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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **SEMESTER EXAMINATION: APRIL 2022**(Conducted in July-August 2022) |
| **BCOM/BPS 2118** - **Corporate Accounting I** |
|  |  |  |  |
|  |  |  |  |  |  |  |
| **Time- 2 1/2 hrs** |  | **Max Marks-70** |  |
|  |  |  |  |  |  |  |
| **This paper contains 4 printed pages and four parts** |

**SECTION A**

1. **Answer any FIVE (5) of the following [5x2=10]**
2. What is Goodwill?
3. What is the importance of IND AS?
4. Distinguish between a dependent and independent branch
5. Give 2 examples of cost which are not taken into consideration for recognition of PPE.
6. What is the accounting treatment for Goods in Transit?
7. What are the objectives of financial statement ?

**SECTION – B**

1. **Answer ANY THREE (3) questions each carries 5 marks [3x5=15]**
2. The profits disclosed by Avya Ltd for the past 5 years were as follow:-
3. 2017-18 :Rs.43,000 (including abnormal profit of Rs.5,000)
4. 2018-19 :Rs.55,000 (after charging abnormal loss of Rs.10,000)
5. 2019-20 :Rs.46,000 (excluding Rs.5,000 insurance premium)
6. 2020-21 :Rs.62,000
7. 2021-22 :Rs.81,000 (including profit on sale of building Rs20,000)

You are required to calculate the value of goodwill at 2 years purchase of average profits.

1. Mr.Dhruv constructs a fixed asset and following are the expenses incurred

|  |  |
| --- | --- |
| **Expenditure** | **Amount( Rs)** |
| Raw Material  | 10,000 |
| Direct Expenses | 2,000 |
| Direct Labor (20% with construction of new asset) | 5,000 |
| Total administrative and office expenses (20% of expenses charges to construction of new asset) | 3,000 |
| Depreciation of asset used in the construction of new asset | 500 |
| Selling expenses  | 300 |
| Advertisement expenses | 200 |

 Calculate the value of Fixed Asset.

1. What is IND AS 2? Give the measurement criteria for the same.
2. Write a note on the recording of current & non-current assets and liabilities in a balance sheet.

**SECTION – C**

1. **Answer any TWO (2) of the following each carries 15 marks [2x15=30]**
2. From the following balances extracted from the book of Mason Ltd prepare Statement of Profit and Loss as on 31st March, 2022

|  |  |
| --- | --- |
| Particulars | Amount(Rs) |
| Stock on 1st April 2021 | 1,50,000 |
| Purchases | 4,90,000 |
| Sales | 20,000 |
| Wages | 7,00,000 |
| Carriage Inward | 1,900 |
| Discount Received | 6,000 |
| Salaries | 20,800 |
| Rent | 9,600 |
| Stock on 31st March 2022 | 1,80,000 |
| Depreciation  | 10,000 |
| Managerial Remuneration  | 13,000 |
| Provision for Doubtful Debts | 1,000 |
| Sundry Expenses | 12,700 |

Provide a provision for tax at the rate of 50% of profit before tax ( 10 marks)

1. What are the factors affecting valuation of shares? (5 marks)
2. Roy & Co. Kolkata has a branch at Guwahati for sale of its goods. For the year ending March 31, 2022 the following particulars are furnished:

|  |  |
| --- | --- |
| Particulars | Amount (Rs) |
| Goods sent to branch  | 1,42,000 |
|  Goods returned by the branch  | 4,000 |
| Cash Sales  | 79,000 |
| Credit Sales  | 2,02,000 |
|  Cash received from customer  | 1,89,500 |
| **Branch expenses paid by H.O**  |   |
| Salaries  | 3,000 |
| Cash sent by the H.O. to branch for petty cash  | 5,000 |

**Other Details**

|  |  |  |
| --- | --- | --- |
| Particulars | 1st April 2021 | 31st  March 2022 |
| Branch Stock | 44,500 | 27,000 |
| Branch debtors | 23,500 | ? |
| Petty cash at branch  | 100 | 150 |

Prepare Guwahati branch account in the books of Head Office.

1. Balance sheet of ABC ltd as on 31/3/2022

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount (Rs)** | **Assets** | **Amount****(Rs)** |
| 1500 equity shares of Rs.100 | 1,50,000 | Goodwill | 15,000 |
| Capital reserve | 30,000 | Land and Building | 95,000 |
| P&L A/c | 13,000 | Machinery | 60,000 |
| Creditors | 63,000 | Stock | 57,500 |
| Depreciation fund:Land and BuildingMachinery | 7,50015,000 | Debtors 49,000(Less)RBD 1,500 | 47,500 |
|  | 2,78,500 |  | 2,78,500 |

ABC ltd is being purchased by Shiva Ltd. Calculate the value of goodwill on the basis of super profit method:-

1. NRR on capital employed is 12%
2. Company’s average profit of the last five years after tax 50% amounted to Rs.47,500
3. The present market value of land and building is Rs.1,10,000, other assets are taken at book value
4. Two directors of ABC ltd are to be appointed on the board of Shiva Ltd. The worth of their services is Rs.5,000 p.a for each director but no charge has been made against the profits
5. Goodwill is to be taken at 4 years purchase of super profits.
6. Depreciation on the increased value of land and building may be ignored.

**SECTION – D**

1. **The following is a compulsory question and carries 15 marks only** **[1x15=15]**
2. Pinnacle Venture is considering investing in the equity of Best Systems, a start-up IT company. Pinnacle ventures required rate of return from this investment is 40 percent and it’s planned holding period is 5 years. You required to value the shares of Best System on the basis of Net Asset method to enable Pinnancle venture make a decision .
3. The following is the Balance Sheet of M/s Best System as on 31st March,2022.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount (Rs) | Assets | Amount (Rs) |
| 10,000 Shares of Rs.10 each | 100,000 | Plant, Property and Equipment | 1,40,000 |
| General Reserve | 50,000 | Trademark | 20,000 |
| Taxation Reserve | 20,000 | Inventories | 20,000 |
| Profit and Loss | 23,000 | Debtors | 48,000 |
| Creditors | 40,000 | Cash at Bank | 25,000 |
| Workmen Savings Account | 20,000 |  |  |
|  | **2,53,000** |  | **2,53,000** |

 Plant, Property and Equipment is worth 30,000 more and Rs.5000 of the debtors is to be taken as bad. The profits of the company were : 2020- Rs.50,000; 2021- Rs.60,000 and 2022 – Rs.70,000.

It is the practice of the company to transfer 20% of thr profits to Reserve. Ignoring taxation , find out the value of the shares of the company on the basis of net assets. Shares of similar companies listed on the stock exchange yielded 12% on their market value. Goodwill of the company is valued at Rs.1,00,000 **(8 marks)**

1. What are the various factors that Pinnacle Venture need to consider while undertaking valuation of shares? (**7 marks**)