

M. COM
Third Semester
Corporate Financial Accounting
(MCM - 14)

Duration: 3Hrs.

Full Marks: 70

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

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

1. Answer any five of the following:

2 ×5=10

- a) What is meant by 'Valuation of share'?
- b) What is 'internal reconstruction' in the context of a company?
- c) Mention the sources from which Bonus Shares can be issued by a company.
- d) What do you mean by winding up of a company?
- e) Define 'Minority Interest'.
- f) What do you mean by 'Banking Company'?
- g) What is Reinsurance?

2. Answer any five of the following:

3 ×5=15

- a) State the advantages of capitalization of reserves and profits.
- b) Distinguish between amalgamation in the nature of merger and amalgamation in the purchase.
- c) The average profit of the firm is Rs.1, 50,000. The total tangible assets in the firm are Rs.14, 00,000 and outside liabilities are Rs.4, 00,000. In the same type of business, the normal rate of return is 10% of the capital employed. Calculate the value of goodwill by capitalization of super profit method
- d) Explain briefly the need for preparation of Consolidated Financial Statements.
- e) State the procedure of determining the liquidator's remuneration on the liquidation of a company.
- f) Differentiate between performing and non-performing assets of a bank.
- g) What are the statutory books maintained by a Life Insurance Company.

3. Answer any five of the following:

5 × 5 = 25

a) Following is the Balance Sheet of Market Ltd. as on 31.3.2013.

Particulars	Amount (Rs.)
I. EQUITY AND LIABILITIES:	
1. Shareholder's Funds:	
1. Share Capital:	
30,000, Equity Shares of Rs.25 each fully paid	7,50,000
2. Reserves and Surplus:	
Surplus (balance of Profit & Loss account)	62,500
2. Current Liabilities	12,500
1. Short Term Loan/Cash Credit	75,000
2. Trade Payables (Creditors)	
3. Short Term Provisions	
Provision for tax	1,37,000
Proposed Dividend	75,000
TOTAL	11,12,500

	Rs.
Life Fund at the beginning of the year	26,50,000
Premium	13,70,000
Interest, dividend, rent	7,30,000
Fines and fees	700
Bonus in cash	1,53,000
Income Tax	1,08,000
Management expenses	1,60,000
Bonus in reduction of premium	1,500
Commission	52,000
Surrenders	84,000
Surplus on revaluation of reversions	4,300
Reassurances irrecoverable	1,300
Claims	7,50,000
Consideration for annuities granted	48,000

(g) 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

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(The figures in the margin indicate full marks for the questions)

Duration: 20 minutes

Marks – 20

PART A- Objective Type

I. Choose the correct options from the following: 1×20=20

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 (a), (b) or (c)
2. Under Capitalization Method, Goodwill is computed as under
 - a) $(\text{Estimated annual Profit} \times 100) / \text{Annual Rate of Return}$
 - b) $(\text{Estimated Annual} \times 100 / \text{Normal Rate of Return}) - \text{Net Assets}$
 - c) $(\text{Super Profits} \times 100) / \text{Normal Rate of Return}$
 - d) $[(\text{Super Profit} \times 100) / \text{Normal rate of Return}] - \text{Net Assets}$
3. As per SEBI guidelines, right issues should not be kept open for more than.....days.
 - a) 30
 - b) 60
 - c) 90
 - d) None of these

4. If the intrinsic values of a share of common stock is less than its market value which of the following is the most reasonable conclusion?
- a) The stock has a low level of risk
 - b) The stock offers a high dividend payout ratio
 - c) The market is undervaluing the stock
 - d) The market is overvaluing the stock
5. Absorption means
- a) Takeover of one company
 - b) Liquidation of one company
 - c) Purchase of one company by other
 - d) All of these
6. Capital reduction account is opened in case of
- a) Internal reconstruction
 - b) External reconstruction
 - c) Amalgamation
 - d) Absorption
7. Capital reduction is used for
- a) Issuing bonus share
 - b) Writing off assets and accumulated losses
 - c) Kept as reserve
 - d) Cancellation of loss on forfeited shares
8. Amalgamation means
- a) Merging two companies into new company
 - b) Purchase of one company by another
 - c) Liquidating two companies
 - d) None of these
9. Pre-acquisition profits are treated as.....
- a) Capital
 - b) Revenue
 - c) Both capital and revenue
 - d) None of these
10. Minority interest consists of
- a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made
 - b) The minority's share of movements in equity since the date the parent-subsiary relationship came into existence
 - c) Both (a) and (b)
11. Consolidated Financial Statements are prepared and presented by a holding company:
- a) To provide financial information about a parent and its subsidiary (ies) as single economic entity
 - b) To show the economic resources controlled by the group
 - c) To show the results the group achieved with its resources
 - d) All of these

12. 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
13. The liquidation caused by inability to pay debts is known asliquidation.
- a) Voluntary b) Arbitrary c) Compulsory d) None of these
14. Arrear license fee payable to the municipality is acreditors.
- a) Secured b) Unsecured c) Preferential d) None of these
15. Liquidator's final statement of account is like a
- a) Income and Expenditure Account b) Receipts and Payments Account
- c) Balance Sheet c) None of these
16. List 'G' of Statement of Affairs gives
- a) The name and holdings of equity shareholders
- b) The list of debentureholders and other creditors having a floating charge on the assets
- c) The list of preferential creditors
- d) None of these
17. Banking companies are governed by the banking Regulation Act.....
- a) 1939 b) 1949 c) 1959 d) 1969
18. Non-banking assets are shown in Schedule.....in the bank Balance Sheet.
- a) 9 b) 10 c) 11 d) 12
19. Final Accounts of the insurance companies are prepared according to the provision of the Insurance Act.....
- a) 1928 b) 1938 c) 1948 d) None of these
20. Commission on reinsurance ceded is an/a
- a) Income b) Expense c) Liability d) None of these
