PG Odd Semester (CBCS) Exam., December—2018

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, taking **one** from each Unit

UNIT—I

1. Outline the process of preparation and compliance of Accounting Standards in India. 14

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

(b) Briefly highlight the constraint of achieving qualitative characteristics of accounting information. 4

UNIT—II

3. Define financial statement analysis. Discuss the nature and importance of financial statement analysis. 3+5+6=14

4. The following information is given about Big Bazar, Silchar for the year ending 31.03.2018 :

(i) Stock turnover ratio—6 times

(ii) Gross Profit ratio—20% of sales

(iii) Sales for the year—₹ 6,00,000

(iv) Closing Stock is ₹ 20,000 more than the Opening Stock

(v) Opening Creditors—₹ 40,000

(vi) Closing Creditors—₹ 60,000

(vii) Trade Debtors at the end—₹ 1,20,000

(viii) Net working capital—₹ 1,00,000

Find out—

(a) Average Stock;

(b) Purchases;

(c) Creditors Turnover Ratio;

(d) Average Payment Period;

(e) Average Collection Period;

(f) Working Capital Turnover Ratio. 14

UNIT—III

5. *(a)* Write a brief note on buyback of shares. 6

(b) A company issued ₹ 2,00,000, 5% debentures of ₹ 100 each at par, repayable at the end of 5 years at a premium of 6%. A sinking fund at 4% compound interest is created for the redemption of debentures.

You are required to prepare Sinking Fund A/c and Sinking Fund Investment A/c for 5 years [₹ 1 per year at 4% compound interest amounts to ₹ 5·4163 in 5 years.] 4+4=8

6. *(a)* Under what circumstances the need for valuation of goodwill arises in a company? 5

(b) Ascertain the value of goodwill of *P* Co. Ltd. carrying on business, a retail trader, from the following information according to capitalization method :

Balance Sheet as on 31.12.2017

Liabilities	₹
Paid-up Capital :	
2500 shares of ₹ 100 each	2,50,000
Profit & Loss A/c	56,650
Bank Overdraft	58,350
Sundry Creditors	90,500
Provision for Taxation	19,500
	4,75,000

Assets	₹
Goodwill	25,000
Land and Building at cost	1,10,000
Machinery at cost less depreciation	1,00,000
Stock at cost	1,50,000
Book debts less Provision for Doubtful Debts	90,000
	4,75,000

The company commenced operations in 2013 with a paid-up capital of ₹ 2,50,000. Profits before providing for taxation were :

	₹
2013	61,000
2014	64,000
2015	71,500
2016	78,000
2017	85,000

You may assume that income tax at the rate of 50%, has been payable on these profits.

The average dividend paid by the company for the four years is 10% which is taken as reasonable return expected on the capital invested in the business. 9

UNIT—IV

7. *(a)* What is internal reconstruction? 2

(b) Explain the various provisions of capital reduction as given in the Companies Act, 1956. 12

8. The summarized Balance Sheets as on 31.03.2018 of *B* Ltd. and *A* Ltd. are as under :

Liabilities	*B Ltd.* ₹	*A Ltd* ₹
Authorized and Issued Capital of ₹ 100 each	15,00,000	5,00,000
Capital Reserve	—	50,000
General Reserve	2,00,000	60,000
Profit & Loss A/c	1,20,000	—
Creditors	2,40,000	3,95,000
	20,60,000	10,05,000

Assets	*B Ltd.* ₹	*A Ltd* ₹
Goodwill	—	1,00,000
Building	6,00,000	—
Machinery	6,50,000	4,20,000
Furniture	10,000	5,000
Stock	3,80,000	2,10,000
Debtors	2,30,000	1,80,000
Cash and Bank Balance	1,90,000	15,000
Expenses in New Project	—	75,000
	20,60,000	10,05,000

A Ltd. was absorbed by *B* Ltd. on 1st April, 2018 on the terms given below :

(i) Fixed assets other than goodwill to be valued at ₹ 5,00,000 including ₹ 6,000 for furniture

(ii) Stock to be reduced by ₹ 20,000 and debtors by 5%

(iii) *B* Ltd. to assume liabilities and the new project to be valued at ₹ 95,000

(iv) The shareholders of *A* Ltd. to receive cash payment of ₹ 30 per share plus four equity shares in *B* Ltd. for every five shares held

(v) *B* Ltd. to pay the liquidation expenses of *A* Ltd. amounting to ₹ 6,000

Draft Journal Entries in the books of *B* Ltd. and Balance Sheet as on that date. 14

UNIT—V

9. The Balance Sheets as on 31st March, 2018 are as follows :

Liabilities	*H Ltd.* ₹	*S Ltd* ₹
Share Capital :		
Shares of ₹ 100 each	5,00,000	2,00,000
General Reserve	1,00,000	—

Liabilities	*H Ltd.* ₹	*S Ltd* ₹
Profit & Loss A/c	80,000	—
6% Debentures	—	1,00,000
Trade Creditors	75,000	45,000
Loan from *H* Ltd.	—	50,000
	7,55,000	3,95,000
Assets		
Fixed Assets	3,03,000	2,00,000
Stock	90,000	40,000
Debtors	60,000	30,000
6% Debentures in *S* Ltd. at par	60,000	—
Shares in *S* Ltd. (1500 @ ₹ 80)	1,20,000	—
Bank	75,000	25,000
Profit & Loss A/c	—	1,00,000
Loan to *S* Ltd.	47,000	—
	7,55,000	3,95,000

H Ltd. acquired the shares on 1st August, 2017. The Profit & Loss A/c of *S* Ltd. showed a debit balance of ₹ 1,50,000 on 1st April, 2017. During June 2017 goods costing ₹ 6,000 were destroyed by fire and insurer paid only ₹ 2,000. Trade creditors of *S* Ltd. include ₹ 20,000 for goods supplied by *H* Ltd. on which the latter company made a profit

of ₹ 2,000. Half of the goods were still in stock. The difference in amounts in loan accounts of *H* Ltd. and *S* Ltd. is done to interest not yet recorded in the books of *H* Ltd.

Prepare the Consolidated Balance Sheet. 14

10. Highlight the important provisions of the Companies Act, 2013 relating to accounting of Government companies. 14

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