

M.Com. 3rd Semester Examination, 2023

COMMERCE

(Corporate Accounting)

PAPER — COM-303

Full Marks : 50

Time : 2 hours

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

COM-303 AF.1

1. Answer any *two* of the following : 5 × 2

- (a) Why are human resources not shown in the traditional financial statements? Briefly explain the historical cost model of valuation of human resources. 2 + 3

- (b) Write any three points of difference between Profit and Loss statement and Value Added statement. Explain the significance of any two capital productivity ratios in relation to value added. 3 + 2
- (c) Explain the terms Cost of Sales Adjustment (COSA) and Monetary Working Capital Adjustment (MWCA) as per the Current Cost Accounting method of inflation accounting.

2. Answer any *one* of the following : 10 × 1

(a) The Balance sheet of Sona Ltd. as on 31st December, 2022 in as follows :

<i>Liabilities</i>		<i>Assets</i>	
Paid-up Capital :		Fixed Assets :	
1,000, 6% Preference shares of Rs. 100 each	1,00,000	Land and Building	2,00,000
2,000 Equity shares of R. 100 each fully paid	2,00,000	Plant and Machinery	2,20,000
3,000 Equity shares of Rs. 100 each Rs. 50 paid	1,50,000		

<i>Liabilities</i>		<i>Assets</i>	
Secured Loans :		Current Assets :	
6% Debenture (floating charge on all assets)	1,00,000	Stock	1,00,000
Others (Mortgage on Land and Building)	1,00,000	Debtors	1,00,000
		Cash at Bank	30,000
Current Liabilities :		Miscellaneous Expenditure :	
Sundry Creditors	90,000	Profit and Loss A/C	1,00,000
Income Tax	10,000		
	7,50,000		7,50,000

The Company went into liquidation on 1st January 2023. The Preference dividends which were in arrear for three years are payable on liquidation.

The assets were realized as follows :

Land and Building	2,30,000
Plant and Machinery	1,90,000
Stock	80,000
Debtors	70,000

The expenses of liquidation amounted to Rs. 8,000. The liquidator is entitled to a commission at 2% on all assets realized and 3% on amount distributed to unsecured creditors. All payments were made on 30th June 2023. Prepare Liquidator's Statement of Account.

(b) Rahul Ltd. and Sachin Ltd. propose to amalgamate. Their Balance Sheets as on 31.12.2023 were given below :

Liabilities	Rahul Ltd. Rs.	Sachin Ltd. Rs.	Assets	Rahul Ltd. Rs.	Sachin Ltd. Rs.
Share Capital:			Fixed Assets (Cost less depreciation)	4,00,000	1,00,000
Equity Shares of Rs. 10 each	5,00,000	2,00,000	Investments	1,00,000	----
Reserve and Surplus :			(Face Value: Rs. 1,00,000, Interest 6% tax free G.P. Notes		
General Reserve	2,00,000	20,000	Current Assets :		
Profit and Loss A/C	1,00,000	30,000			
Current Liabilities :					

Liabilities	Rahul Ltd.	Sachin Ltd.	Assets	Rahul Ltd.	Sachin Ltd.
Creditors	1,00,000	50,000	Stock	2,00,000	1,30,000
			Debtors	1,70,000	60,000
			Cash and Bank balances	30,000	10,000
	9,00,000	3,00,000		9,00,000	3,00,000

Additional information is given below :

Net Profit (after taxation)	Rahul Ltd. (Rs.)	Sachin Ltd. (Rs.)
2021	1,30,000	45,000
2022	1,25,000	40,000
2023	1,50,000	56,000

Goodwill may be taken as 5 year's purchase of average super trading profit. Normal profit is 15% of trading profit on closing capital invested. The stock of Rahul Ltd. and Sachin Ltd. is to be taken at Rs. 2,10,000 and Rs. 1,40,000 respectively; for debtors 10% provision for bad debt is to be considered by each of the two

companies for amalgamation. Rachin Ltd. may be formed for the purpose of amalgamation of these companies.

Advise the capitalization of Rachin Ltd. and suggest a scheme of exchange of shares for that purpose. Draft the Balance Sheet of Rachin Ltd.

COM-303 AF.2

3. Answer any *two* questions from the following information : 5 × 2

(a) Small Ltd. has 8,00,000 shares of ₹ 10 each. On 30th May 2019, Big Ltd. purchased 90% share of Small limited at a cost of ₹ 20,00,000. Prepare

- (i) Statement of Cost of Control and
(ii) Minority Interest in the books of Big Ltd as on 31.03.2020 and 31.3.2019.

Some figures of Balance Sheet of Small Limited are shown in the following table :

Particulars	2018-19	2019-20
Profit & Loss Account	₹ 16,00,000	₹ 18,00,000
General Reserve	₹ 7,20,000	₹ 7,50,000

(b) Prepare Income-expenditure account of Supur Municipality from the following information :

- (i) Tax Revenue ₹ 2 cr.
- (ii) Assigned revenue ₹ 20 cr.
- (iii) Compensation ₹ 4 cr.
- (iv) Rental Income ₹ 6 cr.
- (v) Income on investment ₹ 2 cr.
- (vi) Interest Earned 2cr.
- (vii) Employee benefits 12 cr.
- (viii) Finance Cost 3 cr.
- (ix) Depreciation 2 cr.
- (x) Misc. Exp. 2 cr.
- (xi) Developmental work ₹ 4 cr.

(c) Write down the salient features of Accounts of Public Utility Services.

4. Answer any *one* question : 10 × 1

(a) Prepare revenue account and Profit & Loss Account from the following information of Premium Life Insurance Company for the year ended 2022-23.

- (i) Direct Premium received ₹ 20 cr.
- (ii) Re-insurance premium accepted ₹ 5 cr.
- (iii) Reinsurance premium ceded ₹ 4 cr.
- (iv) Direct claim paid ₹ 15 cr.
- (v) Claim for reinsurance accepted ₹ 3 cr.
- (vi) Claims for reinsurance ceded ₹ 2 cr.
- (vii) Commission ₹ 2 cr.
- (viii) Operating expenses ₹ 4 cr.
- (ix) Profit on investment ₹ 3 cr.
- (x) Interest, Dividend ₹ 2 cr.
- (xi) Transfer to general reserve ₹ 1 cr.
- (xii) Claim outstanding at the end of the year ₹ 2 cr.

- (xiii) Claims outstanding at the beginning of the year ₹ 3 cr.
- (xiv) Provision for taxation : 1 cr.
- (xv) Bad debt provision : 1 cr
- (xvi) Administrative expenses : 2 cr
- (xvii) Rental income : 1 cr
- (xviii) CSR expense : 1 cr
- (xix) Directors remuneration : 1 cr
- (xx) Audit expense : 0.05 cr.

- (b) (i) What is consolidation of Accounts ?
- (ii) Macro Limited has purchased 75% shares of Micro Limited on 31st December, 2019. Prepare a Statement of Consolidated Profit & Loss Account and General Reserve in the books of Macro Limited as at 31st March 2020

Extracts of Balance Sheet as at 31st
March, 2020

	Macro Limited	Macro Limited	Micro Limited	Micro Limited
Profit & Loss Account	2,40,000		2,10,000	
Add: During the year	1,25,000	3,65,000	72,000	2,82,000
General Reserve	50,000		20,000	
Add: During the year	5,000	55,000	12,000	32,000

2 + 8

[Internal Assessment – 10 Marks]
