

M.COM
Third Semester (Repeat)
CORPORATE FINANCIAL ACCOUNTING
(MCM – 14 A)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

Answer any four from Question no. 2 to 8
Question no. 1 is compulsory.

1. The following is the Balance Sheet of ABC Ltd. as on 31st March, 2015. (10)

Particulars	Amount(Rs.)
I. EQUITY AND LIABILITIES:	
1. Shareholders' Funds:	
(a) Share Capital:	
Equity Shares of Rs. 10 per share	20,00,000
8% Preference Shares of Rs. 100 per share	8,00,000
2. Current Liabilities	2,00,000
Total	30,00,000
II. ASSETS	
1. Non-current Assets	
(a) Fixed Assets	10,00,000
2. Current Assets	20,00,000
Total	30,00,000

Ashok & Co. intends to purchase the business of ABC Ltd. on the basis of the above Balance Sheet and following terms and conditions:

- (a) That 40% of the Fixed Assets shall be valued at 110% and rests are valued at 90% of book value.
- (b) That 70% of the current assets shall be valued at 75% of the book value.
- (c) An unrecorded liability of Rs. 30,000 is to be taken into consideration. There was no arrear of preference dividend. Is required to pay.

Find the price of each equity share that Ashok & Co. is required to pay.

2. (a) Distinguish between bonus shares and right shares. (5)

(b) B Ltd. with a subscribed capital of Rs.5,00,000 in Equity Shares of Rs.10 each has called up Rs.7 per share and duly paid up. The company has resolved that a bonus of Rs.1,50,000 will be declared out of the Reserve and Surplus in the form of payment of final call. Along with this the company has further decided to utilize the Reserve and Surplus to issue fully paid up shares in the ratio of one equity share for every five equity shares originally held. Following balances appear and surplus:

Securities Premium Rs.2,00,000

General Reserve Rs.1,80,000

Pass necessary Journal entries in the books of the company. (5)

3. (a) Explain the various lists to be attached to the Statement of Affairs. (5)

(b) Rabi Co. Ltd. went into liquidation with the following liabilities: (5)

(i) Secured Creditors Rs.20,000; (Securities realized Rs. 25,000)

(ii) Preferential Creditors Rs.6,000; and

(iii) Unsecured Creditors Rs.30,500

Liquidator's out of pocket expenses amounted to Rs.252

Liquidator is entitled to remuneration of 3% on the amount realized and 1 $\frac{1}{2}$ % on the amount distributed to unsecured creditors (excluding preferential creditors). The various assets (excluding securities in the hands of fully secured creditors) realized Rs. 26,000.

You are required to prepare the Liquidator's Account showing the amount paid to the unsecured creditors.

4. (a) What is Cost of Control? How is it ascertained? (3)

(b) The following is the Balance Sheets of H Ltd. and its subsidiary, S Ltd. as on 31st March, 2015.

Balance Sheet		
Particulars	H Ltd. (Rs.)	S Ltd. (Rs.)
I. EQUITY AND LIABILITIES:		
1. Shareholders' Funds:		
(a) Share Capital:		
Equity Shares of Rs. 10 per share	60,000	20,000
(b) Reserves and Surplus:		
Surplus (Balance of Statement of Profit and Loss)	5000	2000
2. Current Liabilities: Sundry Creditors	25,000	4,000
Total	90,000	26,000
II. ASSETS		
1. Non-current Assets		
(a) Fixed (Tangible)	66,000	26,000
(b) Non-current Investments		
Shares in S Ltd.	24,000	-
Total	90,000	26,000

The shares were acquired by H Ltd. on 31st March, 2015. Prepare the Consolidated Balance Sheet of the holding company and its subsidiary as on 31st March, 2015.

5. (a) Mention two situations which call for Internal Reconstruction of a Company. (2)
- (b) The following scheme of reconstruction has been approved for Kebin Ltd.: (8)
- (i) The shareholders to receive in lieu of their present holding of 1,00,000 shares of Rs. 10 each, the following:
 - (a) Fully paid equity shares equal to $\frac{2}{5}$ th of their holding
 - (b) 10% Preference shares, fully paid, to the extent $\frac{1}{5}$ th of the above new equity shares
 - (c) Rs. 80,000 14% second debentures
 - (ii) An issue of Rs. 50,000, 12% first debentures was made, payment for the same being received in cash forthwith
 - (iii) Goodwill which was at Rs. 2,60,000 was completely written off
 - (iv) Machinery which stood at Rs. 1,00,000 was written down to Rs. 25,000
 - (v) Freehold premises which stood at Rs. 1,75,000 were written down to Rs. 1,50,000
- Give Journal entries in the books of the company necessitated by the above reconstruction.
6. (a) Distinguish between amalgamation in the nature of merger and amalgamation in the nature of purchase. (5)

- (b) What are the accounting entries to be passed by a transferor company for (5)
- (i) on receipt of the purchase consideration,
 - (ii) on sale of assets not taken over by the transferee company,
 - (iii) on payment of liabilities not taken over by the transferee company,
 - (iv) profit/loss of on realization.
 - (v) on payment to equity shareholders.

7. (a) What do you mean by 'non-performing assets' of a bank? (2)

(b) From the following particulars, prepare the Profit and Loss Account of United Bank of India for the year ended 31st March, 2015. (8)

	Rs.
Interest on loan	2,50,000
Interest on fixed deposit	2,55,000
Rebate on bills discounted on 1-4-2011	27,000
Commission charged to customers	8,200
Establishment expenses	52,000
Discounted on bills discounted	1,30,000
Interest on cash credit accounts	2,22,000
Interest on current accounts	42,000
Rent and Taxes	18,000
Interest on overdraft	51,000
Interest on saving bank deposit	65,000
Bad debts	500
Postage and Telegram	1,400
ATM charges	200
Paid for printing and stationery	3,000
Sundry charges (Dr.)	1,700
Interchange fee collected	800
Interchange fee paid	300
Credit card issuance fee	2,500
Proposed dividend	700
Transfer to Central Government	300
Rebate on bill discounted on 31-3-2012	49,000
Stationery in hand on 31-3-2012	200

8. (a) What are the statutory and subsidiary books maintained by a life insurance company? (5)

(b) Prepare (with imaginary figures) Revenue Account of Life Insurance Company. (5)

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Duration: 20 minutes

Marks – 20

(PART A - Objective Type)

I. Tick (✓) the correct answer:

1×10=10

1. Under Average Profit method, Goodwill is calculated on the basis of
 - (a) Average maintainable profits.
 - (b) Average Super profits.
 - (c) A certain number of years' purchase of the average profits of certain past years.
 - (d) Any of the above (a), (b) or (c).

2. When a company goes into liquidation,.....method is generally applied for valuation of shares.
 - (a) Intrinsic value
 - (b) Asset backing
 - (c) Fair value
 - (d) None of these

3. In an amalgamation in the nature of merger
 - (a) All assets and liabilities are taken over by the transferee company at agreed value.
 - (b) All assets and liabilities are taken over by the transferee company at book value.
 - (c) All liabilities are taken over by the transferee company at agreed value.
 - (d) None of these.

4. Pre-acquisition profits are treated as.....
 - (a) Capital
 - (b) Revenue
 - (c) Both capital and revenue
 - (d) None of these

5. In case of a general insurance, the policy cannot be taken for a period exceeding
- (a) One year
 - (b) Two years
 - (c) Three year
 - (d) None of these
6. Capital reduction account is opened in case of
- (a) Internal reconstruction
 - (b) External reconstruction
 - (c) Amalgamation
 - (d) Absorption
7. Arrear license fee payable to the municipality is a.....creditors.
- (a) Secured
 - (b) Unsecured
 - (c) Preferential
 - (d) None of these
8. If the amount of cost of acquisition is more than the equity or interest acquired, it is termed as
- (a) Capital reserve
 - (b) Revenue reserve
 - (c) Goodwill
 - (d) None of these
9. Non-banking assets are shown in Schedule.....in the bank Balance Sheet.
- (a) 9 (b) 10 (c) 11 (d) 12
10. Commission on reinsurance ceded is an/a
- (a) Income
 - (b) Expense
 - (c) Liability
 - (d) None of these

II. State whether true or false: (Put (√) mark)

1×10=10

1. For declaration of bonus out of General Reserve, resolution in the Shareholders meeting is necessary. **(True / False)**
2. Under yield of valuing share, yield may be 'Earning yield' of 'Dividend yield'. **(True / False)**
3. Pooling of interest method is applied in case of amalgamation in the nature of merger. **(True / False)**
4. Under internal reconstruction, the accumulated trading losses and fictitious assets are written off against the sacrifice made by creditors only. **(True / False)**
5. Liquidator's final statement of account like a Receipts and Payments Account. **(True / False)**
6. Creditors can propose voluntary liquidation of a company. **(True / False)**
7. Consolidated Financial statements are the financial statements of a group as those of a single enterprise. **(True / False)**
8. Minority Interest is to be calculated in holding companies. **(True / False)**
9. A non-performing asset is an asset that ceases to generate income for the bank. **(True / False)**
10. Bonus in reduction of premium is shown both as expense and income in Revenue Account of Life Insurance Companies. **(True / False)**
