

**BACHELOR OF COMMERCE
FIFTH SEMESTER
CORPORATE ACCOUNTING
BCM - 501**

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

$1 \times 20 = 20$

Choose the correct answer from the following:

1. Corporate Accounting refers to:
 - a. The recording and management of personal finances of company employees.
 - b. The process of recording a company's financial transactions.
 - c. The calculation of taxes owed by individual shareholders.
 - d. The accounting for non-profit organizations.
2. Which of the following is not the Corporate Accounting services and system?
 - a. Financial software
 - b. Book Keeping
 - c. Account Receivable
 - d. GAAP
3. Public Sector enterprises are primarily owned by which of the following?
 - a. Private Individuals
 - b. Foreign investors
 - c. Government
 - d. Charitable trust
4. What is the primary purpose of Corporate Accounting?
 - a. To assist management in making decisions.
 - b. To provide information for tax purposes.
 - c. To comply with legal requirements.
 - d. To record financial transactions.
5. Which of the following is a type of share?
 - a. Preference Share
 - b. Debentures
 - c. Loans
 - d. All the above
6. What is the purpose of debentures?
 - a. To raise short term capital
 - b. To raise long term loan
 - c. To pay dividends
 - d. To repay Loans
7. How are debentures classified?
 - a. Secured and unsecured
 - b. Convertible and non-convertible
 - c. Long term and short term
 - d. All of the above.
8. What is the accounting treatment for share capital and debentures?
 - a. Both are treated as Liabilities
 - b. Both are treated as Equity
 - c. Share Capital is treated as equity, while debentures are treated as liabilities
 - d. Share Capital is treated as liability, while debentures are treated as equity

9. The Income Statement of a company primarily shows:
 - a. Financial position at a specific point in time
 - b. Assets, Liabilities and Equity
 - c. Revenues, Expenses and profits over a period
 - d. Cash inflows and outflows
10. Goodwill is classified under which section of the Balance Sheet?
 - a. Intangible Assets
 - b. Current Assets
 - c. Non-current Liabilities
 - d. Shareholder's Equity
11. Which of the following measures a company's ability to pay off its current liabilities with its current assets?
 - a. Profit Margin
 - b. Return on Equity
 - c. Debt-Equity Ratio
 - d. Current Ratio
12. Depreciation is shown on which of the following financial statements?
 - a. Balance Sheet
 - b. Income Statement
 - c. Cash flow statement
 - d. All of the above
13. What is the primary purpose of valuing goodwill?
 - a. Financial Reporting
 - b. Taxation
 - c. Mergers and acquisitions
 - d. All of the above
14. What is Super Profit in Goodwill Valuation?
 - a. Excess profit over normal profit
 - b. Average annual profit
 - c. Total assets minus total liabilities
 - d. None
15. Yield method is suitable for:
 - a. Growing Companies
 - b. Dividend -paying Companies
 - c. Start-ups
 - d. All of the above
16. For valuation of small block of shares, _____ method is suitable:
 - a. Net Asset
 - b. Fair Value
 - c. Dividend Yield
 - d. Asset Backing
17. Reconstruction involves the recognition of a company's:
 - a. Share
 - b. Debt
 - c. Management
 - d. Capital
18. Amalgamation can be classified into _____ types.
 - a. Two
 - b. Three
 - c. Four
 - d. Five
19. Goodwill is amortised over a maximum period of:
 - a. 40 years
 - b. 20 years
 - c. 10 years
 - d. 5 years
20. Which accounting standard deals with the accounting treatment of amalgamation?
 - a. AS 14
 - b. AS 10
 - c. AS 2
 - d. AS 22

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Compare and contrast Corporate and Non-Corporate entities. Describe the accounting practices and regulations that apply to Corporations. 5+5= 10
2. XYZ Ltd. issued 10,000 equity shares of Rs. 10 each at a discount of 10%. The amount is payable as follows: On application Rs. 2; on allotment Rs. 4 and on the final call Rs. 3. 10
All the shares offered were subscribed for and the money was duly received. You are required to pass the necessary Journal Entries (including cash) in the books of the company
3. On 1st April, 2021 A Ltd. issued 2,000, 12% Debentures of Rs. 100 each repayable at par at the end of three years. It has been decided to set up a 'Sinking Fund' for the purpose of their redemption. The investments are expected to earn interest of 4% p.a. The Sinking Fund table shows that Re. 0.320348 invested each year amount to Re. 1 @ 4% p.a. in three years. Investments were sold at par on 31st March, 2024 and the debentures were paid off. Pass Journal Entries. *Ignore interest on debentures* 10
4. The following is the extract of Trial balance of Dhanlaxmi Ltd. as on 31-03-2024. 10

Particulars	Rs.
Opening Inventory	70,000
Purchase Return	10,000
Purchases	2,35,000
Sales	3,10,000
Salaries and Wages	50,000
Dividend received	3,200
Carriage Inward	200
Advertisement on share buy back	7,500
Auditor's fee	3,050
Dividend paid	8,000
Patent Rights	800

You are required to prepare a statement of Profit and Loss after considering the additional information:

- a) Closing Stock on 31/3/2024 is Rs. 1,20,000
 - b) Provide for dividend at 10% for current year
 - c) Write off Rs. 200 from patent rights
 - d) Outstanding wages Rs. 400
5. Write short notes on the following: 5×5=10
 - a) Calls in Arrears and Calls in Advance
 - b) Forfeiture of Shares
 6. Elaborate the different methods of valuation of shares. 10
 7. a) The normal rate of return in the business in which M/s. Robinson Brothers deals in is 15%. Its profits for the last four years were: Rs. 25,000; Rs. 26,000; Rs. 32,000 and Rs. 35,000. Its total capital employed is Rs. 1,90,000. Assuming suitable weights ascertain the value of goodwill applying 3 years purchase of super profit. 5+5=10
b) Smith Limited has the following assets and liabilities: Goodwill Rs.2,200, other fixed asset Rs. 8,800, current assets Rs. 4,000 and Preliminary Expenses

Rs. 200. Its all outstanding liabilities amounted to Rs. 800. It had earned an annual average profit before tax Rs. 3,000 for the last five years. The company is likely to be purchased by Alfred Ltd. In which case, the rent paid by Smith Co. Ltd. Rs. 500 p.a. will not be a charge in future. Assuming a normal return of 10% and tax rate at 40%, Calculate the value of goodwill of Smith Ltd.

8. The following is the Balance Sheet of Premier Ltd. as at 31st March, 2024

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Particulars	Amount (Rs)
I. ASSETS:	
(1) Non-Current Assets:	
Property, Plant and Equipment:	
Land & Building	1,00,000
Plant and Machinery	1,50,000
Furniture	2,500
	2,52,500
(2) Current Assets	
Inventory	90,000
Trade Receivables: Debtors	25,000
Cash & Cash Equivalent	12,600
	1,27,600
Total Assets	3,80,100
II. EQUITY & LIABILITIES	
(A) EQUITY:	
(a) Equity Share Capital	
20,000, Equity shares of Rs. 10 each fully paid	
(b) Other Equity	2,00,000
Reserve Fund	25,000
Dividend Equalization Fund	20,000
Surplus in the Statement of Profit and Loss	
5,100	50,100
(B) LIABILITIES:	
(1) Non-current Liabilities:	
Financial Liabilities: Debentures	1,00,000
(2) Current Liabilities	
Trade Payables: Creditors	30,000
Total Equity and Liabilities	3,80,100

The Company is taken over by Tyres Ltd. on the above date. The consideration for amalgamation is the discharge of debentures at a premium of 5%, taking over the liability in respect of creditors and a payment of Rs. 7 in cash per share and one share of Rs. 5 in Tyres Ltd. at market value of Rs. 8 per share in exchange for one share in Premier Ltd. Cost of Liquidation of Rs. 5,000 is met by the purchasing company. Cash and cash equivalent of Premier Ltd. includes Cash at Bank Rs. 12,400 and cash in hand Rs. 200. Pass journal entries in the books of Premier Ltd. assuming the amalgamation is in the nature of purchase.

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