

6. The net profits of Ambuja Ltd. after providing for taxation for the past five years are 78,000, 82,000, 88,000, 93,000 and 99,000. The capital employed in the business is ₹ 8,00,000 on which a reasonable return of 10% is expected. Compute the value of Goodwill as per capitalisation of average profit method.

SECTION - B

Answer **any four** of the following :

(4×12=48)

7. On 1-1-2018 the following balance appeared in the books of AB Limited :

15% Debentures	25,000
Debenture Redemption Fund	20,000
Debenture Redemption Fund Investment	20,000

(representing 10% Govt. Bonds of the face value ₹ 23,000). The annual instalment to the redemption fund was ₹ 4,125.

On 31-12-2018, the bank balance was ₹ 6,500 (before including interest on investment) investments realised at 90% net and debentures were redeemed.

Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, Debenture Holders A/c and Bank A/c.

8. The following are the Balance Sheets of A Limited and B Limited :

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Shares of ₹ 1 each	1,00,000	50,000	Fixed Assets	60,000	32,000
P/L A/c	24,500	6,000	Goodwill	—	5,000
Debentures	20,000	—	45,000 shares		
Creditors	7,500	3,000	in B Ltd.	60,000	—
			Current Assets	32,000	22,000
	1,52,000	59,000		1,52,000	59,000

Fixed assets of A Ltd. and B Ltd. are worth 71,000 and 36,000 respectively. Value of Goodwill is nil.

Find out intrinsic value of shares of both the companies.



9. The balance sheet of AB Limited is as follows :

Liabilities	₹	Assets	₹
15000 equity shares of ₹ 10 each	1,50,000	Goodwill	10,000
General Reserve	90,000	Fixed Assets	1,80,000
Provision for Tax	10,000	Investments :	
8% Debentures	50,000	5% Govt. Bonds	20,000
Creditors	25,000	Current Assets	1,00,000
		Preliminary expenses	10,000
		Discount on debentures	5,000
	3,25,000		3,25,000

The average profit of the company after deducting interest on debentures and taxes is ₹ 31,000. The market value of the machinery included in fixed assets ₹ 5,000 more. Expected rate of return 10%.

Compute the value of Goodwill of the company at 5 times of super profit.

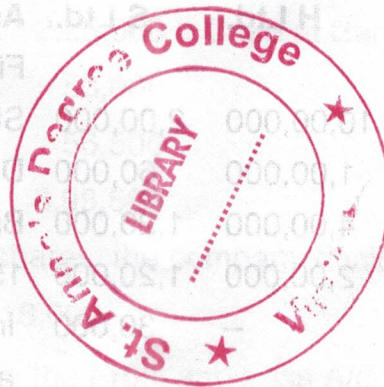
10. Prepare a Balance Sheet, in vertical form of a limited company as on 31-3-2019 from the following information :

Share capital :

100000 Equity shares of ₹ 10 each	10,00,000
8000 preference shares of ₹ 10 each	8,00,000
Security premium	8,00,000
General Reserve	32,00,000
Secured loans	18,00,000
Unsecured loans	3,10,000
Fixed Assets	56,00,000
Goodwill	3,00,000
Investment	2,50,000
Closing stock	14,00,000
Sundry debtors	14,20,000
Cash and Bank Balance	3,40,000
Loans and Advances	5,30,000
Sundry creditors	12,50,000
Bills payable	3,00,000
Provision for taxation	2,00,000
Miscellaneous expenditure	60,000
P/L A/c (Loss)	4,00,000

Provide for :

- i) Depreciation on fixed assets ₹ 6,00,000
- ii) Provision for doubtful debts ₹ 40,000.





11. The Balance Sheet of AB Limited as on 31-3-2018 was as under :

Liabilities	₹	Assets	₹
15000, 5% Redeemable preference shares of ₹ 10 each	1,50,000	Plant and machinery	4,00,000
30000 Equity shares of ₹ 10 each	3,00,000	Furniture	42,000
General Reserve	1,60,000	Vehicles	48,000
Profit and Loss A/c	55,000	Investments	1,00,000
Security Premium A/c	1,35,000	Stock	2,10,000
Creditors	2,00,000	Debtors	1,10,000
	10,00,000	Bank	90,000
			10,00,000

On 31-3-2018 the company decided to redeem the preference shares at a premium of 5% for this purpose it decided to sell the investments realising ₹ 97,500.

Give Journal Entries and redraft the Balance Sheet.

12. From the Balance Sheet and information given below, prepare consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Shares of ₹ 10 fully paid	10,00,000	2,00,000	Fixed Assets	8,00,000	1,20,000
Reserve	1,00,000	60,000	Stock	6,10,000	2,40,000
P/L A/c	4,00,000	1,20,000	Debtors	1,30,000	1,70,000
Creditors	2,00,000	1,20,000	Bills Receivable	10,000	-
B/P	-	30,000	15,000 shares in S Limited at cost	1,50,000	-
	17,00,000	5,30,000		17,00,000	5,30,000

I) Entire profit of S Limited has been earned since the shares were acquired on 1-4-2018 but there was already reserve of ₹ 60,000 at that date.

II) The bills accepted by S Limited ₹ 10,000 are in favour of H Limited.

III) The stock of H Limited includes ₹ 50,000 bought from S Limited at a profit to the latter of 25% on cost.

SECTION - C

Answer any two questions :

(2×24=48)

13. On 1-4-2015 Sringer Limited issued 10,000 8% Debentures of ₹ 100 each at par repayable at the end of 4 years at a premium of 5%. It is decided to institute a sinking fund for the purpose, the investments being expected to earn 4% net. The table show that 0.235490 annually amounts to ₹ 1 at 4% in four years. Investments were made in multiples of ₹ 100 only. On 31-3-2019 the balance at bank was ₹ 3,70,000 (before interest on investments) and the investments realised ₹ 7,84,000. The debentures were paid off.

Prepare :

8% Debentures A/c, Sinking Fund A/c, Sinking Fund Investment A/c, Bank A/c and Debenture Holders A/c.

14. A Balance Sheet of Amardeep Ltd. as on 31-3-2018 was as follows :

6500, 12% Redeemable preference shares of ₹ 10 each	65,000	Fixed Assets	3,50,000
4500 Equity shares of ₹ 50 each	2,25,000	Investments	18,500
Profit and Loss A/c	53,000	Cash at Bank	31,000
Creditors	56,500		
	3,99,500		3,99,500

In order to redeem the preference shares, the company decided :

- To sell all the investments for ₹ 16,000.
- To leave a balance of ₹ 12,000 in the Profit and Loss A/c.
- To issue sufficient number of equity shares of ₹ 50 each at a premium of ₹ 13 per share to raise the balance of funds required for redemption.

The equity shares were fully subscribed and the preference shares were redeemed at 10% premium.

The directors then issued bonus shares to the equity shareholders at the rate of one for every 10 shares issued.

Pass the necessary Journal Entries and prepare the Balance Sheet.



15. The following Trial Balance appeared in the books of Maruthi Limited as on 31-3-2018 :

Calls in Arrears	5,000	Capital	3,00,000
Stock	27,200	Sales	3,63,100
Purchases	2,91,200	General Reserve	1,00,000
Salaries	41,000	Creditors	20,300
Other expenses	18,200	Provision for tax	1,00,000
Investments	90,000	Dividend on investment	6,200
Plant	80,000	Profit and Loss A/c	60,500
Debtors	1,42,000		
Goods sent on consignment	17,200		
Cash at Bank	2,17,300		
Income tax paid	21,000		
	9,50,100		9,50,100

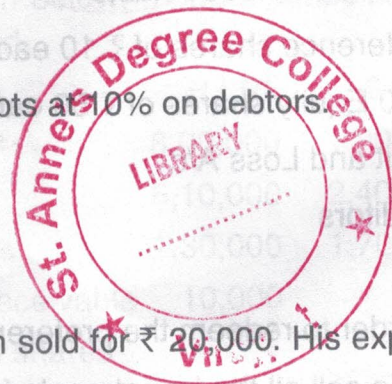
Additional information :

- 1) Closing stock was valued at ₹ 1,00,000.
- 2) Provide Reserve for bad and doubtful debts at 10% on debtors.
- 3) Proposed dividend 10%.
- 4) Depreciation on plant 10%.
- 5) Transfer ₹ 30,000 to General Reserve.
- 6) All the goods on consignment have been sold for ₹ 20,000. His expenses were ₹ 150 and commission 5%.
- 7) Provision for taxation required for the year 2017-18 was ₹ 80,000.

Prepare the final accounts of the company in the vertical form.

16. Following are the Balance Sheet of Hira Limited and Sona Ltd. as on 31-12-2018 :

Liabilities	Hira	Sona	Assets	Hira	Sona
Shares of ₹ 100			Goodwill	40,000	30,000
each	5,00,000	2,00,000	Fixed assets	3,60,000	2,20,000





General Reserve	1,00,000	60,000	Stock	1,00,000	90,000
Profit and Loss A/c	1,16,000	1,22,000	Debtors	20,000	75,000
Bills payable	-	40,000	Shares in		
Creditors	80,000	50,000	Sona Ltd.	2,40,000	-
			Cash at Bank	36,000	57,000
	7,96,000	4,72,000		7,96,000	4,72,000

- I) The Profit and Loss A/c of Sona Ltd. showed an opening credit balance of ₹ 50,000 on 1-1-2018.
 - II) Hira Limited acquired 1500 shares of Sona Limited on 1-7-2018.
 - III) The B/P of Sona Ltd. were all issued in favour of Hira Ltd. which got discounted.
 - IV) Creditors of Sona Ltd. include ₹ 20,000 for goods supplied by Hira Limited.
 - V) Stock of Sona Limited included goods ₹ 8,000 supplied by Hira Limited at a profit of 25% on sales.
- Prepare consolidated Balance Sheet as at 31-12-2018.



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BCMCMC 315

**Credit Based V Semester B.Com. Examination, Sept./Oct. 2020
(Common to all Batches) (Repeaters)
COMMERCE
Cost and Management Accounting – III**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever required.

SECTION – A

Answer **any four** of the following :

(4×6=24)

1. Distinguish between job order costing and batch costing.
2. Explain escalation clause and de-escalation clause.
3. Compute the economic batch quantity for a company using batch costing, with the following information.
 - i) Annual demand for the parts : 10,000 units
 - ii) Setting up cost : ₹ 250
 - iii) Cost of manufacture of one unit : ₹ 400
 - iv) Rate of interest p.a. : 10%
4. The output of process A is 5,000 units. 400 units are considered as abnormal loss. Normal loss allowed is 10%.

Additional information obtained was as under :

Materials @ ₹ 20 per unit of input, wages ₹ 16,000, overhead ₹ 13,400, wastage realized ₹ 10 per unit.

Prepare process 'A' A/c and abnormal loss A/c.

5. Distinguish between 'Joint Products' and 'By Products'.



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8



6. From the following, calculate the total passenger K.M.

Number of buses – 10

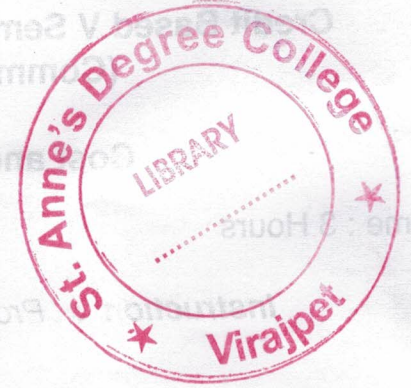
No. of days operated in a month – 28

No. of trips by each bus per day – 2 trips

Distance of route : 25 km (one side)

Capacity of the bus : 50 passengers.

Normal passenger capacity : 80%



SECTION – B

Answer **any four** of the following :

(4×12=48)

7. The information given below has been taken from the records of an engineering works in respect of job No. 555

Materials : ₹ 80,000

Wages : Dept. A – 60 hrs @ ₹ 30 per hour

: Dept. B – 40 hrs @ ₹ 20 per hour

: Dept. C – 20 hrs @ ₹ 10 per hour

The works overheads are as follows.

Variable : Dept. A – ₹ 15,000 for 5,000 hrs

: Dept. B – ₹ 30,000 for 1,500 hrs

: Dept. C – ₹ 20,000 for 500 hrs

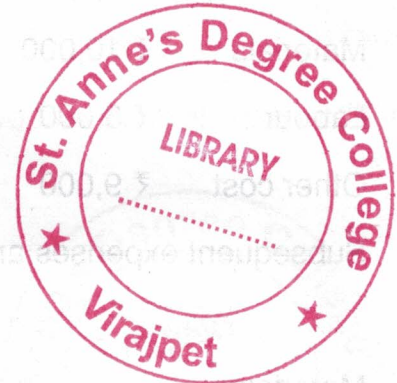
Fixed expenses ₹ 2,00,000 for 10,000 working hours.

Calculate the cost of Job No. 555 and the price for the job to earn a profit of 25% on selling price.



8. The following particulars are extracted from the books of Soujanya Building contractors on 31-3-2019.

- Materials purchased : ₹ 80,000
- Materials issued from other contract : ₹ 5,50,000
- Wages : ₹ 8,75,000
- Inspection charges : ₹ 35,000
- General expenses : ₹ 15,000
- Scrap materials sold : ₹ 6,000
- Establishment charges : ₹ 66,000



A plant was purchased on 1-7-2018 for ₹ 80,000. Of the plant and material charged to the contract, plant which cost ₹ 3,000 and material which cost ₹ 2,500 were lost. On 31-12-2018, the plant was transferred to another contract. An additional plant was purchased on 1-1-2019 for ₹ 2,00,000. The contract price was ₹ 50,00,000. Cash received on account up to 31-3-2019 amounted to ₹ 20,00,000, being 80% of work certified. The cost of work done but not certified was ₹ 75,000. The closing value of material was ₹ 20,000. Charge depreciation on plant at 10% p.a.

Prepare Contract Account

9. The following details are extracted from the costing records of an oil mill for the month of March 2019. Purchase of 500 tonnes of copra costing ₹ 2,00,000.

Particulars	Crushing	Refining	Finishing
	(₹)	(₹)	(₹)
Labour	2,500	1,000	1,500
Power	600	360	240
Other materials	100	2,000	-
Repairs	280	330	140
Steam	600	450	450
Other expenses	1,320	660	220
Cost of drums	-	-	7,500
Sacks sold	400	-	-
Production (tons)	300	250	248

175 tons of copra residue sold for ₹ 11,000. Loss in weight in crushing process is 25 tons. 45 tons of by products got in refining process valued at ₹ 6,750.

Prepare process accounts.



10. Product P yields by products Q and R. The joint expenses of manufacture are :

Materials	₹ 10,000
Labour	₹ 8,000
Other cost	₹ 9,000

Subsequent expenses are as under :

	P(₹)	Q(₹)	R(₹)
Materials	2,000	1,600	1,800
Labour	2,400	1,400	1,700
Other cost	2,600	1,000	1,500
	7,000	4,000	5,000
Sales	42,000	20,000	18,000
Estimated profit on sales	50%	50%	33.33%

Show how you would apportion the joint expenses of manufacture and also prepare necessary accounts.

11. Enumerate the methods which may be employed in allocating joint cost to joint products.

12. Component 'Bee' is made entirely in cost centre 100. Material cost is ₹ 6 per component and each component takes 10 minutes to produce.

The machine operator is paid ₹ 7.20 per hour and the machine hour rate ₹4.50. The setting up of the machine to produce component 'Bee' takes 2 hours and 20 minutes.

On the basis of this information, prepare cost sheet showing the production and setting up costs, both in total and per component, assuming that a batch of

a) 100 components and

b) 200 components are produced.



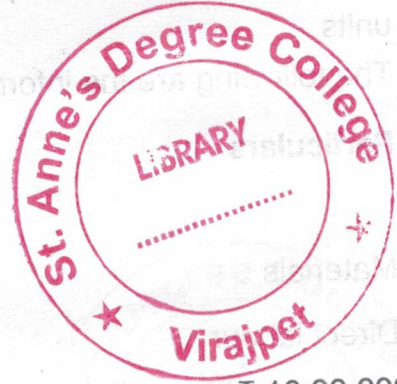
SECTION – C

Answer any two of the following :

(2×24=48)

13. The contract ledger of Sharma and company showed the following expenditure on account of a contract on 31-3-2019.

	₹
Materials	2,10,000
Plant	70,000
Wages	2,93,000
Sundry expenses	15,000
Establishment charges	10,000



The contract was started on 1-4-2018 and the contract price was ₹ 10,00,000. Cash received to date was ₹ 4,80,000 representing 80% of the work certified. The value of plant on 31-3-2019 was ₹ 20,000 and value of materials on hand was ₹ 6,000. The cost of work finished but not certified was ₹ 50,000.

Some of the materials costing ₹ 20,000 were found unsuitable and were sold for ₹ 16,000 and a part of the plant costing ₹ 5,000 was unsuited to the contract was sold at a profit of ₹ 1,000.

In order to calculate the profit made on 31-3-2019, the contractor estimated further expenditure that would be incurred in completing the contract.

The estimates were as under :

- That the contract would be completed by 30th Sept. 2019.
- That a further sum of ₹ 30,000 would have to be spend on plant and the residual value of the plant on the completion of the contract would be ₹ 12,000.
- The materials in addition to those on hand on 31st March 2019 would cost ₹ 1,00,000 and the further sundry expenses ₹ 7,000 would be incurred.
- The wages would amount to ₹ 1,69,000
- That the establishment charges would cost the same amount per month as in the previous year.
- Total ₹ 18,000 would be sufficient to meet the contingencies.

Prepare contract account for the year 31-3-2019.



14. The product of a company passes through three distinct processes to completion. From past experience, it is ascertained that wastage is incurred in each process as under :

Process A – 2%, Process B – 5%, Process C – 10%. The wastage of Process A and B is sold at Rs. 40 per 100 units and that of process C at ₹ 320 per 100 units.

The following are the information regarding the production in March 2019.

Particulars	Process A (₹)	Process B (₹)	Process C (₹)
Materials	48,000	32,000	16,000
Direct labour	64,000	48,000	24,000
Machine expenses	8,000	8,000	12,000
Factory expenses	14,000	15,200	16,800

20,000 units have been issued to Process A at a cost of ₹ 80,000. The output of each process has been as under :

Process A – 19,500 units

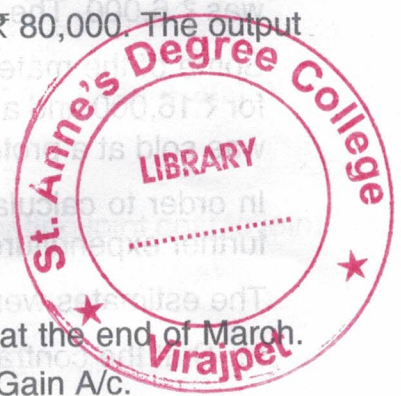
Process B – 18,800 units

Process C – 16,000 units

There were no stock in any process in the beginning or at the end of March. Prepare Process A/c, Abnormal Loss A/c and Abnormal Gain A/c.

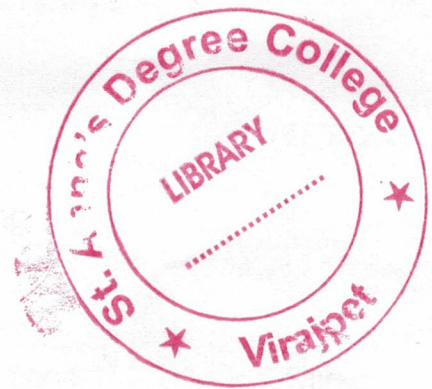
15. Mr. Avatar Singh owns a bus which runs from Delhi to Chandigarh and back for 10 days in a month. The distance from Delhi to Chandigarh is 150 kilometers. The bus completes the trip from Delhi to Chandigarh and back on the same day. The bus goes another 10 days in a month towards Agra. The distance from Delhi to Agra is 120 kilometers. This trip is also completed in the same day. For the rest 4 days of its operation in a month, it runs in the local city. The distance covered in the local city is 40 kilometers.

Calculate the rate Mr. Avatar Singh should charge a passenger when he wants to earn a profit of 33% on his takings. The other information is given below :





- Cost of the bus ₹ 60,000
- Depreciation rate 20%
- Salary of driver ₹ 350 per month
- Salary of conductor ₹ 350 per month
- Salary of accountant ₹ 160 per month
- Insurance ₹ 1,680 per annum
- Diesel consumption 4 kilometer per litre
- Diesel cost ₹ 1 per litre
- Token tax ₹ 600 per annum
- Lubricant oil ₹ 10 per 100 k.m.
- Repairs and maintenance ₹ 500 per month
- Permit fee ₹ 284 per month
- Normal capacity ₹ 50 persons



The bus is generally 90% of the capacity when it goes to Chandigarh and 80% when it goes to Agra. It is always full when it runs within the city. Passenger tax is 20% on his net takings.

16. How would you deal with by-products in costing ?
- a) Where they are of small total value ?
 - b) Where they are of considerable total value ?
 - c) Where they require further processing ?

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BCMCMC 313

Credit Based V Semester B.Com. Degree Examination, Sept./Oct. 2020
(Common to all Batches) (Repeaters)
COMMERCE
Financial Management – I

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes *wherever* necessary.

SECTION – A

Answer **any four** of the following :

1. Explain the features of 'debt'.
2. Explain the scope of Financial Management under traditional approach.
3. What are the functions of Registrar to public issue of shares ?
4. Bharathi Ltd. has equity share capital of ₹ 8,00,000, preference share capital of ₹ 4,00,000, Reserve and Surplus ₹ 6,00,000, debentures to the extent of ₹ 30,00,000 and long term loan from IFCI Ltd. at ₹ 15,00,000. It has ₹ 3,00,000 miscellaneous expenditure on the asset side. Calculate the Debt Equity Ratio.
5. A machine cost ₹ 3,00,000 and its effective life is estimated to be 6 years. A sinking fund is created for replacing the machine at the end of its effective lifetime, when its scrap realized a sum of ₹ 20,000. Calculate the amount which should be provided every year for the sinking fund if it accumulates 8% p.a. compounded annually.
6. From the following data, calculate the beta and alpha of stock of A and B Ltd.

	Arithmetic	Standard	Correlation
	Mean	Deviation	Coefficient
Market Mean	10%	2%	–
Stock of A Ltd.	12%	3%	0.7
Stock of B Ltd.	9%	2%	0.6

15

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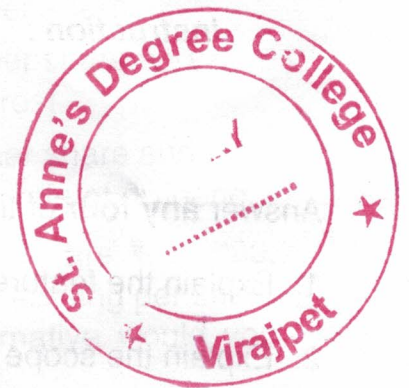
SECTION – B

Answer **any four** of the following.

(4×12=48)

7. What is stock exchange ? What are functions of stock exchange ?
8. Explain the merits of equity shares.
9. Everest Ltd. is considering two alternative projects for implementation. The forecasted cash flows are given for 5 years.

Year	Cash flows	
	Project Nethravathi ₹	Project Kumaradhara ₹
1	52,000	60,000
2	68,000	63,000
3	73,000	65,000
4	65,000	59,000
5	78,000	72,000



The cost of the project is ₹ 1,50,000. The cost of capital of the company can be assumed to be 8%. Determine, which project is more profitable and acceptable based on Net Present Value (NPV).

10. Two alternative plans are under consideration of Sri Mukambika Engineering Ltd. The forecasted figure are submitted to you.

Mahanadhi Project		Brahmaputra Project	
Net Profit (₹ in crores)	Probability	Net Profit (₹ in crores)	Probability
40	0.1	43	0.2
41	0.2	44	0.2
42	0.2	45	0.1
43	0.1	46	0.2
44	0.3	47	0.1
45	0.1	48	0.2

Determine the risk profile of the two projects through their standard deviations.



11. The capital structure of Abhinaya Ltd. comprises following.

Equity shares of ₹ 10 each	₹ 4,00,000
15% preference shares of ₹ 100 each	₹ 1,00,000
10% debenture of ₹ 100 each	₹ 5,00,000

It sells 1,00,000 units at ₹ 10 per unit with material cost of ₹ 3 per unit and labour cost of ₹ 2 per unit and a fixed cost of ₹ 1,00,000.

The applicable corporate tax rate is 35%.

Calculate operating leverage, financial leverage, combined leverage and EPS of the company.

12. Two projects are under consideration of a small scale industry. Calculate Return on Investment and Range. Which project is less riskier based on Range ?

Project X

Particulars	Optimistic	Expected	Pessimistic
Sales (unit)	10,000	9,000	8,000
Price/unit	20	18	16
Material/unit	1	2	3
Labour/unit	2	3	4
Fixed cost	40,000	45,000	50,000
Capital employed	1,60,000	1,70,000	2,00,000

Project Y

Particulars	Optimistic	Expected	Pessimistic
Sales (unit)	11,000	9,000	8,000
Price/unit	20	16	15
Material/unit	1	2	3
Labour/unit	1	3	4
Fixed cost	40,000	50,000	60,000
Capital employed	1,50,000	2,00,000	2,50,000

17

BCMCMC 313

-4-

SECTION – C

Answer any two of the following.

13. Explain the function and powers of SEBI.
14. Explain the procedure involved in Book building process.
15. A company needs ₹ 5,00,000 for construction of new plant. The following three financial plans are feasible
- A) The company may issue 50,000 equity shares at ₹ 10 per share.
 - B) The company may issue 25,000 equity shares of ₹ 10 per share and 2,500 debentures of ₹ 100 each bearing 8% rate of interest.
 - C) The company may issue 25,000 equity shares at ₹ 10 per share and 2,500 preference shares at ₹ 100 per share bearing 8% rate of dividend.

If the companies earnings before interest and taxes (EBIT) are ₹ 10,000, ₹ 20,000, ₹ 40,000, ₹ 60,000 and ₹ 1,00,000. What are the earning per share (EPS) under each of three financial plans ? Which alternative would you recommend and why ? Assume a corporate tax rate of 50%.

16. The return on stock of Gamma Info Tech Ltd. during a five year period are given below.

Return on Gamma Info Tech Ltd.	Return on Nifty	Return on Sensex
18	16	19
14	13	16
16	15	13
13	12	14
9	4	18

- a) Calculate Alpha and Beta of Gamma Info Tech Ltd. taking Nifty as market return.
- b) Compute Alpha and Beta of Gamma Info Tech Ltd. taking Sensex as market return.

18