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**CIH 402**

**I Semester M.Com. (IBM) Degree Examination, December 2018**  
**(Choice Based Credit System)**  
**COMMERCE**  
**Corporate Accounting**

Time : 3 Hours

Max. Marks : 70

## SECTION – A

**Note :** Answer **any four** questions out of seven, **each** question carries **10** marks, answer to **each** question should **not** exceed **4** pages. **(10×4=40)**

1. Discuss the law relating to the calculation of Managerial remuneration.
2. Explain the procedure for preparing the comparative financial statements. What are the benefits of such statements ?
3. “Cash flow statement is a management devise”. Discuss and explain the objectives and limitations of this statement.
4. The summarised Balance Sheets of XYZ Ltd. as at 31-12-2016 and 17 are given below :

<b>Liabilities</b>	<b>2016</b>	<b>2017</b>	<b>Assets</b>	<b>2016</b>	<b>2017</b>
Share Capital	4,50,000	4,50,000	Fixed Assets	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Investments	50,000	60,000
P and L A/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Provision for tax	75,000	10,000	Bank	1,49,000	1,97,000
Mortgage loan	–	2,70,000			
<b>Total</b>	<b>10,49,000</b>	<b>12,42,000</b>		<b>10,49,000</b>	<b>12,42,000</b>

**Additional Information :**

- a) Investments costing ₹ 8,000 were sold during the year 2017 for ₹ 8,500.
- b) Provision for tax made during the year was ₹ 9,000.
- c) During the year, part of the fixed assets costing ₹ 10,000 was sold for ₹ 12,000 and the profit was included in P and L A/c and
- d) Dividend paid during the year amounted to ₹ 40,000.

You are required to prepare a statement of source and uses of cash.

P.T.O.



5. From the following information, prepare a summarised Balance Sheet as at 31<sup>st</sup> March 2017. Your workings should form part of the answer.

Working capital ₹ 1,20,000

Reserve and surplus ₹ 80,000

Bank overdraft ₹ 20,000

Fixed assets : proprietary ratio = 0.75

Current ratio = 2.5

Liquid ratio = 1.5

6. The following is the Balance Sheet of Sick Ltd. as on 31-12-2016 :

<b>Balance Sheet</b>			
<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
13% cumulative preference shares of ₹ 100 each	1,00,000	Fixed Assets	15,00,000
Equity shares of ₹ 10 each	7,00,000	Current Assets	35,00,000
8% debentures	3,00,000	P and L A/c	3,00,000
Current liabilities	39,00,000		
Provision for taxation	3,00,000		
<b>Total</b>	<b>53,00,000</b>	<b>Total</b>	<b>53,00,000</b>

The following scheme of reorganisation is sanctioned :

- 1) Fixed assets are to be written down by  $33\frac{1}{3}\%$
- 2) Current assets are to be revalued at ₹ 27,00,000
- 3) Preference share holders decide to forego their right to arrears of dividend which are in arrears for three years
- 4) The taxation liability of the company is settled at ₹ 4,00,000
- 5) One of the creditors of the company, to whom the company owes ₹ 25,00,000 decides to forego 50% of his claim. He is allotted 1,00,000 equity shares of ₹ 5 each in part satisfaction of the balance of his claim.
- 6) The rate of interest on debentures is increased to 11%. The debenture holders surrender their existing debentures of ₹ 100 each and exchange the same for fresh debentures of ₹ 75 each.
- 7) All existing equity shares are reduced to ₹ 5 each
- 8) All preference shares are reduced to ₹ 75 each.

Pass journal entries and show the Balance Sheet of the company after giving effect to the above.



7. The following is the summarised Balance Sheet of Textile Traders Limited as on December 31, 2017.

**Balance Sheet of Textile Trader Ltd.**

	₹		₹
Paid-up capital		Goodwill at cost	90,000
30,000, 6% cumulative		Net tangible assets	4,56,000
preference shares of		Profit and Loss A/c	2,04,000
₹ 10 each	3,00,000		
45,000 equity shares of			
₹ 10, each	4,50,000		
<b>Total</b>	<b>7,50,000</b>	<b>Total</b>	<b>7,50,000</b>

The preference dividend is in arrears for 3 years. The net tangible assets are estimated to be worth ₹ 3,90,000. On the expectations that the annual profits would be ₹ 45,000, draft a scheme of reconstruction to be submitted to the directors and re-draft the Balance Sheet.

SECTION – B

**Note :** Answer **any two** questions out of three questions, **each** question carries **15** marks, answer to **each** question should **not** exceed **7** pages. **(15×2=30)**

8. A Ltd. takes over B Ltd. for ₹ 1,00,000 payable in shares of ₹ 10. The Balance Sheets are as follows :

Liabilities	Balance Sheet				
	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	₹	₹		₹	₹
Share Capital			Fixed Assets	50,000	20,000
(₹10)	2,00,000	80,000	Stock	60,000	30,000
Creditors	40,000	20,000	Other current		
			assets	1,30,000	50,000
<b>Total</b>	<b>2,40,000</b>	<b>1,00,000</b>	<b>Total</b>	<b>2,40,000</b>	<b>1,00,000</b>

Stock of A Ltd. include ₹ 10,000 purchased from B Ltd. on which B Ltd. made 20% profit on selling price. B Ltd. stock includes ₹ 6,000 purchased from A Ltd. on which A Ltd. made 20% profit on cost.

Sundry creditors of A Ltd. includes ₹ 5,000 due to B Ltd.

Draft the Balance Sheet of A Ltd. after absorption. Pass entries in the books of A Ltd.



9. The financial position of ABC Ltd. on 1<sup>st</sup> January 2017 and 31<sup>st</sup> December 2017 was as follows :

<b>Particulars</b>	<b>1<sup>st</sup> January</b>	<b>31<sup>st</sup> December</b>
	₹	₹
Cash	8,000	7,200
Debtors	70,000	76,800
Stock	50,000	44,000
Land	40,000	60,000
Buildings	1,00,000	1,10,000
Machinery	1,60,000	1,72,000
<b>Total</b>	<b>4,28,000</b>	<b>4,70,000</b>
Current liabilities	72,000	82,000
Loan from associate company	0	40,000
Loan from Bank	60,000	50,000
Capital and reserves	2,96,000	2,98,000
<b>Total</b>	<b>4,28,000</b>	<b>4,70,000</b>

During the year ₹ 52,000 were paid as dividends. The provision for depreciation against machinery as on 1<sup>st</sup> January, 2017 was ₹ 54,000 and on 31<sup>st</sup> December 2017, ₹ 72,000. You are required to prepare the cash flow statement as well as the funds flow statement.

10. Explain the factors you would take into account for suggesting a suitable scheme for reconstruction.
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