

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com.(Hons) Winter 2019 – 20 Examination

Semester: 4

Subject Code: 16101252

Subject Name: Corporate Accounting

Date: 02/12/2019

Time: 2.00 pm to 4.30 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. 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
3. 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
4. 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
5. 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
6. Observing changes in the financial variables across the years is:

a) Vertical analysis	b) Horizontal Analysis
c) Peer-firm Analysis	d) Industry Analysis

B) Definitions / One-liners / Terms. (Each of one mark)**(06)**

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

Q.2 Numerical / Short Note Questions. (Each of 04 mark)**(12)**

1. Write any four Benefits of Cash Flow Statement?
2. What are the sources of Financial Data for analysis?
3. Write a short note on Limitations of Financial ratios.

Q.3 Answer the following. (Any Three)**(18)**

1. 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. Journalize the transactions when accounts were closed on 31st March, 2018.

2. 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

3. For what purposes can Securities Premium 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. Rashmi Limited issued at par 1,00,000 Equity shares of ₹10 each payable ₹2.50 on application; ₹3 on allotment; ₹2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Nair who held 10,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 1000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Nair. Give journal entries to record these transactions.

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:

	in crores 1.4.20X0	in crores 31.3.20X1
Debtors	45	50
Creditors	21	23
Bank	6	

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