Name: **Enrolment No:**	UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Corporate Accounting
Semester: II
Course Code: FINC1006
Programme: BCom (H)
Time: 03 Hours **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

		Marks	CO
Q.1.	**Share allotment Account is** a) Personal b) Real c) Nominal d) Asset	**2**	**2**
Q.2.	**Call in arrear is shown** a) Under the head current liabilities b) Under the head current assets c) By deducting from the called up capital d) Under the head fixed assets	**2**	**1**
Q.3.	**Post-acquisition profit is** a) Capital profit b) Revenue profit c) Super profit d) Normal Profit	**2**	**1**
Q.4.	The return which the company pays on borrowed funds is termed as a) Dividend b) Interest c) Bonus d) All of the above	**2**	**1**
Q.5.	**The maximum allowable discount on Equity shares is** a) 10% b) 8% c) 5% d) 2%	**2**	**3**
Q.6.	**Dividend is usually paid on** a) Called up Capital b) Nominal Capital c) Paid up Capital d) Capital	**2**	**2**
Q.7.	**A share represents** a) An interest in the Company b) Assets of the Company c) Liabilities of the Company d) Profit in the Company	**2**	**3**

Q.8.	**Share forfeited Account is shown on the liabilities side of the Balance Sheet** a) By adding to the paid up Capital b) Under the head current liabilities and provision c) Under the head Reserves & Surplus d) Under the head fixed asset	**2**	**1**
Q.9.	**Goodwill is** a) Intangible assets b) Fictitious assets c) None of the above d) Current assets	**2**	**1**
Q.10.	**Debentures are shown in the Balance Sheet at** a) Face Value b) Discount c) Premium d) Book price	**2**	**2**
	SECTION B		
		Marks	**CO**
Q.1.	Calculate the value of goodwill according to capitalization of Super Profits Methods from the following information: 1. Future Maintainable Profits after tax Rs. 5,00,000 2. Net Assets Employed Rs. 10,00,000 3. Normal Rate of Return 10%	**15**	**2**
Q.2.	Shakti Ltd invited application for issuing 1,00,000 equity shares of Rs 10 each. The amount was payable as follows: i) On Application Rs. 3 per share ii) On Allotment Rs 2 per share. iii) On First and Final call Rs 5 per share Applications were received for Rs 2,20,000 shares. Applications for 20,000 shares were rejected and their application money was refunded. Shares were allotted to the remaining applicants as follows: i) Allotted 50% shares to Raman who had applied for 40,000 shares. ii) Allotted in full to Akbar who had applied for 20,000 Shares iii) Allotted balance of the shares on prorate basis to the other application. Excess application money was utilized in payment of allotment and final call. All calls were made and were duly received except the first and final call on 600 shares allotted to an applicant in III category. Pass the necessary Journal entries in the books of Shakti Ltd.	**15**	**1**
	SECTION-C		
		Marks	**CO**
Q.1.	Explain the following terms: Authorized Capital, Issued Capital, Subscribe capital, Unissued Capital and Reserve Capital, Equity share, Goodwill, Bonus Shares, Right Shares and Preference shares.	**20**	**2**

<table>
<tr>
<td>Q.2.</td>
<td>Given below are the extracts from the Balance Sheet of TULSIAN Ltd as at 31st March, 2015:
<table>
<tr><td>Particulars</td><td></td></tr>
<tr><td>Equity Shares of Rs 10 each fully called up</td><td>5,00,000</td></tr>
<tr><td>Less: Calls- in-arrears @2</td><td>(20,000)</td></tr>
<tr><td>15% Preference shares of Rs 100 each fully paid</td><td>1,00,000</td></tr>
<tr><td>Less: Calls-in-arrears @20</td><td>(4,000)</td></tr>
<tr><td>Reserves and Surplus:</td><td>1,50,000</td></tr>
<tr><td>Long-term Borrowings</td><td>1,00,000</td></tr>
<tr><td>Short-term Borrowings</td><td>1,00,000</td></tr>
<tr><td>Proposed Dividend</td><td>1,50,000</td></tr>
<tr><td>Goodwill</td><td>1,00,000</td></tr>
<tr><td>Tangible Fixed Assets</td><td>2,00,000</td></tr>
<tr><td>10% Investments: (Face Value Rs 80,000)</td><td>1,00,000</td></tr>
<tr><td>Current assets</td><td>6.76,000</td></tr>
</table>
Additional Information: a) Goodwill is valued at Rs 1,60,000 and Tangible Fixed assets are found undervalued by Rs 1,60,000. B) Of the Investments 10% is trade and the balance non-trade. All trade Investments are to be valued at 10% below cost. C) Disputed Bonus claim of Rs 29,000 not yet provided in the accounts for 2014-2015 is settled at Rs 19,000. Required: Calculate the Ex-Dividend Intrinsic Value of Equity Shares (Ignore Income Tax and Dividend Tax).</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Q.3.</td>
<td>Given below are the extracts from the Balance Sheet of Glory Ltd. As at 31st March 2015:
<table>
<tr><td>Particulars</td><td>Rs</td></tr>
<tr><td>5,000 Equity Shares of Rs. 100 each fully paid up</td><td>5,00,000</td></tr>
<tr><td>3,000 12% Cum Preference Shares of Rs. 100 each, fully paid up</td><td>3,00,000</td></tr>
<tr><td>General Reserve</td><td>2,40,000</td></tr>
<tr><td>Profit and Loss A/c:</td><td></td></tr>
<tr><td>Balance on 1.4.2014</td><td>1,20,000</td></tr>
<tr><td>Profit including</td><td></td></tr>
<tr><td>Investment Income of Current Year 4,80,000</td><td></td></tr>
<tr><td>Less: Provision for Tax (2,40,000)</td><td>3,60,000</td></tr>
<tr><td>Trade Creditors</td><td>2,10,000</td></tr>
<tr><td>Provision for Taxation</td><td>2,40,000</td></tr>
<tr><td>Tangible Fixed Assets:</td><td>7,80,000</td></tr>
<tr><td>6% Government Securities at Cost (Face value Rs. 2,00,000)</td><td>1,60,000</td></tr>
<tr><td>Trade Debtors</td><td>3,80,000</td></tr>
<tr><td>Inventories (Taken at 90% of market value)</td><td>4,50,000</td></tr>
<tr><td>Cash and Bank Balances</td><td>80,000</td></tr>
</table>
Additional Information:
a) The company’s prospects in the near future appear good.
b) The Tangible Fixed Assets are understand by Rs. 4,80,000 and have suffered a further depreciation of Rs, 2,00,000.
c) Companies doing similar business as that of Glory Ltd show a market return of 15% on capital employed.
d) Profits over the prior 3 years period have been increasing at the rate of Rs. 50,000 per annum.
e) It had always been the company’s practice to value inventories at market rates
Required: Calculate the value of goodwill at 3 years’ purchase of super profits.</td>
<td>20</td>
<td>3</td>
</tr>
</table>

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SECTION A

		Marks	CO
Q.1.	**The only feasible purpose of financial management is** a) Wealth Maximization b) Sales Maximization c) Profit Maximization d) Assets maximization	**2**	**1**
Q.2.	**Financial management process deals with** a) Investments b) Financing decisions c) Both a and b d) None of the above	**2**	**1**
Q.3.	**Discounting technique is used to find out** a)Terminal Value b) Compounded Value c) Present Value d) Future Value	**2**	**1**
Q.4.	**The return which the company pays on borrowed funds is termed as** a) Dividend b) Interest c) Bonus d) All of the above	**2**	**2**
Q.5.	**Finance Function comprises** a) Safe custody of funds only b) Expenditure of funds only c) Procurement of finance only d) Procurement & effective use of funds	**2**	**2**
Q.6.	**The objective of wealth maximization takes into account** a) Amount of returns expected b) Timing of anticipated returns c) Risk associated with uncertainty of returns d) All of the above	**2**	**3**
Q.7.	**Which method of capital budgeting called benefit cash ratio?** a)Pay back period b)Net present value c)Pay out period d)Profitability index number	**2**	**3**

Q.8.	**Cost of Capital refers to :** a)Flotation Cost b) Dividend c) Required Rate of Return d) None of the above	**2**	**3**
Q.9.	**Financial management mainly focuses on** a) Efficient management of every business b) Brand dimension c) Arrangement of funds d) All elements of acquiring and using means of financial resources for financial activities	**2**	**2**
Q.10.	**Which is a capital expenditure?** a) Research and Development Project b) Project Generation c) Project Expansion d) All of the above	**2**	**2**
SECTION B			
		Marks	**CO**
Q.1.	Bharat Ltd issued a prospectus inviting applications for 20,000 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 First Call Rs. 3, on Second and Final Call Rs. 2. Applications were received for 30,000 shares and prorate allotment was made on the applications for Rs 24,000 shares. It was decided to utilize excess Application Money towards the amount due to allotment. Ramesh to whom 400 shares were allotted failed to play the allotment money and Mohan the holder of 600 shares failed to pay the two calls. These were subsequently forfeited after the second call was made. Of the shares forfeited, 800 shares were sold to Krishan credited as full paid for Rs. 9 per share, the whole of Ramesh's shares being included. **Required: Pass the necessary Journal Entries.**	**10**	**2**
Q.2.	Explain the term : Authorized Capital, Issued Capital, Subscribe capital, Unissued Capital and Reserve Capital	**10**	**1**
Q.3.	P Ltd. Forfeited 50 shares of Rs 100 each issued at 10% premium for non-payment of allotment money of Rs 30 per share (including premium) and first call of Rs 30 per share. The second and final call of Rs 20 per share was not yet called. i) State whether these shares can be reissued. ii) State whether these shares can be reissued at premium only. iii) State with reason whether these shares can be reissued as Rs 80 paid up for the Rs. 40 per share. **iv)** If 20 of these shares were re-issued as Rs 80 paid up for Rs 70 per share. **Pass Journal Entries regarding forfeiture and re-issue of shares and prepare Forfeited Shares Account.**	**10**	**2**

SECTION-C

		Marks	CO
Q.1.	Given below are the extracts from the Balance Sheet of Glory Ltd. As at 31st March 2015: <table><tr><td>Particulars</td><td>Rs</td></tr><tr><td>5,000 Equity Shares of Rs. 100 each fully paid up</td><td>5,00,000</td></tr><tr><td>3,000 12% Cum Preference Shares of Rs. 100 each, fully paid up</td><td>3,00,000</td></tr><tr><td>General Reserve</td><td>2,40,000</td></tr><tr><td>Profit and Loss A/c:</td><td></td></tr><tr><td>Balance on 1.4.2014</td><td>1,20,000</td></tr><tr><td>Profit including</td><td></td></tr><tr><td>Investment Income of Current Year 4,80,000</td><td></td></tr><tr><td>Less: Provision for Tax (2,40,000)</td><td>3,60,000</td></tr><tr><td>Trade Creditors</td><td>2,10,000</td></tr><tr><td>Provision for Taxation</td><td>2,40,000</td></tr><tr><td>Tangible Fixed Assets:</td><td>7,80,000</td></tr><tr><td>6% Government Securities at Cost (Face value Rs. 2,00,000)</td><td>1,60,000</td></tr><tr><td>Trade Debtors</td><td>3,80,000</td></tr><tr><td>Inventories (Taken at 90% of market value)</td><td>4,50,000</td></tr><tr><td>Cash and Bank Balances</td><td>80,000</td></tr></table> Additional Information: f) The company's prospects in the near future appear good. g) The Tangible Fixed Assets are understand by Rs. 4,80,000 and have suffered a further depreciation of Rs, 2,00,000. h) Companies doing similar business as that of Glory Ltd show a market return of 15% on capital employed. i) Profits over the prior 3 years period have been increasing at the rate of Rs. 50,000 per annum. j) It had always been the company's practice to value inventories at market rates **Required: Calculate the value of goodwill at 3 years' purchase of super profits.**	**20**	**2**
Q.2.	Explain the concept of Goodwill. Explain the nature of Goodwill. What are characteristics of Goodwill?	**10**	**1**
Q.3.	What is a share? What is the purposes of valuation of share? When does the valuation by a valuer becomes necessary? Explain the factors affecting the valuation of shares.	**20**	**3**