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

COMMERCE

(1st Semester)

Course No. : COM–103 (C)

(Corporate Financial Accounting)

Full Marks : 75
Pass Marks : 30

Time : 3 hours

The figures in the margin indicate full marks for the questions

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

UNIT—I

1. *(a)* What is meant by accounting information? Who are the users of accounting information? 2+3=5

(b) Why do users need accounting information? Explain. 10

2. *(a)* Discuss the importance of GAAPs. 5

(b) Write a detailed note on the process of formulation of accounting standards in India. 10

UNIT—II

3. *(a)* Discuss the advantages and limitations of ratio analysis. 5+5=10

(b) Distinguish between funds flow statement and cash-flow statement. 5

4. From the following details, prepare the Balance Sheet of Alpha Company : 15

Stock velocity—6
Capital turnover ratio—2
Fixed assets turnover ratio—4
Gross profit—20%
Debt collection period—2 months
Creditors payment period—73 days

The gross profit was ₹ 60,000. Closing stock was ₹ 5,000 in excess of the opening stock.

UNIT—III

5. The following is the Balance Sheet of Tribeni Ltd. as on 30th June, 2015 :

Liabilities	₹	*Assets*	₹
Share Capital :		Fixed Assets	13,70,000
5000, 6% Preference Shares of ₹ 100 each	5,00,000	Investment cost (Market value ₹ 2,80,000)	3,00,000
90000 Equity Shares of ₹ 10 each	9,00,000	Inventory	9,00,000
Securities Premium	1,00,000	Debtors	1,00,000
General Reserve	7,50,000	Cash at Bank	1,75,000
Profit & Loss A/c	2,00,000	Cash in hand	5,000
Current Liabilities	4,00,000		
	28,50,000		28,50,000

It was decided on 01.07.2015 to redeem the preference shares at a premium of 5%. To finance the redemption, all the investments were realized at the market value stated on the Balance Sheet and 10000 equity shares of ₹ 10 each were issued at ₹ 9 per share payable in full. The company also issued 10000, 6% convertible debentures of ₹ 10 each.

Give Journal entries showing the redemption of preference shares and prepare the Balance Sheet after redemption. 8+7=15

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

(b) Explain any three methods of valuation of goodwill. 10

UNIT—IV

7. *(a)* Distinguish between amalgamation and absorption. 5

(b) Define and distinguish between internal reconstruction and external reconstruction. What are the situations that call for internal reconstruction of a company? 6+4=10

8. Sun Ltd. took over the business of Moon Ltd. and the following was the Balance Sheet of Moon Ltd. as on 31.03.2015 :

Balance Sheet

Liabilities	₹	*Assets*	₹
Share Capital of		Fixed Assets	5,50,000
₹ 10 each	6,00,000	Inventory	2,40,000
6% Debentures	1,00,000	Debtors	1,00,000
General Reserve	50,000	Cash	10,000
Export Profit Reserve	1,20,000		
Bills Payable	30,000		
	9,00,000		9,00,000

Purchase consideration was fixed as follows :

(i) Cash payment of ₹ 2 per share of Moon Ltd.

(ii) 90000 shares of Sun Ltd. of ₹ 10 each fully paid, at a premium of ₹ 2 each

(iii) 6% debentures of Moon Ltd. were discharged at 5% premium by the issue of 7% debentures of Sun Ltd. issued at par

Sun Ltd. revalued fixed assets at ₹ 6,50,000 and other assets at book value, while Sundry Debtors were taken over at ₹ 95,000.

Give Journal entries in the books of Sun Ltd. and also show the opening Balance Sheet after amalgamation. 6+9=15

UNIT—V

9. Write short notes on any *two* of the following : 7½×2=15

(a) Need of Consolidated Financial Statements

(b) Minority Interest

(c) Post-acquisition Profits

10. *H* Ltd. acquired 8000 shares of *S* Ltd. on 30.06.2015. Their Balance Sheets as at 31.12.2015 were as follows :

Liabilities	*H Ltd.* ₹	*S Ltd.* ₹	*Assets*	*H Ltd.* ₹	*S Ltd.* ₹
20000 Equity Shares of ₹ 10 each fully paid	2,00,000		Fixed Assets	1,30,000	1,00,000
10000 Equity Shares of ₹ 10 each fully paid		1,00,000	Investments : 8000 Equity Shares of *S* Ltd. at ₹ 12	96,000	
General Reserve	50,000	30,000	Current Assets	94,000	60,000
Profit & Loss A/c	20,000	10,000	Bills Receivable		16,000
Creditors	40,000	20,000			
Pension Fund	10,000	16,000			
	3,20,000	1,76,000		3,20,000	1,76,000

(i) On 01.01.2015, the Profit & Loss A/c and General Reserve of *S* Ltd. showed credit balance of ₹ 8,000 and ₹ 20,400 respectively

(ii) Creditors of *S* Ltd. include ₹ 2,000 due to *H* Ltd.

(iii) Bills Receivable of *S* Ltd. are payable by *H* Ltd.

Prepare Consolidated Balance Sheet as on 31st December, 2015. 15

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