



BRAINWARE UNIVERSITY

Course – M.Com.

Corporate Financial Accounting & Reporting (MCM 104)

(Semester – 1)

Time allotted: 3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A (Multiple Choice Questions)

Choose the correct answer from the given alternatives of the following:

1x10=10

1. Investing & Financing Transactions that do not require the use of Cash or Cash equivalents should be excluded from a
 - a) Fund Flow Statement
 - b) Cash Flow Statement
 - c) Balance Sheet
 - d) All of the above

2. Liabilities not taken over by the new firm (at the time of amalgamation) will be transferred to
 - a) New Firm's Account
 - b) Revaluation Account
 - c) Capital Account
 - d) None of the above

3. In the case if amalgamation profit or loss on the sale of firm is ascertained through
 - a) Realization account
 - b) Revaluation account
 - c) Profit and loss adjustment account
 - d) Non of the above

4. AS 1 is on
 - a) Disclosure of Accounting Policies
 - b) Valuation of Inventories
 - c) Depreciation
 - d) Cash Flow Statements

5. Full form of IFRS is
 - a) International Financial Reporting Standards
 - b) International Fiscal Reporting Standards
 - c) International Financial Reporting Statements
 - d) International Financial Recognizing Standards

6. According to the Schedule VI, Reserve & Surplus is included under
 - a) Shareholder's Funds
 - b) Current Liabilities
 - c) Current Assets
 - d) Non-current Assets
7. (Gross Value Added – Depreciation & Deferred Revenue Expenses)= _____
 - a) Net Value Added
 - b) Net Liability Balance
 - c) Net Asset value
 - d) Net Profit
8. EBIT means
 - a) Earnings Before Interest & Taxes
 - b) Earnings Before Income & Taxes
 - c) Earnings Below Interest & Taxes
 - d) Expenditure Before Interest & Taxes
9. Net Income – Cost of equity Capital = _____
 - a) Economic Value Added (EVA)
 - b) EBIT
 - c) PAT
 - d) Net Profit
10. A reduction in direct government funding would results ____ in SVA
 - a) increase
 - b) decrease
 - c) no change
 - d) none of the above

Group – B
(Short Answer Type Question)

3 x 5 = 15

Answer any three questions

1. What is Financial Statement? What are the different attributes of Financial Statements?
2. What are the different Comparative statements?

Prepare a Revaluation A/c from the following in the books of Kumar

- a) Machinery worth 1,00,000 to be depreciated by 10%
- b) Building worth Rs.2,50,000 has been undervalued by 10%
- c) Outstanding salary Rs.10,000
- d) Interest accrued Rs.2,000
- e) Stock Rs.10,000 was destroyed by firm and 25% was recovered from Insurance Company.
- f) Increase the Bad debts reserve to 5% of Debtors (Rs.20,500) after adjusting Bad debts written of Rs.500 and old reserve of Rs.1,000

3. P & Q were sole traders. Their balance Sheet on 1.1.97 were as follows:

| Liabilities | P | Q | Assets | P | Q |
|------------------|--------------|--------------|----------------|--------------|--------------|
| Capital | 15000 | 20000 | Machinery | 8000 | 10000 |
| Bank Loan | 5000 | - | Stock | 10000 | 5000 |
| Sundry Creditors | 10000 | 8000 | Sundry debtors | 12000 | 11000 |
| | | | Cash at Bank | - | 2000 |
| | 30000 | 28000 | | 30000 | 28000 |

They Decided to Amalgamate their business on 1.1.97

The following revaluations were made:

1. Machinery reduced by 10% for each
2. stock reduced in case of P by 20% & in case of Q by 10%
3. A reserve of 2.5% raised against debtors of each
4. P was credited with Rs.6000 & Q with Rs.5875 on account of goodwill of individual concern.
5. The Bank Loan of P was paid off by him.

Give the journal entries in the books of P & Q and draw the amalgamated Balance sheet

4. from the following Balance Sheet of Ram & Sons, prepare an Analysis & Interpretation Statement of Current Assets & Fixed Assets:

| Particulars | 31.3.2015 Rs | 31.3.2016 Rs |
|--|----------------------|-----------------------|
| <u>Current Assets</u> | | |
| Cash in hand & bank | 118000 | 10000 |
| Receivable on customer's accounts & bill | 209000 | 190000 |
| Inventory of Materials | 16000 | 130000 |
| Prepaid Expenses | 3000 | 3000 |
| Other Current Assets | 29000 | 10000 |
| Total Current Assets | <u>519000</u> | <u>343000</u> |
| <u>Fixed Assets</u> | | |
| Land & Buildings | 270000 | 170000 |
| Plant & Machinery | 310000 | 786000 |
| Furniture | 90000 | 110000 |
| Other Fixed Assets | 100000 | 100000 |
| Total Fixed Assets | <u>770000</u> | <u>1166000</u> |

5. What are the differences between Cash Flow Statement & Fund Flow Statement?

Group – C
(Long Answer Type Question)

3 x 15 = 45

Answer any three questions

1. From the following details prepare a statement showing changes in Working Capital during 2013 :

| Liabilities | 2012 (Rs) | 2013 (Rs) | Assets | 2012(Rs) | 2013(Rs) |
|-------------------|----------------|----------------|---------------|----------------|----------------|
| Share Capital | 500000 | 600000 | Fixed Assets | 1000000 | 1120000 |
| Reserves | 150000 | 180000 | Less: Depr | <u>370000</u> | <u>460000</u> |
| Profit & Loss | 40000 | 65000 | | 630000 | 660000 |
| Debentures | 300000 | 250000 | Stock | 240000 | 370000 |
| Creditors | 170000 | 160000 | Debtors | 250000 | 230000 |
| Provision for tax | 60000 | 80000 | Cash in Hand | 80000 | 65000 |
| | | | Prel Expenses | 20000 | 15000 |
| | <u>1220000</u> | <u>1335000</u> | | <u>1220000</u> | <u>1335000</u> |

2. Amber Ltd. with an authorized capital of Rs 1,00,00,000 offered to public 5,00,000 equity shares of Rs 10 each payable as to Rs 3 with application, Rs 3 on allotment and the balance in two equal calls of Rs 2 each. The company got the applications for all the shares offered.

All the applications were accepted. One shareholder holding 800 shares did not pay the first call. After completing the legal formalities, the Board of Directors forfeited these shares. Consequently, the second call was made on 4,99,200 shares only which was duly received in full. Then, the Board of Directors reissued three-fourths of the forfeited shares as fully paid up @ Rs 9 per share.

Record the above mentioned transactions in the Cash Book, the Journal and the Ledger. Also, prepare the Balance Sheet as it would appear after all the above mentioned transactions have been recorded.

3. From the following information extracted from the Balance Sheets of Star Ltd. for four previous financial years, calculate the trend percentages by taking 2010-11 as the base year:

| Year | 2010-11 (Amounts in Lacs) Rs | 2011-12 (Amounts in Lacs) Rs | 2012-13 (Amounts in Lacs) Rs | 2013-14 (Amounts in Lacs) Rs |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <u>Current Assets</u> | | | | |
| Cash | 200 | 240 | 400 | 220 |
| Bank | 260 | 300 | 200 | 240 |
| Debtors | 400 | 600 | 1000 | 1600 |
| Stock | 800 | 1200 | 1800 | 2200 |
| <u>Non-current Assets</u> | | | | |
| Building | 1000 | 1000 | 1200 | 1200 |
| Plant & Machinery | 2000 | 2400 | 2400 | 2800 |
| Total | <u>4660</u> | <u>5940</u> | <u>7000</u> | <u>8060</u> |

4. What is Corporate failure? What are the different reasons of Corporate Failures? What are the different reasons of Bankruptcy? 5+5+5

5. From the following Balance Sheet of Vijay & Sons prepare a Cash Flow Statement

| Liabilities | 1-1-05 | 31-12-05 | Assets | 1-1-05 | 31-12-05 |
|--------------------|---------------|-----------------|---------------|---------------|-----------------|
| Creditors | 36000 | 41000 | Cash | 4000 | 3600 |
| Loan from partner | - | 20000 | Debtor | 35000 | 38400 |
| Loan from Bank | 30000 | 25000 | Stock | 25000 | 22000 |
| Capital | | | Land | 20000 | 30000 |
| | 148000 | 149000 | Building | 50000 | 55000 |
| | | | Machinery | 80000 | 86000 |
| | 214000 | 235000 | | 214000 | 235000 |

During the year Rs. 26,000 paid as dividend. The provision made for depreciation against machinery as on