



BRAINWARE UNIVERSITY

Course – M.Com.

Corporate Financial Accounting and Reporting (MCM105)

(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 Type Question)

1. Choose the correct alternatives for the following:

10 x 1 = 10

i) _____ is a statement that shows the changes in assets & liabilities during a period

- a) Cash Flow statement
- b) Fund Flow statement
- c) Balance Sheet
- d) None of the above

ii) Unclaimed Dividend is a _____

- a) Income
- b) Expense
- c) Current Asset
- d) Current Liabilities

iii) Calculation of Minority Interest is explained in

- a) AS 20
- b) As 21
- c) As 22
- d) None of the above

iv) Authorized Capital is also known as

- a) Registered Capital
- b) Paid up Capital
- c) Subscribed Capital
- d) None of the above

- v) Share Premium can be used for issuing fully paid _____
- e) Bonus shares
 - f) Equity Shares
 - g) Preference Shares
 - h) None of the above
- vi) ___ Acts as an agent of NSDL & CDSL.
- i) Depository Participant
 - j) RBI
 - k) SEBI
 - l) None of the above
- vii) Depreciation Accounting is in
- m) AS 5
 - n) AS 6
 - o) AS 7
 - p) AS 10
- viii) Payment made to Acquire Fixed assets is an
- a) Investing Activities
 - b) Financing Activities
 - c) Operational Activities
 - d) None of the above
- ix) The company which is amalgamated into another company is known as
- a) Transferee Company
 - b) Transferor Company
 - c) Holding Company
 - d) None of the above
- x) [Amount of Purchase Consideration – Net assets of the transferor company] = _____
- a) Reserve
 - b) Goodwill
 - c) Both of the above
 - d) None of the above

Group- B

(Short Answer Type Questions)

Answer any three of the following

3 x 5 = 15

2. What is ESOP? What do you mean by under subscription & over subscription? [2+3]
3. What is Corporate Failure? What are the different reasons of Corporate Failure? [2+3]
4. What is Intrinsic Value of Shares? How it can be calculated? [2+3]

5. Equity Share Capital – Rs.400000
 Long Term debt – Rs 600000
 Bank Overdraft – Rs. 484000

Statement of Profit

Sales –	Rs.2862000
Less –	
Operating Expenses –	Rs.1148400

Net Operating Profit after Tax -	Rs. 1028160

The Average Rate of Return on similar types of company is 20%. While Risk free return is 12.5%. Rate of return as charged by Bank is 18% & tax rate is 40%. Calculate EVA depending on the data given above.

6. What is Accounting Standard? How many Accounting Standards are there? What is the importance of Accounting Standards?

[2+1+2]

Group- C

(Long Answer Type Questions)

Answer any three of the following

3 x 15 = 45

7. Given below are the Balance Sheet of Tom and Jerry Limited as on 31.3.2017

Liabilities	Tom Ltd Rs	Jerry Ltd Rs	Assets	Tom Ltd Rs	Jerry Ltd Rs
Eq Share Capital of Rs. 10 each	2700000	2100000	Freehold premises	2850000	240000
Profit & Loss Account	600000	450000	Plant & Machinery	750000	510000
10% Debentures	750000	300000	Furniture	300000	450000
General Reserve	1200000	750000	Stock	1350000	750000
Creditors	300000	300000	Debtors	400000	300000
Bank Overdraft	-	150000	Cash at Bank	2750000	-
Provision for Taxation	75000	60000			
Employees PF	150000	300000			
Total	5925000	4410000	Total	5925000	4410000

The two companies having identical mode of business, decided to amalgamate on that date & from Tom & Jerry Limited on the following terms:

- Tom & Jerry Lid would take over all assets & liabilities of both the companies at their existing book values.
- Tom & Jerry Ltd would issue 350000 Equity Shares of Rs.10 each to Tom Ltd & 250000 Equity Shares of Rs 10 each to Jerry Ltd and would also discharge the debentures of both the companies by issue of 12% Debentures.
- Tom & Jerry Ltd paid own formation expenses of Rs.28000.
- Show the Journal Entries in the books of Tom & Jerry Limited and the Opening Balance Sheet of the same company.

8. From the following information provided by Kajaria Pvt Ltd for the year ended 31.3.2017 prepare the statement of profit & loss showing the computation of surplus to be taken to the balance sheet (as per schedule III):

Particulars	Amount	Particulars	Amount
Opening Stock:		Profit & Loss	145000
Raw Materials	6350	Account	
WIP	11250		
Finished Goods	13130		
Purchase of Raw Materials	71640	Dividend Received	7500
Loss on Sale of Investments	3000	General Reserve	120000
Excise Duty paid	13880	12% debentures	150000
Staff welfare expenses	13550	Provision for doubtful debts	1500
Wages & Salaries	50400	Power & Fuel	10500
Interest Expense	18000	Rent paid	19500
Sale of Products	204750	Repairs to machinery	10500
Commission Received	45000	Insurance premium	9000
Interest received	15000	Contribution to EPF	11000
Rent received from staff Quarter	10500	Gain on Foreign Currency	1800
Interim Dividend paid	25000	Brokerage Paid	1600
Prepaid Expenses	1500	Debtors	40000

- Share capital of the company consist of
 - Equity Shares of Rs.10 each fully paid – Rs.300000
 - Equity Share of Rs. 10 each Rs. 8 paid – Rs.200000
 - 10% Preference Shares of Rs. 10 each – Rs.100000

- On 1.4.2016 the company had
 - Buildings – Rs.300000
 - Plant & Equipment – Rs.187500
 - Furniture – Rs.195000
 - Computer software – Rs.67500
- Depreciate Buildings @ 5%, Plant & 20%, Furniture @ 10% & Software @ 60%.
- Make a provision for doubtful debt @ 10%.
- The Directors remuneration on Equity dividend at 10% (including interim dividend).
- Income Tax rate 30%, Corporate Dividend tax @ 20%.
- Closing Stock:
 - Raw Materials-29900
 - WIP – Rs.15000
 - Finished Goods – Rs.30000

9. What is Financial Statement Analysis? Why it is necessary? What are the different tools & techniques of Financial Statement Analysis? Explain them.

[5+3+7]

10. Balance sheet of Indian Maximization Company Ltd is given below:

Liabilities	31.3.2015	31.3.2016	Asset	31.3.2015	31.3.2016
Current Liabilities	240000	280000	Cash	30000	20000
Loan from Bhaskar		120000	Debtors	250000	270000
Bank Loan	320000	290000	Stock	190000	160000
Share Capital	960000	1000000	Land	200000	250000
			Building	370000	440000
			Machinery	480000	550000
Total	<u>1520000</u>	<u>1690000</u>	Total	<u>1520000</u>	<u>1690000</u>

- During the year India Maximization introduced additional capital of Rs.20000 & drew Rs.60000.
- Provision for depreciation on machinery- Opening balance Rs.200000 and closing balance Rs.220000.
- No depreciation was provided on other assets.

- The value of building was increased by Rs.25000 and the same was adjusted with Capital A/C.

Prepare a Cash Flow Statement of Indian Maximization Company Limited for the relevant accounting period.

11. Write short notes on the followings – (5 marks each)

- a. Corporate Reconstruction
- b. Objective of Corporate Financial Reporting
- c. IFRS & its importance.