

C.U.SHAH UNIVERSITY

Winter Examination-2018

Subject Name : Accounting & Finance – III

Subject Code : 4CO03AFI2

Branch: B.Com (English)

Semester : 3

Date :12/12/2018

Time : 02:30 To 05:30

Marks : 70

Instructions:

- (1) Use of Programmable calculator & any other electronic instrument is prohibited.
- (2) Instructions written on main answer book are strictly to be obeyed.
- (3) Draw neat diagrams and figures (if necessary) at right places.
- (4) Assume suitable data if needed.

- Q-1 Attempt the following questions: (14)**
- a) On the basis of net assets, price of share is decided. 1
 (a) Market (b) Intrinsic (c) Fair (d) Face Value
- b) Goodwill is Assets. 1
 (a) Imaginary (b) Fictitious (c) Intangible (d) current
- c) When risk is more in business then goodwill is 1
 (a) Normal (b) Less (c) More (d) Zero
- d) Super profit = 1
 (a) Avg.profit –Exp. profit (b) Total profit –Exp. profit
 (c) Profit – loss (d) loss - profit
- e) Intrinsic value of share. 1
 (a) Net Assets – Number of Share (b) Net Assets / Number of Share
 (c) Total Assets – Total Liabilities (d) Intrinsic value + Market value / 2
- f) Which of the following price of share remained unchanged in normal circumstances? 1
 (a) Market Price (b) Intrinsic value (c) Fair Value (d) Face Value
- g) Preliminary expenses are apportioned distribute 1
 (a) Time ratio (b) Sale ratio (c) prior Incorporation (d) After incorporation
- h) Salary Expenses are distributed 1
 (a) Prior Incorporation (b) After Incorporation (c) Sale Ratio (d) Time Ratio
- i) Time ratio 1:2, Sale ratio 3:2, Gross Profit 3,00,000 Prior Profit and After Profit 1
 (a) 2,00,000 -1,00,000 (b) 1,80,000 – 1,20,000
 (c) 1,00,000 – 2,00,000 (d) 2,50,000 – 50,000
- j) Which of the following Variable Cost 1
 (a) Diesel (b) Insurance (c) Stationary (d) Rent
- k) Unit Costing of Hotel Industries 1
 (a) Man Show (b) Room Day (c) Bed Day (d) None of above
- l) Which of the following is relevant to operating costing..... 1
 (a) Electricity (b) Railway (c) Car repairing (d) None of above
- m) Why working capital is required in business? 1
 (a) To maintain Reserved Fund (b) To purchase Fixed Assets
 (c) To Meet long term Expense (d) To Meet day to day Expense
- n) Importance of Working Capital..... 1
 (a) Raise Prestige (b) Efficiency (c) Economical Purchase (d) all of above



Attempt any four questions from Q-2 to Q-8

- Q-2 Attempt all questions (14)**
 (a) Short Note – Super Profit 7
 (b) The following is the Balance Sheet of Aadi Ltd as on 31-3-2011: 7

Liabilities	Rs	Assets	Rs.
10% Cum Perf. Share capital	3,00,000	Goodwill	1,00,000
Equity Share Capital	7,00,000	Building (at cost)	7,00,000
General Reserve	5,00,000	Machinery (at cost)	8,00,000
15% Debentures	4,00,000	10% Taxable Investments (Face value Rs. 1,00,000)	
Creditors	1,50,000	Shares in sub. Co.	1,00,000
Bills Payable	50,000	Stock	2,80,000
Outstanding expenses	10,000	Debtors	
Provision for taxation	2,00,000	2,00,000	1,90,000
Workmen's compensation fund	20,000	Less: B.D.R <u>10,000</u>	80,000
Workmen's Profit sharing Fund	70,000	Cash and Bank Balance	30,000
Depreciation Fund:		Prepaid expenses	
Building 50,000		Advertisement Suspense	1,50,000
Machinery <u>1,00,000</u>	1,50,000.	A/C	
	<u>25,50,000</u>		<u>25,50,000</u>

Additional Information:

- (1) The present market value of the building is Rs. 9,00,000 while the remaining assets are to be taken at their book value.
 (2) The expected rate of return on capital employed in the class of the business, done by Aadi Ltd. is 10%.

Find the Expected Profit for the Firm.

- Q-3 Attempt all questions (14)**
 (a) Discuss Factor Affecting Value of Goodwill. 7
 (b) Discuss Factor affecting Value of Share. 7

- Q-4 Attempt all questions (14)**
 (a) The Balance Sheet of Smart Ltd. as on 31st March,2011 is given below: 14

Liabilities	Rs.	Assets	Rs.
1,000 8% preference share of Rs. 100 each	1,00,000	Building at cost price	60,000
4,000 Equity shares of Rs. 100 each	4,00,000	Furniture at cost price	10,000
Reserve Fund	1,37,000	Stock at market price	4,50,000
Depreciation Fund:		4% Govt.securisties (Face value Rs. 4,00,000)	3,80,000
Building 10,000		Debtors 3,00,000	
Investment <u>45,000</u>	55,000	Bad debts	
Profit & Loss A/C:		Reserve 20,000	2,80,000
Balance on 1-4-'11	80,000	Bank Balance	60,000
Profit for the year 2010-'11	4,30,000	Preliminary Exps.	10,000



Creditors	48,000		
	<u>12,50,000</u>		<u>12,50,000</u>

Additional Information: 1) The present value of the Building is Rs. 3,50,000 and Furniture is Rs. 3,000 (2) The Profit earning capacity of the other companies doing such business is 15% of the market value of their shares. (3) Profit for the last three years has shown an increase of Rs. 45,000 annually. (4) Goodwill of the company is to be calculated at there years purchase of super profit.(5)Rate of taxes is 50% and the profit for the year 2010-2011 is before deducting the taxes.(6) The company has been transferring 20% of the profit after taxes every year to its General Reserve Account.

You are required to ascertain the fair value of the share.

Q-5 **Attempt all questions** **(141)**

- (a) Give the Characteristics of Operating Costing. 7
(b) Use the following information and find the Cost Per Passenger Kilometer. 7

Particular	Rs.
Bus Value	20,00,000
Expected life – 2,00,000 km	
Scrap Value	4,00,000
Drivers salary (Monthly)	10,000
Cleaner’s Salary (Monthly)	8,000
Repairing (Monthly)	4,000
Office Expenses (Monthly)	2,000
Rent (Monthly)	2,000
Stationery exp. (Monthly)	4,000
Per liter diesel cost	80
Diesel used - 8Km, per liter	
Oil and other expenses 10% of Diesel expenses.	
Total Kilometer per month 40,000 Km.	
Capacity of Bus 80 Passenger.	
Use of Bus Capacity -80%	

Q-6 **Attempt all questions** **(14)**

Kohli Co. Ltd was formed on 1st August,2010 to purchase the running business of Khatri Brothers from 1st April,2010. The company has prepared its first accounts drawn up upto 31st December, 2010:

Particular	Rs.
Gross profit	7,20,000
Share Transfer Fees	1,000
Directors Fees (per annum)	60,000
Preliminary expenses	3,000
General expenses	36,000
Insurance	9,000
Loss on sale of furniture(sold on 1 st July,2010)	1,000
1% commission on sales	
Distribution Expenses (2/3 fixed)	54,000
Depreciation Expenses	23,000

12% Depreciation o new machinery purchased by the company on 1st August, 2010; worth Rs.1,00,000, is included in the above total depreciation



Rs.23,000.

Rent upto 30th September,2010 was Rs. 36,000 per annum, thereafter it was increased to Rs. 72,000 per annum.

Salary to the manager who upon incorporation was made a director was Rs. 24,000 per annum (since incorporation included in directors' fees above)

The total sales were Rs. 18,60,000; Monthly average of which for the four months of April to July 2010, being one fourth of that of the remaining period.

The company earned a uniform profit. Prepare the statement showing profit/loss prior-after incorporation.

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| Q-7 | Attempt all questions | (14) |
| (a) | Give Importance of Working Capital. | 7 |
| (b) | Explain form of inventories. | 7 |
| Q-8 | Attempt all questions | (14) |
| (a) | Give the Form of Operating Costing. | 7 |
| (b) | Discuss the source of Working Capital. | 7 |

