



M.COM
Third Semester
CORPORATE FINANCIAL ACCOUNTING
(MCM – 304 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 9
Question no. 1 is compulsory.

1. What is winding up of company? What are the different types of winding up?
State the procedure of compulsory winding up. (2+4+4=10)
2. What do you understand by internal reconstruction? State various situations which call for internal reconstruction of companies. Explain the different forms of internal reconstruction. (2+3+5=10)
3. The following is the Balance Sheet of S LTD. (5+5=10)

| Particulars | Amount (Rs.) |
|--|--------------|
| I. Equity and Liabilities | |
| 1. Shareholders' Funds | |
| (a) Share Capital: | |
| 8000 Equity Shares of Rs.10 each | 400000 |
| 8000 Preference shares of Rs. 50 each | 400000 |
| (b) Reserve and Surplus: | |
| Surplus (Debit balance of Statement of Profit and Loss) (124000) | |
| Preliminary Expenses (50000) | 174000 |
| 2. Current Liabilities | |
| Trade payables: | |
| Creditors | 40000 |
| Other Current Liabilities : | |
| Bank overdraft | 35000 |
| TOTAL | 701000 |

| II. Assets | |
|-------------------------------|---------------|
| 1. Non Current Assets | |
| (a) Fixed Assets | |
| (i) Tangible Assets: | |
| Leasehold Premises | 450000 |
| Plant | 80000 |
| 2. Current Assets: | |
| (a) Inventory | 70000 |
| (b) Trade Receivables | 100000 |
| Debtors | |
| (c) cash and cash Equivalents | 1000 |
| | 701000 |

The following schemes of reconstruction are adopted:

- The equity share and preference share are to be reduced to Rs.30 each.
- The balance available is to be utilised to write off the debit balance of Profit and Loss Account and full amount of Preliminary Expenses.
- A provision of Rs. 30000 is to be made against sundry debtors. Stock is to be reduced by Rs. 20000.
- The leasehold Premises are to be reduced by Rs.66000 and the Plant to be reduced to Rs. 50000.

Pass journal entries for internal reconstruction and prepare Balance Sheet after internal reconstruction.

4. Write a note on amalgamation in the nature of merger. Distinguish between amalgamation in the nature of merger and purchase. (4+6=10)
5. Discuss the Revenue Account of life insurance companies as per Schedule A of IRDA Guidelines. (10)
6. Explain the procedure of valuation of shares under intrinsic value method and yield value method. (5+5=10)
7. i) Anand Co. Ltd. went into liquidation with the liabilities -Secured Creditors of Rs. 20000(Securities realised Rs.25000); Preferential Creditors Rs. 6000 and Unsecured Creditors Rs. 30500. Liquidator's expenses came to Rs. 252.

Liquidator is entitled to a remuneration of 3% on the amount realised and 1.5% on the amount distributed to unsecured creditors(excluding preferential creditors).The various assets (excluding securities in the hand of secured creditors) realised Rs. 26000.

Calculate liquidator's remuneration and the amount to be distributed to unsecured creditors.

(ii) Write a note on minority interest in the Consolidated Balance Sheet.

(5+5=10)

B) The following is the balance Sheet of H Ltd and S Ltd as on 31st March 2015:

| Particulars | H Ltd. (Rs.) | S Ltd. (Rs.) |
|--|--------------|--------------|
| I. Equity and Liabilities | | |
| Shareholders' Funds | | |
| (a) Share Capital: | | |
| 15000 Equity Shares of Rs.10 each | 200000 | 100000 |
| (b) Reserve and Surplus: | | |
| Reserves | 10000 | 15000 |
| Surplus (Credit balance of Statement of Profit and Loss) | 5000 | 8000 |
| 2. Non Current Liabilities | | |
| 9% debenture | | 20000 |
| 3. Current Liabilities | | |
| Trade payables: | | |
| Creditors | 40000 | 10000 |
| Bills Payable | 2000 | 1500 |
| | 257000 | 154500 |
| II. Assets | | |
| Non Current Assets | | |
| (a) Fixed Assets | | |
| (i) Tangible Assets: | | |
| Machinery | 50000 | 45000 |
| Furniture | 2000 | 4000 |
| (ii) Intangible Assets: | | |
| Goodwill | 10000 | |
| (b) Non Current Investment | 88000 | |
| Shares in S Ltd. | 15000 | |
| Debenture in S Ltd | | |
| 3. Current Assets: | 68000 | 55000 |
| (a) Inventory | | |

| | | |
|------------------------------|--------|--------|
| (b)Trade Receivables | 18000 | 27500 |
| Debtors | 1000 | 5000 |
| Bills Receivable | 5000 | 18000 |
| (c)cash and cash Equivalents | | |
| | 257000 | 154500 |

Additional Information

- a) H Ltd. acquires 8000 shares of S Ltd on 1st January, 2015.
- b) Bills Receivable of S Ltd includes bills for Rs. 500 accepted by H Ltd.
- c) Debtors of H Ltd include Rs.2000 due from S Ltd.
- d) An amount of Rs. 4000 was transferred by S Ltd from current year's profit to reserve.

Prepare consolidated Balance Sheet as on 31st March 2015.

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Duration: 20 minutes

Marks – 20

(PART A - Objective Type)

I. Choose the Correct

1. As per IRDA Guidelines life insurance companies require to comply which of the following schedule while preparing financial statements
a) Schedule A b) Schedule B c) Schedule C d) Schedule D
2. Which of the following item is included in Tier I Capital of banking companies -
a) Paid Up Capital b) Revaluation Reserve
c) Undisclosed Reserve d) All of the above
3. Excess of purchase consideration over net tangible assets is called
a) Dog Goodwill b) Cat Goodwill
c) Purchased Goodwill d) Non Purchased Goodwill
4. Which of the following reconstruction results in winding up of an existing company and formation of a new one after rearrangement of financial position -
a) Internal Reconstruction b) External Reconstruction
c) Both Internal and External Reconstruction d) None of the above
5. Which of the following is not considered while calculating interest acquired by holding company in subsidiary company -
a) Paid Up Capital b) Capital Profit
c) Capital Losses d) Revenue Profit
6. Where there is no pre-acquisition profit of subsidiary company, fictitious assets appearing in the Balance Sheet of subsidiary company is subtracted from-
a) Revenue Profit b) Post Acquisition Profit
c) Paid Up Value of Shares d) All of the above
7. For acquiring majority of shares which of the following method is appropriate for valuation of shares
a) Earning Yield Method b) Dividend Yield Method
c) Both Earning and Dividend Yield Method d) None of the above

8. Loss on revaluation of assets at the time of acquisition of shares by holding company is treated as
- a) Revenue Loss b) Capital Loss c) Gross Loss d) Net Loss
9. Which of the following winding up requires the 'Declaration of Solvency' by the Board of Directors before passing resolution for winding up
- a) Compulsory winding up b) Members' Voluntary Winding Up
c) Creditors' Voluntary Winding Up d) All of the above
10. Consolidated financial statements are prepared to -
- a) Provide financial information about the group as a single entity.
b) Show the economic resources controlled by the subsidiaries.
c) Show the results of all the subsidiaries as a whole
d) None of the above

B. State whether the following statements are 'true' or 'false': (Put '✓' 'Mark) 1x5=5

- a) Premium on reinsurance ceded is deducted to calculate net premium earned. (True/False)
- b) Sub division of shares is done to attract to small investors.
(True/False)
- c) A company is called holding company only when it acquires the whole shares of another company. (True/False)
- d) Paid Up Capital of is included in Tier I capital. (True/False)
- e) A company may be wound up voluntarily by an ordinary resolution when the period for which a company is formed has expired. (True/False)

C. Fill in the blanks-

1X5=5

- a) List A, prepared in the event of liquidation includes the list of.....members of the company.
- b) Profit on sale of assets not taken over by the transferee company is transferred toby the transferor company.
- c) Surrender value applies to only.....insurance policies.
- d) To calculate intrinsic value per share is divided by total number of shares.
- e) Liquidator's Final Statement of account is prepared on..... basis.
