596800 DCBC311

Reg. No.

III Semester B.Com. (Regular)(A&F)/L.S.C.M./B.D.A./T.T.M./FinTech Degree Examination, December/January - 2025/26

COMMERCE

Corporate Accounting

(SEP 2025-26 Scheme)

Paper : 3.1

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Time : 3 Hours **Maximum Marks : 80**

Instructions to Candidates:

Answers should be written completely in English.

SECTION - A

Answer any Five of the following sub-questions. Each sub-question carries 2 marks. **(5×2=10)**

1. a) Write the meaning of pure underwriting.

   b) What is underwriting commission?

   c) Mention any four expenses apportioned on sales ratio.

   d) Name any two expenses which are to be completely charged to post incorporation period.

   e) What is cat goodwill?

   f) Write any two circumstances necessary for the valuation of goodwill.

   g) State the different methods of valuation of shares.

   h) Name any four intangible assets.

SECTION - B

Answer any Four of the following questions. Each question carries 5 marks. **(4×5=20)**

2. A company issued 20,000 shares of Rs. 10 each for public subscription. These shares were underwritten as below:

[P.T.O.

A - 10,000 shares

B - 6,000 shares

The public applied for 16,000 shares which included marked applications of A - 2,400 shares and B- 600 shares respectively. Determine net liability of A, B and company.

3. A company had purchased a business on 1/4/2018. The company received its certificate of incorporation on 1/7/2018. The average monthly sales for the period before incorporation were 25% more than the average monthly sales for the period after incorporation. The total sales during the year was Rs. 26,50,000.

Find out time ratio, sales ratio and pre and post-incorporation sales.

4. ABC Ltd., purchased the business of XYZ Ltd., Calculate adjusted average profits for 4 years.

2018-19 - Rs. 40,500

2019-20 - Rs. 46,500

2020-21 - Rs. 60,000

2021-22 - Rs. 75,000

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a) The company purchased new furniture on 30th September 2019 which was entered in purchase day book. The value of furniture was Rs. 10,000. Depreciation should be provided at 10% under diminishing balance method.

b) The opening stock for the year 2020-21 was undervalued by Rs. 2,500.

c) Administration expenses Rs. 5,000 per annum.

5. Mr. Ramkumar has 5,000 equity shares in Hindustan Ltd., The nominal and paid up value of the company shares as per the balance sheet was 20,000 equity shares of Rs. 10 each and 10,000, 5% preference shares of Rs. 10 each. Preference shares do not participate in further profits, as it is ascertained that the normal annual net profit after tax is Rs. 50,000 and normal rate of dividend on equity shares by similar business concern is 8%. Calculate the value of shares under yield method.

6. Under which heading and sub headings will the following items appear in the balance sheet of a company as per schedule III, Part - I of the Companies Act, 2013?

a) Trademarks.
b) Proposed dividend.
c) Discount on issue of shares.
d) Stores and spare parts.
e) Provision for taxation.

7. From the following particulars prepare a note showing reserves and surplus

a) P&L A/c balance brought forward Rs. 4,00,000.

b) Net profit before tax Rs. 35,00,000 (Tax rate 40%).

c) Transfer to reserve fund Rs. 5,00,000.

d) Dividend on 40,000, 10% preference shares of Rs. 10 each.

e) 40,000 equity shares of Rs. 100 each, Rs. 80 paid.

f) The directors propose dividend of 20% on equity shares (Ignore Corporate Dividend Tax).

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SECTION - C

Answer any Three of the following questions. Each question carries 15 marks.
(3×15=45)

8. Kumar Ltd., 5,00,000 shares of Rs. 10 each which was underwritten as follows:

L - 30% (firm underwriting - 16,000)

M - 25% (firm underwriting - 24,000)

N - 25% (firm underwriting - Nil)

O - 20% (firm underwriting - 60,000)

The total applications excluding firm underwriting but including marked applications were 3,60,000 shares. The marked applications were as follows:

L - 80,000; M - 72,000; N - 48,000 and O - 96,000.

Calculate the net liability of each underwriter treating.

(a) Firm underwriting as marked applications.

(b) Firm underwriting as unmarked applications.

9. Anirudha Ltd., took over the business of Shankar on 1st April 2024 and it was incorporated on 1st July 2024. The Profit and Loss Account of Anirudha Ltd., on 31st March 2025 was as follows:

Particulars	Amount	Particulars	Amount
To Commission (Sales)	2625	By Gross profit	98,000
To Advertising	5250	By bad debts recovered	500
To Managing Director's Remuneration	9,000		
To Depreciation	2,800		
To Salaries	18,000		
To Insurance	600		
To Preliminary Expenses written off	700		
To Rent and Taxes	3,000		
To Discount	350		
To Bad Debts	1,250		
To Net Profit	54,925		
Total	**98,500**	**Total**	**98,500**

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Additional Information:

i. The Average Monthly Sales after incorporation were twice the earlier Average Monthly Sales.

ii. Rent was paid for the first three months at Rs. 200 per month, and was increased by Rs. 50 per month for the balance of the period.

iii. Bad debts of Rs. 350 related only to the period after 1st September 2024 and the balance related to the sales made up to 1st September 2024.

iv. Bad debts realized belong to the debts, which were written off during 2023-24.

Prepare statement showing the profits before and after incorporation of the company.

10. The following is the Balance Sheet of PQR Ltd., as on 30th April 2024:

Assets	**Rs.**
Fixed assets	1,80,000
Current assets	2,44,080
Investment in shares	60,000
	4,84,080
Liabilities	**Rs.**
Creditors	76,080
Capital	3,28,000
Reserve	80,000
	4,84,080

The following is the net profits after tax for the past 4 years:

2021 - Rs. 64,000.

2022 - Rs. 72,000

2023 - Rs. 86,000

2024 - Rs. 90,000

Normal rate of return is 8%. Calculate goodwill based on

- 3 years purchase of super profits based on weighted average.
- Capitalization of super profits.
- Average capital employed should be taken as basis for calculation.
- Profit includes income from investments to the extent of Rs. 4,000.

11. Following is the Balance Sheet of Suryakanth Ltd., as on 31.03.2024.

Liabilities	**Amount**	**Assets**	**Amount**
Share capital (Rs. 10 each)	16,00,000	Fixed assets	20,00,000
Reserves	3,60,000	Current assets	8,00,000
Profit and Loss A/c	80,000	Goodwill	1,60,000
5% debentures	4,00,000		
Current liabilities	5,20,000		
	29,60,000		**29,60,000**

On 31st March 2024, fixed assets were revalued at Rs. 14,00,000 and the goodwill at Rs. 2,00,000. The net profits for the three years were: 2021-22- Rs. 2,06,400, 2022-23- Rs. 2,08,000, 2023-24- Rs. 2,06,600 of which 20% was placed under reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%.

Compute the value of the company's shares by

(a) Net assets method,

(b) Yield method and

(c) Fair value method.

12. The following Trial balance has been extracted from the books of Subhash Ltd., as on 31st March 2024. You are required to prepare the financial statements as per schedule III of the Companie's Act of 2013.

Particulars	Debit(Rs.)	Credit(Rs.)
Land and buildings (cost Rs. 3,00,000)	1,40,000	
Furniture (cost Rs. 15,000)	8,000	
Plant and machinery (cost Rs. 2,00,000)	1,00,000	
Investments	6,000	
Preliminary expenses	4,000	
Advance income tax	8,000	
Printing Stationary	1,200	
Closing stock	1,28,000	
Salaries	8,000	
Debtors	70,000	
Cash in hand	2,000	
Cash at bank	24,000	
Interest	2,000	
Debenture interest	4,000	
Directors fees	2,000	
Rent rates and insurance	2,800	
Share capital Rs. 100 each		2,00,000
General reserve		30,000
8% Debentures		1,00,000
Bank overdraft		3,500
Sundry creditors		10,000
Securities premium		6,000
Revenue from operations		1,14,000
Profit and loss account		6,500
Sinking fund		40,000
	5,10,000	**5,10,000**

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Adjustments:

a) Provide depreciation on land and buildings at 5% on straight line basis and furniture, plant and machinery at the rate of 20% on diminishing balance method.

b) Provide Rs. 5,000 for bad and doubtful debts.

c) Provide for audit fees Rs. 2,500, provision for income tax Rs. 14,000 and debenture interest Rs. 6,000.

d) Insurance prepaid Rs. 800.

e) Write off half of preliminary expenses.

f) Directors have recommended for:

- Transfer of Rs. 10,000 to sinking fund.
- Transfer Rs. 4,000 to general reserve.
- Equity dividend at 8% on paid up capital.

SECTION - D

Answer the following question this carries 5 marks. **(1×5=5)**

13. Prepare a statement of profit and loss with imaginary figures Schedule III of the Companie's Act of 2013.
