

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA (Integrated) – SEMESTER – 2 EXAMINATION – SUMMER - 2018

Subject Code: 2527104**Date: 02/06/2018****Subject Name: Corporate Accounting****Time: 2:30 PM to 5:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) Calculate net cash flows from operating activities from the following: **07**

(i) Profits made during the year Rs. 4,37,500 after considering the following items:

(a) Depreciation on fixed assets	Rs. 17,500
(b) Goodwill written off	Rs. 8,750
(c) Transfer to General Reserve	Rs. 12,250
(d) Profit on sale of land	Rs. 5,250

(ii) The following is the position of current assets and current liabilities:

Particulars	2017 (Rs.)	2016 (Rs.)
Debtors	26,250	21,000
Creditors	17,500	26,250
Bills receivable	14,000	17,500
Prepaid expenses	7,000	10,500

(b) Classify the following income and expenses into Capital Expenses, Revenue Expenses, Deferred Revenue Expenses, Capital Income and Revenue Income. **07**

(1) Interest on Investment, (2) Purchase of Investments, (3) Research Expenses, (4) Entrance Fees, (5) Rent for Hall, (6) Books for Library, (7) Donation for Building Construction, (8) Sports Ground, (9) Rent received for Ground, (10) Subscription for Newspaper, (11) Ground Maintenance Expenses, (12) Salary of Staff, (13) Purchase of Computer, (14) Charity, (15) Sports Instruments, (16) X-ray Machine, (17) Large Scale advertisement expenses for Golden Jubilee celebration of club, (18) Computer installation charges and wages, (19) Locker rent, (20) Scrap sales, (21) Life Membership fees.

Q.2 (a) Explain Buyback of shares with its effects of buying back of the shares and also explain objectives of Buyback of shares. **07**

(b) EXCEL Ltd. makes a public issue of 3,00,000 equity share of Rs. 10 each at a discount of Rs.1 per share, payable as follows: **07**

On Application & Allotment	Rs. 3
On First Call	Rs. 4
On Second call	Rs. 2

Anil holding 3,000 shares does not pay the second call. His shares are forfeited. Out of this forfeited shares, 1,500 shares are re-issued as a paid up @ Rs. 5 per share.

Give the journal entries and show the necessary working notes.

OR

(b) KK Ltd. issued 10% Debentures of Rs. 30,00,000 at 6% Discount on 1-1-2013. The company received full amount. The company will redeem debentures of Rs.6,00,000 every year. Prepare Debenture Discount A/c till the year of final payment. **07**

Q.3 (a) What is Goodwill? Explain the factors affecting the value of Goodwill. **07**

(b) The capital employed in a business is of Rs. 7,00,000. Last five years' profit before tax is as under. **07**

Rs. 1,47,000; Rs. 1,40,000; Rs. 1,61,000; Rs. 1,57,500 and Rs. 1,64,500.

Assume 50% tax rate and 10% expected rate of return. Also assume that company can retain, expected profit for next five years.

- a) If annuity rate is of Rs. 3.78 according to annuity table find the value of goodwill on the basis of annuity of super profit method.
- b) Also find the value of goodwill on the basis of five years purchase of super profit method.
- c) And also find the value of goodwill as per capitalization of super profit method.

OR

Q.3 (a) A company provides the following data. The intrinsic value of equity share is Rs. 125. the face value of this equity share is Rs. 100. find out the market value of Eq. Share from the following particulars: **07**

- Net assets Rs. 4,37,000
- Average profit before deducting 50% taxes Rs. 2,45,000
(Including interest on investment Rs. 17,500)
- Expected Rate of Return 15%
- Eq. share capital is double than the 10% pref. Share capital.

(b) What is meant by valuation of shares? When is it necessary to value the shares and why? **07**

Q.4 (a) Following is the statement of Receipts and Payments of Arohi Charitable Institution for the year 2016-2017. **07**

Receipts	Rs.	Payments	Rs.
To Balance b/d:		By Charities	29,000
Cash on deposits 10,000		By Salaries	5,200
Cash on current A/c 4,800		By Rent & taxes	2,400
Cash in hand <u>600</u>	15,400	By Printing	600
To Donation	16,000	By Postage	200
To Subscription	14,000	By Advertising exps.	500
To Furniture sold	30,000	By Furniture	1,500
To Legacies	6,000	By Insurance	1,500
To interest on investments	19,000	By Investments	28,000
To Interest on deposit	300	By Advance- Building	10,000
To sale of old newspaper	150	By Balance c/f:	
		Cash on deposits	16,000
		Cash on current A/c	4,500
		Cash in hand	1,450
	<u>1,00,850</u>		<u>1,00,850</u>

Prepare the Income and Expenses Account for the year ended 31st March, 2017 after considering the following:

(1) It was decided to treat one-half of the amount received on Account of Donations is Revenue and Legacies is total Capital Income.

(2) On 1-4-2016 On 31-3-2017

	Rs.	Rs.
Rent Due	500	600
Prepaid rent	700	400
Salaries due	300	900
Advertisement due	200	300
Subscription due	400	800
Subscription paid in advance	800	1000

(3) Interest on investment Rs. 800 though accrued was not actually received.

(b) Distinguish between Receipts – Payments A/c and Income – Expenditure A/c. **07**

OR

Particulars	Debit Rs.	Credit Rs.
Opening Stock	1,25,000	
Sales		4,00,000
Purchases	3,45,000	
Wages	50,000	
Discount	7,000	5,000
Salaries	7,500	
Rent	4,950	
General expenses including insurance	17,050	
Profit and loss account		15,030
Dividend paid	9,000	
Capital (10,000 shares of Rs. 10 each)		1,00,000
Debtors and creditors	37,500	17,500
Machinery	29,000	
Cash in hand	16,200	
Reserve fund		1,15,500
Bad debts	4,830	
Total	6,53,030	6,53,030

Adjustments:

1. Closing stock is valued at Rs. 3,00,000.
2. Purchases include Rs. 5,000 for machinery purchase on 1-7-2017.
3. On 31-12-2017, goods worth Rs. 30,000 were sold to a customer. He has taken away the goods but the transaction was not entered in the sales book.
4. Directors want to provide i) 10% final dividend; ii) income-tax Rs. 30,000; iii) Reserve fund Rs. 20,000.

You are required to prepare company's final accounts and also show the required working notes.

Q.5 (a) The summarised balance sheets of The Nirali Ltd. As at 31st march, 2016 and 2017 is given below:

07

Liabilities	31-3-2017	31-3-2016	Assets	31-3-2017	31-3-2016
Equity shares of Rs. 100 each	2,01,250	1,72,375	Goodwill	7,000	10,105
Reserves and surplus	2,73,000	1,29,500	Plant & machinery less dep.	5,25,000	3,15,000
8% debentures	-	76,125	Investment	8,750	9,845
Creditors	2,62,500	2,18,750	Debtors	1,71,500	80,500
Bills payable	7,000	10,500	Stock	1,22,500	1,13,750
Provident fund	1,48,750	57,750	Cash	40,250	1,22,500
			Expenses paid in advance	17,500	13,300
	8,92,500	6,65,000		8,92,500	6,65,000

The following information is obtained from the books of accounts:

- (1) Dividend of Rs. 30,190 has been paid during the year.
- (2) During the year 2017, investments of Rs. 4,375 were sold out for Rs. 4,200 and shares of the face value of Rs.3,500 were purchased for Rs. 3,280.
- (3) Depreciation on Plant & Machinery during the current year was Rs. 26,250.

Prepare: (a) statement showing change in working capital

(b) Prepare Plant & Machinery A/c, Investment A/c and Share Capital A/c.

(b) Explain the meaning of Cash Flow Statement and Classification of Cash Flow.

07

OR

Q.5 (a) Distinguish between Fund Flow Statement and Cash Flow Statement.

07

(b) (i) From the following information calculate the amount of net cash flows from investing activities: **07**

Particulars	2016 (Rs.)	2017 (Rs.)
Plant and Machinery	8,50,000	10,00,000
Investments (long –term)	40,000	1,00,000
Land (at cost)	2,00,000	1,00,000

Additional information

- (1) Depreciation charged on Plant & Machinery Rs. 50,000.
- (2) Plant and Machinery with a book value of Rs. 60,000 was sold for Rs. 40,000.
- (3) Land was sold at profit of Rs. 60,000.
- (4) No investment was sold during the year.

(ii) X Ltd. Provides the following information, calculate net cash flow from financing activities:

Particulars	2016 (Rs.)	2017 (Rs.)
Equity share capital	5,00,000	6,00,000
14% Debentures	1,00,000	-
12% Debentures	-	2,00,000

Additional information:

- (1) Interest paid on debentures Rs. 19,000.
- (2) Dividends paid Rs. 50,000.
- (3) During the year 2017, X Ltd. issued bonus share in the ratio of 5:1 by capitalizing reserve.
