

C. U. SHAH UNIVERSITY

Winter Examination-2019

Subject Name: Accounting & Finance – III

Subject Code: 4CO03AFI2

Branch: B.Com (English)

Semester: 3 Date: 28/11/2019

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)** Which of the following types Investment is not included while deciding capital employed to calculate valuation of goodwill? 1
 (A) Permanent (B) Trading (C) Non – Trading (D) Current
- b)** Which of the following detail is taken into account while calculating capital employed for valuation of goodwill? 1
 (A) worker's profit sharing funds. (B) preliminary expenses
 (C) workmen's compensation fund (D) none of these
- c)** Formula for super profit.... 1
 (A) expected profit –Avg. profit (B) Avg. profit –Expected profit
 (C) Avg. profit + Expected profit (D) Expected profit +Avg. profit
- d)** On which value of the share company gives dividend? 1
 (A) Market (B) Fair (C) Intrinsic (D) Face
- e)** Which of the following Asset is not considered while calculate Net Assets? 1
 (A) Fictitious (B) Current (C) Fixed (D) None
- f)** Intrinsic value of share -200Rs. 1
 Market value of share – 100Rs.
 The fair value of the share will be
 (A) 200 (B) 150 (C) 100 (D) 300
- g)** Which of the following is considering fixed expense for transport undertaking...? 1
 (A) Petrol (B) License fee (C) Oil (D) Depreciation
- h)** Which of the following is not included in operating costing? 1
 (A) Hospital (B) Hotel (C) Bus (D) Oil company
- i)** Unit cost for Good transformation is 1
 (A) Passenger km (B) Tone km (C) Per kilowatt (D) None of these
- j)** On the which basis Director fees can be distributed? 1
 (A) after incorporation (B) prior incorporation
 (C) Time ratio (D) sale ratio
- k)** Purchase of business 1-1-2018 Incorporation 1-5-2018 1
 Year ending 31-12-2018 Find out the Time Ratio
 (A) 1:2 (B) 2:1 (C) 3:2 (D) 2:3



- D) On the which basis Rent can be distributed? 1
 (A) According to Time (B) According to Sale
 (C) After incorporation (D) Prior incorporation
- m) Main tool of cash management? 1
 (A) Share Capital (B) capital cost
 (C) Cash Budget (D) capital budget
- n) Which capital is floating capital 1
 (A) fixed Capital (B) Reserve Capital
 (C) working capital (D) Share Capital

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

Q-2 Attempt all questions (14)

- (A) The Balance Sheet of Royal Ltd. as on 31-3-2018 is disclosed as under: 7

Liabilities	Rs.	Assets	Rs.
Equity share capital	5,10,000	Fixed Assets	4,50,000
12% Pref. Share	1,20,000	current assets	2,25,000
Creditors	1,80,000	Cash	60,000
		Preliminary expenses	75,000
	8,10,000		8,10,000

Other information:

- (1) The Market price of fixed assets is 10% Less, while the market price of current assets is 12% high.
 (2) Expected rate of return is 15%.
 (3) Average annual profit before distribution of dividend is Rs. 82,350.

From the above particulars find out goodwill by Super Profit Method.

- (B) Explain, How to calculate goodwill with Super Profit Method. 7

Q-3

The following is the Balance Sheet of Regal Ltd. as on 31/03/2018. 14

Liabilities	Rs.	Assets	Rs.
Equity Capital		Land	20,000
50,000 share of Rs. 10 each	5,00,000	Building	5,30,000
10% Pref. Share	5,00,000	Machinery	3,80,000
Reserve	1,60,000	Factory	2,80,000
Profit & Loss	40,000	Investment	60,000
12% Debenture	2,00,000	Stock	1,74,000
Provident Fund	60,000	Debtors	38,000
Creditors	30,000	Cash/Bank	18,000
Bills Payable	10,000		
	15,00,000		15,00,000

Additional Information:

- 1) Present market value of building is Rs. 6,00,000.
 2) The company's average annual profit before deducting tax at 50% is Rs. 3,00,000
 3) The expected rate of return on capital employed in this type of business is considered to be 10%.
 4) The value of goodwill of the company has been ascertained at Rs. 50,000.

From the above information, ascertain the Fair Value of Equity Shares of the company.



Q-4 Attempt all questions (14)

(A) Write the unit of cost for below services. 7

- 1) Electricity Company 2) Water Company 3) Gas Company
4) Hotel 5) Canteen 6) Hospital 7) Theater

(B) Raju Transport Co. has been given a route of 40 k.m. (One way) For running bus. 7

Bus cost is Rs. 1,10,000 and having a life of 10 years. Scrap value is Rs. 14,000.

<u>Other Information:</u>	Rs.
Insurance expenses (Annual)	3,300
Annual Taxes	2,100
Garage Rent	600
Annual Repairs Expenses	3000
Driver's Salary	900
Conductor's Salary	600
Administration expenses (Monthly)	2400
Diesel and Oil per 100 K.M	50

Bus will make two round trips per day.

Carrying on an average 50 passenger on each Trip.

Bus run on an average 25 days in a month.

Find cost per Passenger Kilometer using above information.

Q-5 Attempt all questions (14)

(A) Explain the Types of Working Capital. 7

(B) Discuss the Importance of Working Capital. 7

Q-6 The following are information's regarding the Badasha Co. 14

Purchase of business of a partnership firm 1-1-2007.

Date of incorporation of Badasha Co. 1-5-2007, and Date of First Final accounts 31-12-2007.

Particulars for Accounting year:

Gross Profit – Rs. 1,18,000	Interest on Debenture – Rs. 600
Loss on investment – Rs. 1,200	Depreciation – Rs. 6,000
Interest on Investment – Rs. 600	Rent Paid – Rs. 7,200
Advertisement expenses – Rs. 16,200,	Salary – Rs. 12,000
Expenses of delivery van – Rs. 3,600	Salary of salesman – Rs. 7,200
Director Fees(annual) – Rs. 21,600	
Interest of business purchase – Rs. 4,200	

Other Information

1) In the first half of the year from January to June every month sale is two times comparing to its previous month, in the second half of the year from July to December every month sale is half comparing to its previous month.

2) Purchase price is paid on 31-07-2007.

3) Investments are sold on 31-05-2007

4) Advertisement expenses and salesman's salary included fixed and variable expenses ratio is 2:1

Prepare statement for profit – loss for the period of prior-incorporation and after-incorporation.



- Q-7** **Attempt all questions** **(14)**
- (A) State the factors affecting valuation of Share. **7**
- (B) Discuss the characteristics of Working Capital. **7**
- Q-8** **Attempt all questions** **(14)**
- (A) When Calculating Profit and Loss for prior and after incorporation, how can distribute below information. **7**
- 1) Preliminary expenses 2) Normal expenses
- 3) Advertisement Expenses 4) Share Transfer Fee
- 5) Insurance Premium 6) Bad debt.
- 7) Carriage Outward
- (B) Give the Sample of Operating Costing Statement. **7**

