

Enrollment No: \_\_\_\_\_

Exam Seat No: \_\_\_\_\_

# C. U. SHAH UNIVERSITY

## Winter Examination-2021

**Subject Name: Accounting & Finance - III**

**Subject Code: 4CO03AFI2**

**Branch: B.Com (English)**

**Semester: 3**

**Date: 21/12/2021**

**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.

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- Q-1                      Attempt the following questions:                      (14)**
- a) Which of the following type of investment it is not included while deciding capital employed or net capital employed to calculate valuation of goodwill? 1  
(a) Permanent investment (b) Trading investment  
(c) Non trading investment (d) Current investment
- b) When there is continuous reduction in profit every year which profit is taken into account it for calculating goodwill? 1  
(a) Simple average profit (b) Weighted average profit  
(c) Super profit (d) Capitalised profit
- c) What is the formula for a finding out super profit? 1  
(a) Average profit less Expected profit  
(b) Expected profit less Average profit  
(c) Average profit plus Expected profit  
(d) None of the above
- d) Out of the following which companies share is not quoted in share market? 1  
(a) Foreign company (b) Public sector company  
(c) holding company (d) Private company
- e) The fair price of share means.... 1  
(a) Face value (b) Market value  
(c) Average of Intrinsic Value and Market Value (d) yield value
- f)  $\frac{\text{Rate of dividend} \times \text{Paid up amount of share}}{\text{Expected rate of return}}$  Above formula is useful for calculating which price of the share? 1  
(a) Face value (b) Intrinsic value (c) Market value (d) Fair value
- g) Which of the following cost unit is adopted by Goods Transport Company? 1  
(a) Per ton (b) Per trip (c) Per ton km (d) Per km.



- h) Which of the following item is considered fixed cost from the viewpoint of transport undertaking? 1  
 (a) Diesel (b) Depreciation (c) Garage rent (d) Petrol
- i) Which of the following item is considered variable cost from the viewpoint of transport undertaking? 1  
 (a) Rent (b) Tire and Tubes (c) Salary (d) Cleaners Salary
- j) Director fees are apportioned between two periods in.... 1  
 (a) Time Ratio(b) Turnover Ratio  
 (c) Prior incorporation period (d) Post incorporation period
- k) Profit prior to incorporation is transferred to ..... account 1  
 (a) General Reserve (b) Capital Reserve  
 (c) Goodwill (d) Reserve fund
- l) From the information given below find out the proportion of time period prior and after Incorporation... 1  
 Date of purchase of business 01-07-2020  
 Date of Incorporation 01-10-2020  
 End of the year ending 31-03-201  
 (a) 1:1 (b) 1:2 (c) 1:3 (d) 1:4
- m) Some business enterprises require additional working capital during a particular season, it is called..... Working Capital. 1  
 (a) Regular (b) variable (c) Seasonal (d) Special
- n) Which source for company is known as fair weather friend..... 1  
 (a) Commercial Bank (b) public Deposit  
 (c) Co-operative Bank (d) ploughing back of profit

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

- Q-2** **Attempt all questions** (14)  
 (a) State the characteristic of Working Capital Management. 7  
 (b) State the importance of Working Capital Management. 7
- Q-3** (14)

The following is the balance sheet of Hetal Limited as on 31st December 2020.

Liabilities	Rs.	Assets	Rs.
Equity share	3,00,000	Land and building	2,30,000
10% Pref. share	2,50,000	Machinery	4,40,000
General Reserve	90,000	Trading Invest.	45,000
P& L A/c	2,44,000	NonTrading	
12% debentures	2,80,000	investment (face	
Creditors	1,70,000	value 80000)	85,000
Bills payable	16,000	Stock	2,30,000
Provident fund	45,000	Bills Receivable	50,000
Outstanding exp.	5,000	Debtors	2,70,000
		Cash and Bank	24,000
		Prepaid expense	7,000
		Preliminary	19,000
		expenses	
	<b>14,00,000</b>		<b>14,00,000</b>

**Additional information:**

1. The present market value of land and building is Rs.3,42,500 while



the remaining assets are to be taken at their book value.

2. The Expected Rate of return is 12%

3. The profit of the company before tax at 50% for the last four years are as under:

Year	Profit	Weight
2017	1,80,000	1
2018	1,90,000	2
2019	2,10,000	3
2020	2,40,000	4

From the above particulars you are required to compute the value of goodwill of the company on the basis of 4 years purchase of its super profit.

**Q-4 Attempt all questions (14)**

- (a) Explain factors affecting valuation of Goodwill 7  
 (b) Explain the types of Working Capital 7

**Q-5 Attempt all questions (14)**

- (a) The following is the Balance Sheet of Vandana Ltd. as on 31/03/2020. 10

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

**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.

- (b) What is meant by valuation of share? when is it necessary to value the Share? 04

**Q-6 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) Given information of Ram Company Limited find Intrinsic value of 7



share and Market value of share from the following information:  
**1.** Total Assets – Rs. 19,00,000 **2.** Total Liabilities- Rs. 5,00,000  
**3.** 10% Preference share Rs. 4,00,000  
**4.** Equity share 10,000 share of Rs.10 each fully paid - Rs. 1,00,000  
**5.** Expected rate of return - 20%  
**6.** Profit before 50% and preference share dividend - Rs.4,00,000

**Q-7**

**(a)** From following information, calculate cost per passenger kilometre. **(14)**  
7

**Particulars**

**Rs.**

Cost of Bus

10,00,000

Estimated useful life 1,00,000 km.

Estimated scrap value

2,00,000

Driver's salary per month

5,000

Cleaner's salary per month

4,000

Repairing per month

2,000

Allocated office Expenses per month

1,000

Garage rent per month

1,000

Stationary Expenses per month

2,000

Cost of one Litre Diesel

40

Average cost of diesel is one litre for every 8 km.

Oil and Other Expenses is 10% of Diesel cost.

Total Km. of month 10,000 km.

Capacity of Bus - 40 passenger

Capacity Utilization - 80%

**(b)** Give the perform of an operating costing with the imaginary figures. **7**  
**(14)**

**Q-8**

NZ company limited was incorporated on 31- 7-2020 to take over the running business of MF brothers with effect from 01-04- 2020 the following particulars where obtained for the year ending on 31-03-2021.

**1.** The sales for the first three months were 12.5% then that of the remaining period from July 2020 to March 2021 the sales were equal every month but during the month of November sales were not made due to strike.

**2.** The credit sales 4 pre-incorporation period were Rs.40,000 and for post incorporation Corporation period were Rs.60,000. While total sales for the year were Rs.3,00,000

**3.** The Purchase consideration was paid on 31-01-2021.

**4.** Investment were sold before Incorporation

**5.** The following items appear in the Profit and Loss account:



Insurance and Taxes - Rs.3,000 Discount allowed to debtors - Rs. 450 Salaries - Rs. 11,000 director's fees- Rs.12,000 annual Bad debts- Rs.600 Preliminary expenses - Rs.1,000 Interest on debentures- Rs.1,000 Rent Received(01-07-2020) - Rs.1,800 <b>Advertisement expense -</b> Fixed - Rs. 3,000 variable - Rs.1,800	Share transfer fees - Rs.400 Interest on investment- Rs. 400 Selling expense (40% fixed) - Rs. 6000 Depreciation on machinery - Rs.3,300 Audit fee - Rs.630 Interest paid on purchase consideration - Rs. 4,800 Loss on sale of investment - Rs.2400 Gross profit - Rs.72,000
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Prepare a statement showing profit and loss prior to and after  
Incorporation in the books of NZ Limited

