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SARDAR PATEL UNIVERSITY
M. COM (CBCS) (SEMESTER – IV) EXAMINATION

2016

THURSDAY, 27TH OCTOBER

SESSION: EVENING

TIME: 2.00 P.M. TO 05.00 P.M.

COURSE TITLE: CORPORATE ACCOUNTING

CODE NO. : PB04ECOM01

Total Marks: 70

Instructions:

- (1) Answers to the two sections are to be written separately in answer-book.
- (2) Figures to the right indicate full marks of the questions.
- (3) Show important calculations separately wherever necessary.
- (4) Answers should be precise and to the point only.

SECTION - I

- Q.1(A) What is basis for preparation of financial statements? Explain the 'going concern concept'. [06]
- (B) What is 'Accounting Standards'? Discuss the need of Accounting Standards. State the five complete names of any five Indian Accounting Standards. [06]
- (C) What is IFRS? What are the benefits of it to global investors? [06]

OR

- Q.1 From the following information of ABC Limited as at 31st March, 2016 you are required to prepare the Balance Sheet as per the New Schedule VI of the Companies Act, 1956: [18]

Particulars	₹	Particulars	₹
Term Loans(Secured)	5,00,000	Trade Investments	1,12,600
Sundry Creditors	5,72,500	Loss for the years	1,50,000
Advances	1,86,000	Sundry Debtors	6,12,500
Cash and Bank Balances	1,37,500	Miscellaneous Expenditure	29,000
Staff Advances	27,500	Loan from Debtors	1,00,000
Provision for Taxation	85,000	Provision for doubtful Debtors	10,100
Securities Premium	2,37,500	Stores	2,00,000
Loose Tools	25,000	Fixed Assets(WDV)	25,75,000
General Reserve	10,25,000	Finished Goods	3,75,000
Capital Work-in-Progress	1,00,000		

Additional Information:

1. Share Capital Consist of-
 - (a) 1,50,000 Equity Shares of Rs. 10 each fully paid up.
 - (b) 5,000 10% Redeemable preference shares of Rs. 100 each fully paid up.
2. Depreciation on Assets Rs. 2,50,000

- Q.2 (A) Define the terms 'cash and cash equivalent' with examples. What are the advantages and limitations of cash flow statement? [12]
- (B) Distinguish between cash flow statement and fund flow statement. [05]

OR

- Q.2 BMW Ltd. presents you the following information for the year ended 31st March, 2015 and 2016: [17]

(₹ in Thousands)

Liabilities & Equity	As on 31.3.2015	As on 31.3.2016	Assets	As on 31.3.2015	As on 31.3.2016
Equity Share Capital (₹ 10 each)	1000	1250	Land and Building	400	380
Capital Reserve	----	10	Machinery	750	920
Profit & Loss A/c	400	480	Investment	100	50
Long-term Loan from the Bank	500	400	Stock	300	280
Sundry Creditors	500	400	Sundry Debtors	400	420
Provision for Taxation	50	60	Cash in Hand	200	140
			Cash at Bank	300	410
Total	2450	2600	Total	2450	2600

Additional information:

1. Depreciation written off on Land and Building ₹ 20,000.
2. The company sold some investment at a profit of ₹ 10,000, which was credited to Capital Reserve.
3. Income-tax provided during the year ₹ 55,000.
4. During the year, the Company purchased a Machinery for ₹ 2,25,000. They paid ₹ 1,25,000 in Cash and issued 10,000 Equity Shares of ₹ 10 each at par.

From the above particulars, prepare a cash flow statement for the year ended March 31, 2016 as per AS-3 (Indirect method).

SECTION - II

- Q.3 (A) What is 'financial analysis'? What are the types of financial analysis? [12]
- (B) What are the limitations of financial analysis? [06]

OR

- Q.3 From the following Income Statement and Balance Sheet of Chandan Ltd. for the year ended 31st March, 2015 and 2016, you are required to prepare Common-size Statements and Comments. [18]

Balance Sheet as at March 31

(₹ in Lakhs)

	2015	2016
Liabilities		
Equity share capital (of ₹ 10 each)	480	480
General reserves	192	364
Long term loans	364	339
Creditors	134	104
Outstanding expenses	12	---
Other current liabilities	<u>18</u>	<u>13</u>
	<u>1200</u>	<u>1300</u>
Assets		
Plant asset net of accumulated depreciation	804	780
Cash	108	156
Debtors	120	130
Inventories	<u>168</u>	<u>234</u>
	<u>1200</u>	<u>1300</u>

Income Statement for the year ended March 31

(₹ in Lakhs)

Particulars	2015	2016
Gross sales	740	960
Less: Returns	<u>40</u>	<u>60</u>
Net sales	700	900
Less: Cost of goods sold	<u>380</u>	<u>430</u>
Gross profit	320	470
Less: Selling, general and administrative cost	<u>100</u>	<u>144</u>
Operating profit	220	326
Less: Interest expenses	<u>40</u>	<u>34</u>
Earning before taxes	180	292
Less: Taxes	<u>63</u>	<u>103</u>
Earning after taxes	<u>117</u>	<u>189</u>

Q.4 (A) What is meant by ratio analysis? Discuss its objects and limitations. [12]

(B) Define the term 'ratio'. Explain the different modes of expression of ratios with hypothetical illustrations. [05]

OR

Q.4 The following are abridged accounting reports prepared for Dipak Ltd.:

[17]

Income Statement for the year ended 31st March, 2016

(Rupees in '000s)

Sales (all credit)		300
Less: Cost of Goods Sold		
Opening Inventory	100	
Purchases	<u>205</u>	
	305	
Less: Closing Inventory	<u>80</u>	<u>225</u>
Gross Margin		75
Operating Expenses		<u>57</u>
Net Profit Before Taxation		18
Provision for Taxation		<u>8</u>
Net Profit After Taxation		<u>10</u>

Balance Sheet as on 31st March, 2016

(Rupees in '000s)

Capital & Liabilities	₹	₹	Assets	₹	₹
Shareholder's funds			Fixed Assets		
Paid up Capital	80		Land & Buildings	65	
Reserves	30		Plant	40	
Unappropriated profits	<u>15</u>	125	Less Provision for Depreciation	<u>25</u>	<u>15</u>
Long-term Liabilities			Current Assets		
Loan on mortgage	<u>25</u>	25	Cash	30	
Current Liabilities			Account Receivable	60	
Accounts Payable	87		Inventory	<u>80</u>	170
Provision for Taxation	8				
Accrued Expenses	<u>5</u>	100			
		<u>250</u>			<u>250</u>

Name and calculate the ratios which indicate:

1. The rapidity with which accounts receivable are collected, (assume 360 days in a year).
2. The ability of the company to meet its current obligations.
3. What 'mark-up' has been attained.
4. The efficiency with which funds represented by inventories are being utilized and managed.
5. The ability of the company to meet quickly demands for payment of amounts due.
6. The relative importance of proprietorship and long-term liabilities as sources of funds.

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