None
10. Under Double Account System, the Profit and Loss A/c is termed as :
- (a) Income and Expenditure A/c (b) Profit and Loss A/c  
(c) Revenue A/c (d) Net Revenue A/c
11. Equity Share Capital is recorded in
- (a) Net Revenue A/c (b) General Balance Sheet  
(c) Capital A/c (d) None
12. Interest on Bank Loan is recorded in :
- (a) General Balance Sheet (b) Net Revenue A/c  
(c) Capital A/c (d) Revenue A/c
13. The term Capital Employed means :
- (a) Gross Capital Employed (b) Net Capital Employed  
(c) Average Capital Employed (d) Any of these
14. Super Profit = Rs. \_\_\_\_\_ when Average Profit is Rs. 91,600 and Normal Profit is Rs. 72,000.
- (a) 19,600 (b) 19,660  
(c) 16,900 (d) 1,63,600
15. Average Profit is Rs. \_\_\_\_\_ when Profits and Loss of 4 years are + Rs. 12,200, - Rs. 2,000, + Rs. 15,000, + Rs. 21,000 respectively.
- (a) 11,550 (b) 12,550  
(c) 50,200 (d) 46,200
16. Goodwill is :
- (a) Tangible Asset (b) Intangible Asset  
(c) Fictitious Asset (d) Current Asset

17. The term valuation of shares means ascertainment of \_\_\_\_\_ value of share.
- (a) Original (b) Market  
(c) Expected (d) (b) and (c)
18. For calculating the value of an equity share by yield method, it is essential to know :
- (a) Expected rate of return (b) Capital employed  
(c) Called up Equity Share Capital (d) All of the above
19. Under Net Asset Method, the value of a Share depends on the amount that would be available to :
- (a) Equity Shareholder (b) Preference Shareholder  
(c) Debenture Shareholder (d) All of the above
20. For calculating the value of Equity Share by intrinsic value method, it is essential to know :
- (a) Normal Rate of Return (b) Net Assets  
(b) Expected Rate of Return (d) None 1×20=20

**SECTION—B**

1. Prepare all necessary schedules from the following :

|                                   | <b>Rs.</b> |   |
|-----------------------------------|------------|---|
| Acceptance on behalf of Customers | 10,000     |   |
| Office Furniture                  | 11,500     |   |
| Machinery                         | 25,500     |   |
| Stamps and Stationery             | 7,300      |   |
| Bills for collection              | 15,000     |   |
| Cash Credit and Overdraft         | 27,000     |   |
| Investment                        | 32,000     |   |
| Loans                             | 22,000     |   |
| Money at Call                     | 35,500     |   |
| Cash with Bank                    | 32,000     |   |
| Silver                            | 35,000     | 4 |

**OR**

What are the main features of Bank's Accounting System ? 4

2. Give journal entries for the following in the books of Rube General Insurance Co. Ltd. on 31<sup>st</sup> March, 2019 :
- (i) Premium due but not received Rs. 24,000
- (ii) Claims covered by re-insurance Rs. 6,000
- (iii) Bonus in reduction of Premium Rs. 4,000. 4

**OR**

From the following particulars, compute the amount of claims for the year ended 31-3-2018 of Personal Accident Business of Real Value General Insurance Co. Ltd. :

|   | Rs.       |   |
|---|-----------|---|
| Claims paid during the year                                   | 64,00,000 |   |
| Legal Expenses (30% relates to this business)                 | 54,000    |   |
| Medical Fees (for investigating the nature and injury caused) | 24,000    |   |
| Claims outstanding at the end of the year                     | 2,75,000  |   |
| Claims outstanding on 31-3-2017                               | 1,78,000  |   |
| Re-insurance Coverage   | 17,00,000 |   |
| Re-insurance Commission Received                              | 1,24,000  | 4 |

3. From the following prepare Receipt and Expenditure on Capital A/c :

|                                      | Rs.      |   |
|--------------------------------------|----------|---|
| <u>Share Capital</u>                 | 3,50,000 |   |
| Issued during the year               | 1,00,000 |   |
| <u>8% Debentures</u>                 | 2,50,000 |   |
| Issued during the year               | 50,000   |   |
| <u>Generation Plant</u>              | 4,00,000 |   |
| Addition during the year             | 1,00,000 |   |
| <u>Transformer</u>                   | 1,00,000 |   |
| <u>Distribution Cables and Lines</u> | 80,000   |   |
| New Purchase                         | 20,000   | - |
| <u>Furniture and Fixtures</u>        | 10,000   |   |
| <u>Land and Building</u>             | 2,00,000 | 4 |

OR

Give the Proforma of Receipt and Expenditure on Capital A/c. 4

4. From the following balances associated from the books of Vanita Company :

| Year | P & L   |
|------|---|
| 2015 | 60,000  |
| 2016 | 75,000  |
| 2017 | 1,10,000 (includes Rs. 10,000 profit from gambling)               |
| 2018 | 1,30,000  |
| 2019 | 1,75,000 (includes Rs. 40,000 received from Sale of Fixed Assets) |

Find out value of goodwill based on 2 years purchase of average profit. 4

OR

What is the importance of goodwill ? 4

5. Find the value of Shares on yield basis :
- 5,000 Equity Shares of Rs. 100 each fully paid.
  - Dividend paid in last 5 years 14%, 15%, 13%, 12% and 16%.
  - Normal rate of return is 12%.

4

**OR**

Following is the extract of Balance Sheet of ABC Company Ltd. as on 31st March, 2019 :

| <b>Liabilities</b>         | <b>Rs.</b>      | <b>Assets</b>        | <b>Rs.</b>      |
|----------------------------|-----------------|----------------------|-----------------|
| Share Capital :            |                 | Plant                | 48,750          |
| 7,500 Shares @ Rs. 10 each | 75,000          | Building             | 41,250          |
| General Reserve            | 35,000          | Trade Mark           | 7,500           |
| Taxation Reserve           | 22,500          | Stock                | 18,000          |
| Workman's Saving A/c       | 11,250          | Debtors              | 33,000          |
| P & L A/c                  | 12,000          | Cash at Bank         | 19,500          |
| Creditors                  | 16,750          | Preliminary Expenses | 4,500           |
|                            | <b>1,72,500</b> |                      | <b>1,72,500</b> |

**Additional information :**

- Plant was worth Rs. 45,000 and Building Valued at Rs. 90,000
- Rs. 3,000 of Debtors are bad
- Goodwill to be taken at Rs. 60,000

Find out the Value of Share.

4

**SECTION—C**

1. The following are the particulars of Southern Commercial Bank Ltd. as on 31<sup>st</sup> March, 2019 :

|                                  | <b>Rs.</b> |
|----------------------------------|------------|
| Commission charged to Customers  | 14,000     |
| Discount on Bills                | 4,20,000   |
| Director's Fees                  | 10,000     |
| Establishment                    | 1,20,000   |
| Interest on Cash Credit A/c      | 4,80,000   |
| Interest on Loans                | 5,60,000   |
| Interest on Fixed Deposits       | 5,96,000   |
| Auditors Fees                    | 6,000      |
| Interest on Current Accounts     | 90,000     |
| Interest on Overdrafts           | 1,20,000   |
| Interest on Saving Bank Deposits | 1,44,000   |
| Postage                          | 4,000      |
| Printing and Stationery          | 6,000      |
| Rebate on Bills Discounted       | 1,10,000   |
| Rent and Taxes                   | 44,000     |
| Sundry Charges                   | 4,000      |

Prepare Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2019.

8

**OR**

Give a proforma of Profit and Loss A/c and Balance Sheet of a Banking Company.

8

2. On 31<sup>st</sup> December, 2018, Progressive Insurance Company gives you the following information. You are required to prepare Accident Insurance A/c :

|  | <b>Rs.</b> |   |
|--|------------|---|
| Provision for Unexpired Risk (31-12-17)      | 3,20,000   |   |
| <b>Outstanding Claims :</b>                  |            |   |
| 31-12-17                                     | 40,000     |   |
| 31-12-18                                     | 60,000     |   |
| Legal Expenses                               | 6,000      |   |
| Paid Claims                                  | 2,80,000   |   |
| Re-insurance Premiums                        | 16,000     |   |
| Medical Expenses                             | 4,000      |   |
| Premium                                      | 7,20,000   |   |
| Re-insurance Claim Recovery                  | 10,000     |   |
| Bad Debts                                    | 1,000      |   |
| <b>Commission :</b>                          |            |   |
| On Direct Business                           | 1,00,000   |   |
| On Re-insurance Business                     | 8,000      |   |
| Commission received on re-insurance business | 12,000     |   |
| Management Expenses                          | 2,00,000   |   |
| Interest and Dividend                        |            |   |
| (after deduction of Rs. 10,000 Income Tax)   | 34,000     |   |
| Profit on Sale of Investment                 | 8,000      |   |
| Additional Reserve (31-12-17)                | 2,40,000   |   |
| Depreciation                                 | 14,000     |   |
| Loss on investment                           | 2,000      |   |
| Foreign Tax                                  | 4,000      |   |
| Additional Reserve (31-12-18)                | 2,75,200   | 8 |

**OR**

“A Contract of Insurance is a Contract of Indemnity.” Explain. 8

3. From the following details relating to an electricity company, you are required to draw all necessary A/cs on 31-12-18 under Double Accounting System :

| <b>Particulars</b>                                    | <b>Debit</b> | <b>Credit</b> |
|---|--------------|---------------|
| Authorised Share Capital                              |              |               |
| (8,000 Shares @ Rs. 200 each)                         |              | 16,00,000     |
| 4,000 Shares @ Rs. 200 each fully paid                |              |               |
| (Out of which 500 Shares were issued during the year) |              | 8,00,000      |
| 8% Debentures   |              | 4,00,000      |
| Creditors   |              | 1,00,000      |
| Reserve Fund  |              | 2,00,000      |

| Particulars                         | Debit            | Credit           |
|-------------------------------------|------------------|------------------|
| Debtors                             | 1,80,000         |                  |
| Cash at Bank                        | 1,00,000         |                  |
| Reserve Fund Investment             | 2,00,000         |                  |
| Stock                               | 1,20,000         |                  |
| <b>Fixed Asset upto 31-12-17 :</b>  |                  |                  |
| Machinery                           | 60,000           |                  |
| Building                            | 4,00,000         |                  |
| <b>Additional during the year :</b> |                  |                  |
| Machinery                           | 1,20,000         |                  |
| Building                            | 20,000           |                  |
| <b>Depreciation Fund :</b>          |                  |                  |
| Machinery                           |                  | 1,40,000         |
| Building                            |                  | 20,000           |
| Net Revenue A/c Balance             |                  | 80,000           |
| Mains                               | 4,00,000         |                  |
| Additions during the year           | 1,40,000         |                  |
|                                     | <u>17,40,000</u> | <u>17,40,000</u> |

8

OR

From the following prepare Revenue A/c and Net Revenue A/c for the year ended 31-12-2018 :

### Trial Balance

| Dr.                  |                 | Cr.                            |                 |
|----------------------|-----------------|--------------------------------|-----------------|
| Particulars          | Amount          | Particulars                    | Amount          |
| Preliminary Expenses | 78,750          | Revenue A/c Bal.               | 5,000           |
| Plant                | 1,00,000        | Sale of Energy                 | 40,000          |
| Mains                | 1,18,500        | Sale of Power                  | 20,000          |
| Meter                | 18,500          | Interest on investment on F.D. |                 |
| Oil Wastage          | 1,000           | (including Rs. 1,000 on        |                 |
| Fuel Consumed        | 7,500           | Depreciation Fund)             | 3,500           |
| Salary               | 3,000           | Reconnection and               |                 |
| Power                | 1,500           | Disconnection Charges          | 250             |
| Wages                | 750             | Meter Rent                     | 1,250           |
| Repair               | 1,000           | Creditors                      | 3,750           |
| Rent                 | 300             | Ordinary Share Capital         | 3,00,000        |
| Director Fees        | 300             | Issued Share Capital           | 50,000          |
| Management Expenses  | 2,650           | Depreciation Fund              | 20,000          |
| Dividend Paid        | 12,000          |                                |                 |
| Income Tax           | 10,000          |                                |                 |
| Debtors              | 59,000          |                                |                 |
| General Stores       | 500             |                                |                 |
| Cash at Hand         | 28,500          |                                |                 |
|                      | <u>4,43,750</u> |                                | <u>4,43,750</u> |

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4. LM Ltd. proposed to purchase the business of SM Ltd. Goodwill for this purpose is agreed to be valued at 3 years purchase of weighted average profit of past 4 years :

| Year | Weight | Profit |
|------|--------|--------|
| 2015 | 1      | 40,400 |
| 2016 | 2      | 49,600 |
| 2017 | 3      | 40,000 |
| 2018 | 4      | 60,000 |

On the scrutiny of accounts the following matters are seen :

- (i) On 1st September, 2017, a major repair was made in respect of plant incurring Rs. 12,000 which was charged to Revenue. Depreciation @ 10% p.a. by reducing balance method is to be charged for the purpose of valuation of goodwill.
- (ii) The Closing Stock for 2016 was overvalued by Rs. 9,600.
- (iii) To cover the management cost an Annual Charge of Rs. 9,600 should be made for the purpose of goodwill calculation.

You are required to calculate value of goodwill of the firm.

8

**OR**

Following particulars are available in respect of business carried on by Anish :

|  | Rs.          |
|--|--------------|
| Capital Invested                                       | 1,00,000     |
| <b>Trading Result</b>                                  |              |
| 2015   | 24,000       |
| 2016   | 30,000       |
| 2017   | 4,000 (loss) |
| 2018   | 42,000       |
| Market Rate of investment                              | 8%           |
| Rate of Risk Return on Capital invested in business    | 2%           |
| Remuneration of proprietor from alternative employment | 7,200 p.a.   |

You are required to calculate value of goodwill on the basis of 3 years purchase of Super Profit of Business.

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5. Following is the Balance Sheet of Mohan Company Ltd. as on 31-12-18 :

| Liabilities                                    | Amount          | Assets               | Amount          |
|--|-----------------|----------------------|-----------------|
| Share Capital (10,000 Shares<br>@ Rs. 10 each) | 1,00,000        | Fixed Assets         | 3,50,000        |
| Reserves and Surplus                           | 70,000          | Current Assets       | 2,10,000        |
| 12% Debentures                                 | 1,75,000        | Preliminary Expenses | 17,500          |
| Other Liabilities                              | 1,57,500        |                      |                 |
| Preference Shares (@ Rs. 10 p.s.)              | 75,000          |                      |                 |
|  | <b>5,77,500</b> |                      | <b>5,77,500</b> |

| Particulars        | 2014     | 2015     | 2016     | 2017     | 2018     |
|--------------------|----------|----------|----------|----------|----------|
| Sales              | 4,20,000 | 4,90,000 | 5,60,000 | 3,50,000 | 6,30,000 |
| Operating Expenses | 2,41,500 | 2,76,500 | 3,11,500 | 2,06,500 | 3,46,500 |
| Interest on loan   | 17,500   | 17,500   | 17,500   | 17,500   | 17,500   |

Assume rate of taxation at 60% and rate of Normal Earning 10%. Find out value of share by Yield Method. 8

**OR**

Distinguish between Intrinsic Method of valuing shares and Yield Method of valuing shares. 8