

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**B.Com.(Hons) Summer 2017 – 18 Examination**

Semester: 4

Subject Code: 16101252

Subject Name: Corporate Accounting

Date: 22/05/2018

Time: 10.30 am to 1.00 pm

Total Marks: 60

**Instructions:**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as directed.****A) Multiple choice type questions. (Each of one mark)****(06)**

1. Ratio of Net sales to Net working capital is a:
 

a) Profitability Ratio	b) Liquidity Ratio
c) Current Ratio	d) Working Capital Turnover Ratio
2. Observing changes in the financial variables across the years is:
 

a) Vertical analysis	b) Horizontal Analysis
c) Peer-firm Analysis	d) Industry Analysis
3. As per the SEBI guidelines, on issue of shares, the application money should not be less than-
 

a) 2.5% of the nominal value of shares	b) 2.5% of the issue price of shares
c) 25.0% of the issue price of shares	d) 25% of the nominal value of shares
4. In the cash flow statement, 'cash and cash equivalents' include-
 

a) Bank balances and Cash balances.	b) Short-term investments readily convertible into Cash are subject to an insignificant risk of changes in value.
c) Both (a) and (b).	d) None of the above
5. The Securities Premium amount may be utilized by a company for \_\_\_\_\_.
 

a) Writing off any loss on sale of fixed asset	b) Writing off any loss of revenue nature
c) Writing off the expenses/discount on the issue of debentures	d) Issue of shares
6. As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as:
 

a) Operating activity	b) Financing activity
c) Investing activity	d) None of the above

**B) Answer the following. (Each of one mark)****(06)**

1. Define Ratio.
2. A company can issue one category of shares at a discount. Which is that category?
3. Profitability Ratios are classified in four categories. Mention any one category.
4. How do you calculate Operating Expenses Ratio?
5. Define investing activities.
6. Which are the methods of determining cash flows from operating activities?

**Q.2 Answer the following. (Each of 04 mark)****(12)**

1. What are the sources of Financial Data for analysis?
2. Write a short note on Limitations of Financial ratios.
3. Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to Accounting Standard 3, (AS 3) revised.

**Q.3 Answer the following. (Any Three)**

**(18)**

1. From the following information, calculate cash flow from operating activities:

**Summary of Cash Account  
for the year ended March 31, 20X1**

Particulars	Rs	Particulars	Rs
To Balance b/d	1,00,000	By Cash Purchases	1,20,000
To Cash sales	1,40,000	By Trade payables	1,57,000
To Trade receivables	1,75,000	By Office & Selling Expenses	75,000
To Trade Commission	50,000	By Income Tax	30,000
To Sale of Investment	30,000	By Investment	25,000
To Loan from Bank	1,00,000	By Repay of Loan	75,000
To Interest & Dividend	1,000	By Interest on loan	10,000
		By Balance c/d	1,04,000
	5,96,000		5,96,000

2. On 1st April, 2017, A Ltd. issued 43,000 shares of ₹ 100 each payable as follows:  
 ₹ 20 on application;  
 ₹ 30 on allotment;  
 ₹ 25 on 1st October, 2017; and  
 ₹ 25 on 1st February, 2018.

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2018.

3. For what purposes can Securities Premium amount be used?  
 4. Define Joint Stock Company and write a short note on formation of Joint Stock Company.

**Q.4 Answer the following. (Any two)**

**(18)**

1. In a meeting held at Solan towards the end of 2016, the Directors of M/s HPCL Ltd. have taken a decision to diversify. At present HPCL Ltd. sells all finished goods from its own warehouse. The company issued debentures on 01.01.2017 and purchased fixed assets on the same day. The purchase prices have remained stable during the concerned period. Following information is provided to you:

**Income Statements**

Particulars	2016 (₹)		2017 (₹)	
Cash Sales	30,000		32,000	
Credit Sales	2,70,000	3,00,000	3,42,000	3,74,000
Less: Cost of goods sold		2,36,000		2,98,000
Gross profit		64,000		76,000
Less: Operating Expenses				
Warehousing	13,000		14,000	
Transport	6,000		10,000	
Administrative	19,000		19,000	
Selling	11,000	49,000	14,000	
			2,000	59,000
Net Profit		15,000		17,000

**Balance Sheet**

Assets & Liabilities	2016 `		2017 `	
Fixed Assets (Net Block)	-	30,000	-	40,000
Receivables	50,000		82,000	
Cash at Bank	10,000		7,000	
Stock	60,000		94,000	
Total Current Assets (CA)	1,20,000		1,83,000	
Payables	50,000		76,000	
Total Current Liabilities (CL)	50,000		76,000	
Working Capital (CA - CL)		70,000		1,07,000
Total Assets		1,00,000		1,47,000
Represented by:				
Share Capital		75,000		75,000
Reserve and Surplus		25,000		42,000
Debentures		<input type="checkbox"/>		30,000
		1,00,000		1,47,000

You are required to calculate the following ratios for the years 2016/2017.

- (i) Gross Profit Ratio
- (ii) Operating Expenses to Sales Ratio.
- (iii) Operating Profit Ratio
- (iv) Capital Turnover Ratio
- (v) Stock Turnover Ratio
- (vi) Net Profit to Net Worth Ratio, and
- (vii) Receivables Collection Period.

Ratio relating to capital employed should be based on the capital at the end of the year. Assume opening stock of ` 40,000 for the year 2017. Ignore Taxation.

2. Prepare Cash flow for Gamma Ltd., for the year ending 31.3.20X1 from the following information:
  - (1) Sales for the year amounted to ` 135 crores out of which 60% was cash sales.
  - (2) Purchases for the year amounted to ` 55 crores out of which credit purchase was 80%.
  - (3) Administrative and selling expenses amounted to ` 18 crores and salary paid amounted to ` 22 crores.
  - (4) The Company redeemed debentures of ` 20 crores at a premium of 10%. Debenture holders were issued equity shares of ` 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was ` 1.5 crores.
  - (5) Dividend paid during the year amounted to ` 11.7 crores (including Dividend distribution tax) was also paid.
  - (6) Investment costing ` 12 crores were sold at a profit of ` 2.4 crores.
  - (7) ` 8 crores was paid towards income tax during the year.
  - (8) A new plant costing ` 21 crores was purchased in part exchange of an old plant. The book value of the old plant was ` 12 crores but the vendor took over the old plant at a value of ` 10 crores only. The balance was paid in cash to the vendor.

(9) The following balances are also provided:

	<b>in crores 1.4.20X0</b>	<b>in crores 31.3.20X1</b>
Debtors	45	50
Creditors	21	23
Bank	6	

3. Write a short note on types of Preference Shares.