

**COURSE: B.COM (PROG.)**

**SEMESTER: IV**

**PAPER- CORPORATE ACCOUNTING**

**MULTIPLE CHOICE QUESTIONS**

1. In case of .....one existing company takes over the business of another company and no new company is formed.

- (A) Amalgamation
- (B) Absorption**
- (C) Reconstruction
- (D) None of the Above

2. In amalgamation of two companies

- (A) Both companies lose their existence**
- (B) Both companies continue
- (C) Any one company continues
- (D) None of the above

3. When purchasing company pays purchase consideration, it will be debited to

- (A) Business purchase account
- (B) Assets account
- (C) Liquidator of selling company's account**
- (D) None of the above

4. When the purchasing company bears the liquidation expenses, it will debit the expenses to

- (A) Vendor Company 's Account
- (B) Bank Account
- (C) Goodwill Account**
- (D) None of the above

5. If a machine whose original cost is ₹40,000 having accumulated depreciation ₹12,000, were sold for ₹34,000 then while preparing Cash Flow Statement its effect on cash flow will be:

- (A) Cash flow from financing activities ₹34,000
- (B) Cash flow from financing activities ₹6,000
- (C) Cash flow from investing activities ₹6,000
- (D) Cash flow from investing activities ₹34,000**

6. Dividend paid by a Trading company is classified under which kind of activity while preparing cash flow statement?

- (A) Cash Flow from Operating Activities
- (B) Cash Flow from Investing Activities
- (C) Cash Flow from Financing Activities**
- (D) No Cash Flow

7. Accounting for Amalgamation of Companies is done as per :

- (A) AS 14**
- (B) AS 4
- (C) AS 10
- (D) AS 18

8. In..... an existing company's financial structure is reorganized without liquidating the existing company and forming a new company.

- (A) Amalgamation
- (B) External reconstruction
- (C) Absorption
- (D) Internal reconstruction**

9. The dividend declared between two annual general meeting is called .....

- (A) Proposed Dividend
- (B) Interim Dividend**
- (C) Final Dividend
- (D) None of these

10. Security premium account can be utilized for .....

- (A) Issuing fully paid bonus shares
- (B) Write off underwriting commission
- (C) Write off preliminary expenses
- (D) All of these**

11. Discount on reissue of forfeited shares should not exceed .....

- (A) Amount forfeited**
- (B) Face value
- (C) Issued price
- (D) Market price

12. Name an essential process used by companies raising capital through public offerings- either IPO or FPO to aid price and demand discovery.

- (A) Public Building
- (B) Green Shoes Planning
- (C) Book Building**
- (D) None of the Above

13. The profit on reissue of forfeited shares is transferred to .....

- (A) Capital Redemption reserve
- (B) Capital reserve**
- (C) General reserve
- (D) Investment Allowance reserve

14. Underwriting commission is classified as .....

- (A) Capital Loss
- (B) Capital Expenditure
- (C) Revenue expenditure
- (D) Deferred revenue expenditure**

15. The security premium account is shown in the balance sheet under the head.....

- (A) Reserves & Surplus**
- (B) Share capital
- (C) Secured loans
- (D) Current liabilities

16. The Time interval between the date of acquisition of shares in subsidiary company and date of Balance Sheet of Holding Company is known as-

- (A) Pre-acquisition period
- (B) Post-acquisition period**
- (C) Pre-commencement period
- (D) Pre-incorporation period

17. A subsidiary company shall be excluded from consolidation when:

- (A) Control is intended to be temporary
- (B) It operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent
- (C) Always included for consolidation
- (D) Both a and b**

18. The two approaches to reporting cash flows provided by operating activities are?

- (A) Direct and Indirect Method**
- (B) The gross margin and contribution margin methods
- (C) The standards and basic methods
- (D) Profitability and Liquidity methods

19. If a company purchased treasury stock with cash, this would be reported on the statement of cash flows as?

- (A) An operating cash outflow
- (B) An investing cash outflow
- (C) A financing cash outflow**
- (D) A financing cash inflow

20. The other name of nominal capital is-

- (A) Subscribed capital

- (B) Authorised Capital
- (C) Issued Capital
- (D) Paid-up Capital

## ASSIGNMENT

**Q1.** The Balance Sheet of A Ltd. As at 31<sup>st</sup> March, 2020 is as follows

PARTICULARS	Note No.	Amt
<b>I. EQUITY AND LIABILITIES</b>		
Shareholders' Fund		6,00,000
(a) Share Capital	1	14,00,000
(b) Reserves and Surplus	2	20,00,000
<b>TOTAL</b>		15,00,000
<b>II. ASSETS</b>		
1. Non-Current Assets		5,00,000
2. Current Assets		20,00,000
<b>TOTAL</b>		20,00,000

### NOTES TO ACCOUNTS

PARTICULARS	Amt
<b>1. Share capital</b>	
<b>    Authorised Capital</b>	
1,50,000 Equity Shares of Rs. 10 each	15,00,000
<b>    Issued, subscribed and not fully paid</b>	
80,000 Equity Shares of Rs. 10 each, Rs 7.50 called up and paid up	6,00,000
<b>2. Reserves and Surplus</b>	
Capital Redemption Reserve	150,000
Plant Revaluation Reserve	20,000
Securities Premium Account	1,50,000
Development Rebate Reserve	2,30,000
Investment Allowance Reserve	2,50,000
General Reserve	6,00,000

The company decided to give bonus to convert the partly paid-up shares into fully paid up shares and to issue bonus shares at the rate of 1 share for every 2 shares held. Necessary resolutions were passed. Pass journal Entries and show the amended Balance Sheet as per schedule III, assuming that transactions have taken place without any time lag.

**Q2.** Write Short Notes on-

- (a) Issue of Sweat Equity Shares

(b) Features of Purchased and Non-Purchased Goodwill.

Q3. On 1<sup>st</sup> April 2016, XL Ltd issued 5000 12% Debentures of Rs. 100 each repayable at the end of 3 years at a premium of 10%. It was decided to create a debenture redemption fund for the redemption. The investments earned interest at the rate 10% p.a.

The Debenture redemption fund table shows that Rs. 0.302115 amount to Rupee 1 at the end of 3 years at 10% rate of interest. At the end of 3 years, the investments were sold for Rs. 3,85,000 and the debentures were redeemed.

Prepare debentures account, debenture redemption fund account and debenture redemption fund investment account for all the 3 years.

## **INTERNAL ASSESSMENT**

**Marks- 20**

**Duration- 1 Hr**

Q1. A) What is cash flow statement? What are the advantages of preparing such a statement? Discuss briefly the major classification of cash flows as per AS-3.

B) Compare Capital Redemption Reserve with Debenture Redemption Reserve.

OR

Q1. Write short note on-

- a) Employee stock option plan
- b) Book Building Process
- c) Sources of Buy-back shares

Q2. A) The following Balances appeared in the books of R Ltd as on 1-04-2017.

i) Debenture redemption fund Rs. 60,000 represented by investments of an equal amount of (nominal value Rs. 75,000)

ii) 12% debentures stood at Rs. 90,000.

The company sold required amount of investments at a 90% for redemption of Rs. 30,000 debentures at a premium of 20% on the above date.

Prepare 12% debentures account, debenture redemption fund account and debenture redemption fund investment account and debenture holder account.

B) SP Ltd issued a prospectus inviting applications for 60,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable Rs. 6 (including premium Rs.1) on application, Rs. 2 (including premium of Rs.1) on allotment, Rs.3 (including premium of Rs.1) on 1<sup>st</sup> call and balance on 2<sup>nd</sup> call.

Applications were received for 90,000 shares and pro rata allotment was made to the applicants for 72,000 shares and the remaining applications were rejected. Money overpaid on application was adjusted on account of sums due on allotment. Mr S to whom 500 shares were allotted failed to pay allotment money on her failure to pay 1<sup>st</sup> call, his shares were forfeited. Mr. Y the holder of 600 shares failed to pay the money on two calls and his shares were forfeited after the 2<sup>nd</sup> call. Of the forfeited shares, 800 shares were sold to sahil credited as fully paid for Rs. 9 per shares (including all shares of Mr. X).

Pass journal entries.