PG Odd Semester (CBCS) Exam., December—2016

COMMERCE

(1st Semester)

Course No. : COMCC–103

(Corporate Financial Accounting)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, selecting **one** from each Unit

UNIT—I

1. *(a)* "Accounting information is needed for decision-making purposes by the users." Elaborate the statement. 10

(b) Highlight the constraints to achieving qualitative characteristics of accounting information. 4

2. *(a)* Discuss the significance of GAAPs. 6

(b) What are the merits and demerits of accounting standards? 4+4=8

UNIT—II

3. Define financial ratio analysis. Discuss the importance and limitations of financial ratio analysis. 4+5+5=14

4. The Balance Sheet of Sitar Ltd. as at 31st March, 2016 is as follows :

Liabilities	₹	*Assets*	₹
Equity Share Capital	6,00,000	Plant and Machinery	4,50,000
Reserves	1,80,000	Furniture	50,000
Creditors	1,20,000	Stock	1,80,000
		Debtors	1,20,000
		Cash at Bank	1,00,000
	9,00,000		9,00,000

The other details are as follows :

(i) Total sales during the year amounting to ₹ 10,00,000 out of which cash sales amounted to ₹ 2,00,000

(ii) The gross profit earned during the year @ 20%

(iii) Amount as on 01.04.2015 :

	₹
Debtors	80,000
Stock	1,40,000
Creditors	30,000

(iv) Cash paid to the creditors during the year—₹ 2,10,000

You are required to calculate the following ratios : 14

(a) Debtors Turnover Ratio

(b) Creditors Turnover Ratio

(c) Stock Turnover Ratio

UNIT—III

5. *(a)* Discuss the rationale of buyback of shares. 7

(b) The Balance Sheet of *ABC* Ltd. as on 31st March, 2015 is as follows :

Liabilities	₹	*Assets*	₹
Share Capital	2,90,000	Tangible Assets	3,45,000
Reserve and Surplus	48,000	Non-current	
Trade Payables	56,500	Investment	18,500
		Cash at Bank	31,000
	3,94,500		3,94,500

The share capital of the company consists of ₹ 50 each equity shares of ₹ 2,25,000 and ₹ 100 each preference shares of ₹ 65,000 (issued on 01.04.2013). Reserves and surplus comprises Profit & Loss A/c only.

In order to facilitate the redemption of preference shares at a premium of 10%, the company decided—

(i) to sell all the investments for ₹ 15,000;

(ii) to finance part of redemption from company funds, subject to leaving a bank balance of ₹ 12,000;

(iii) to issue minimum equity shares of ₹ 50 each at a premium of ₹ 10 per share to raise the balance of funds required.

You are required to pass the necessary Journal Entries giving effect to redemption. 7

6. *(a)* State the circumstances in which the need for valuation of goodwill arises in case of a company. 5

(b) The following informations are available from Cosmos Ltd. as at 31st March, 2016 :

Liabilities	₹
1000, 5% Preference Shares of ₹ 100 each fully paid up	1,00,000
2000 Equity Shares of ₹ 100 each fully paid up	2,00,000

Liabilities	₹
Reserves and Surplus	2,00,000
6% Debentures	1,00,000
Current Liabilities	1,00,000
Assets	₹
Fixed Assets	4,00,000
Current Assets	3,00,000

For the purpose of valuation of shares, fixed assets and current assets are to be depreciated by 10%; interest on debentures is due for six months; preference dividend is also due for the year. Neither of these has been provided for in the Balance Sheet.

You are required to calculate the value of each equity share. 9

UNIT—IV

7. *(a)* What are the situations that call for internal reconstruction of a company? Discuss. 4

(b) Elaborate the accounting entries to be made in the books of a Limited Company that has adopted a scheme of internal reconstruction. 10

8. Following are the Balance Sheets of Star Ltd. and Moon Ltd. as on 31st March, 2016 :

Liabilities	*Star Ltd.* ₹	*Moon Ltd.* ₹	*Assets*	*Star Ltd.* ₹	*Moon Ltd.* ₹
Equity Share Capital (₹ 10 each)	5,00,000	3,00,000	Land and Building	2,50,000	1,55,000
14% Preference Share Capital (₹ 100 each)	2,20,000	1,70,000	Plant and Machinery	3,25,000	1,70,000
General Reserve	50,000	25,000	Furniture and Fittings	57,500	35,000
Export Profit Reserve	30,000	20,000	Investments	70,000	50,000
Investment Allowance Reserve	—	10,000	Stock	1,25,000	95,000
Profit & Loss A/c	75,000	50,000	Debtors	90,000	1,03,000
13% Debentures (₹ 100 each)	50,000	35,000	Cash at Bank	72,500	52,000
Trade Creditors	45,000	35,000			
Other Current Liabilities	20,000	15,000			
	9,90,000	6,60,000		9,90,000	6,60,000

Star Ltd. takes over Moon Ltd. on 1st April, 2016. Star Ltd. discharges the purchase consideration as below :

(i) Issued 35000 equity shares of ₹ 10 each at par to the equity shareholders of Moon Ltd.

(ii) Issued 15% preference shares of ₹ 100 each to discharge the preference shareholders of Moon Ltd. at 10% premium

The debentures of Moon Ltd. will be converted into equivalent number of debentures of Star Ltd. The statutory reserves of Moon Ltd. to be maintained for 3 more years.

Pass Journal Entries in the books of Star Ltd. and show the Balance Sheet after amalgamation in the nature of purchase.

5+9=14

UNIT—V

9. The following are the Balance Sheets of *A* Ltd. and *B* Ltd. on 31st March, 2016 :

Liabilities	*A Ltd.* ₹	*B Ltd.* ₹	*Assets*	*A Ltd.* ₹	*B Ltd.* ₹
Share Capital :			Land and Building		
10% Preference Shares of ₹ 100 each	—	1,00,000	at cost	3,10,000	1,60,000
Equity Shares of ₹ 100 each	10,00,000	4,00,000	Machinery less 10% Depreciation	2,70,000	1,35,000
General Reserve	1,00,000	50,000	3000 shares in *B* Ltd.	4,50,000	—
Surplus A/c Balance on 01.04.2015	40,000	30,000	Stock at Cost	2,20,000	1,50,000
Profit for 2015–16	2,00,000	80,000	Sundry Debtors	1,55,000	90,000
Creditors	1,50,000	70,000	Cash and Bank	85,000	1,95,000
	14,90,000	7,30,000		14,90,000	7,30,000

A Ltd. acquired 3000 equity shares in *B* Ltd. on 1st October, 2015. As on the date of acquisition, *A* Ltd. found that the value of Land and Buildings and Machinery of *B* Ltd. should be ₹ 1,50,000 and ₹ 1,92,500 respectively.

Prepare the Consolidated Balance Sheet of *A* Ltd. and its subsidiary *B* Ltd. as on 31st March, 2016 taking into consideration the fact that assets are to be taken at their proper values. 14

10. Explain in brief the important provisions of the Companies Act, 2013 relating to accounting for government companies. 14

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