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DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – DECEMBER 2024

Semester: VI

551CO63 CORPORATE ACCOUNTING

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) Explain the two applications used in Underwriting of shares. (4 Marks)
- b) A company that was Incorporated on 1 January 2019 issued a prospectus inviting applications for 500,000 equity shares at \$10 each per share. The whole issue was fully underwritten by four (4) Individuals as shown in the following:
 - i. A: 200,000 shares
 - ii. B: 150,000 shares
 - iii. C: 100,000 shares
 - iv. D: 50,000 sharesApplications were received for 450,000 shares of which the marked applications were as follows:
 - i. A: 220,000 shares
 - ii. B: 90,000 shares
 - iii. C: 110,000 shares
 - iv. D: 10,000 shares

Required: Calculate the Liabilities of Individual Underwriters. (16 Marks)
2. a) Outline Step 3 under the method of Accounting of profit/loss prior to Incorporation. (6 Marks)
- b) KFC ltd. was incorporated on 1.8.2021 to take the running business of M/S Happy with

assets from 1.4.2021. The accounts of the company were closed on 31.3.2022.

The average monthly sales during the first four months of the year (2021-x2) was twice the average monthly sales during each of the remaining eight months.

Required

Calculate time ratio and sales ratio for pre and post incorporation periods. **(10 Marks)**

- c) State any four (4) expenses which are apportioned on the basis of neither Sale Ratio nor Time Ratio. **(4 Marks)**

3. a) Profits of a firm for the year ended 31st March for the last five years were:

2015	2016	2017	2018	2019
20000	24000	30000	25000	18000

Calculate the value of goodwill on the basis of three years' purchase of weighted Average Profit after assigning weights 1,2,3,4 and 5 respectively to the profits for years ended 31st March 2015,2016,2017,2018 and 2019. **(6 Marks)**

- b) The following particulars are available in respect of the business carried on by a firm.
- i) The profits of the past years are: 2016-12,000; 2017-24,000; 2018-18,000 and 2019-26,000.
 - ii) The firm has average Capital invested of \$120,000
 - iii) The pure rate of return on capital investment is 8% per annum and risk premium expected is 2%.
 - iv) The landlord has decided to increase the rent of shop building by \$2,000 p.a.

Required

Calculate the Value of Goodwill of the business by Capitalization of Super Profit Method. **(10 Marks)**

- c) State four circumstances in which Goodwill is evaluated. **(4 Marks)**

4. a) List down nine (9) cases in which valuation of shares is important. **(9 Marks)**
- b) For the purpose of valuing the shares of the company, the assets were revalued as: Goodwill Rs. 50,000; Land and Building at cost plus 50%, Plant and Machinery Rs. 1, 00,000; Investments at book values; Stock Rs. 80,000 and Debtors at book value, less 10%. **(11 Marks)**

5. a) The following Trial Balance is prepared after preparation of Income Statement for F. Green

as at 31st March 2019.

	Dr.	Cr.
premises	30,000	
furniture	15,000	
Vehicles	4,000	
Inventory	3,400	
Bank	2,300	
Capital		43,500
Loan from ABC Bank		10,000
Trade receivables &trade payables	2,000	2300
Net from profits		8,500
Drawings	7,600	
	64,300	64,300

Required

Prepare Balance Sheet using a Vertical Format. **(10 Marks)**

- b) State the limitations of a Balance Sheet. **(5 Marks)**
 - c) Explain a Corporation's balance Sheet elements. **(5 Marks)**
6. a) List and explain the methods used to evaluate shares. **(8 Marks)**
- b) The value of ABC Company's share is k10. And dividend of k3 per share. It is expected that market value of share will increase by 5%. What is Fair Value of this share for one year if discount rate is 8%. **(8 Marks)**
- c) State at least four (4) important points to consider when valuing shares under Assets-Based Method. **(4 Marks)**
7. a) Discuss the elements of the company Final Account. **(10 Marks)**

- b) Outline at least four (4) points to remember while preparing the balance sheet. **(4 Marks)**
- c) Write the vertical format of the Balance Sheet. **(6 Marks)**