

**B.V. Patel Institute of Business Management, Computer & Information Technology**  
**UkaTarsadia University**  
**1<sup>st</sup> Internal Exam**  
**040170305- Corporate Financial Reporting**

Class: M.COM (III)  
 Date: 26<sup>th</sup> Aug, 2017

Marks: 50  
 Time: 2hrs.

**Q.1 Answer the following. (Any Five)**

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1. How is Amalgamation differing from Merger?
2. Define ESOP.
3. Which act is applied for Insurance and who is governing authority?
4. Define Demerger.
5. Define Reconstruction.
6. What is meant by Reduction of share capital?

**Q2. Answer the following. (Any Two)**

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1. The balance sheet of Z ltd. as at 31<sup>st</sup> March, 2015 is given below. In it the respective shares of the company's two division namely S division and W division in the various assets and liabilities have also been shown

Particulars	S Division	W Division	Total
Loan funds		15	417
Equity share capital(Rs.10)			345
Reserves & Surplus			685
Current liabilities	270	93	363
	<b>270</b>	<b>108</b>	<b>1,810</b>
Fixed Assets:			
Cost	875	249	
Less: Depreciation	360	81	
Written Down Value	515	168	683
Investments			97
Current assets	445	585	1,030
	<b>960</b>	<b>653</b>	<b>1,810</b>

- a. Loan fund included, inter alia, bank loans of Rs. 15 crore specifically taken for W division and debentures of the paid up value of Rs. 125 crore redeemable at any time between 1<sup>st</sup> April, 2015 and 30<sup>th</sup> Sept, 2016.
- b. On 1<sup>st</sup> April, 2015 the company sold all its investments for Rs.102 crore and redeemed all the debentures at par, the cash transactions being recorded in the bank account pertaining to S division.
- c. Then a new company named Y ltd. was incorporated with an authorized share capital of Rs. 900 crore divided into shares of Rs. 10 each. All the assets and liabilities pertaining to W division were transferred to newly formed company; Y ltd. allotting shares to Z ltd. shareholders its 2 fully paid equity shares of Rs. 10 each at par for every fully paid equity shares of Rs.10 each held in Z ltd. as discharged of consideration for the division taken over.
- d. Y ltd. recorded in its books the fixed assets at Rs. 218 crore and all other assets and liabilities at the same values at which they appeared in the books of Z ltd.

You are required to pass the journal entry in the books of Z ltd. and prepare Balance sheet of Z ltd. after demerger and initial balance sheet of Y ltd.

2. CAS ltd. furnishes you with the extract of Balance sheet as at 31<sup>st</sup> March, 2015

Particulars	Amt.	Amt.
12% Redeemable preference share capital (Rs.100)		75
Equity share capital		25
Capital Reserve		15
Security premium		25
Revenue reserve		260
Current liabilities		40
		<b>440</b>
Fixed Assets:	100	
Less: provision for dep.	100	00
Investment at cost (MV: Rs. 400)		100

Current assets	340
	<b>440</b>

The company redeemed preference share on 1<sup>st</sup> April,2015. It also bought back 5 equity shares of Rs.10 each at Rs. 50 per share. The payments for the above were made out of huge bank balance, which appeared as a part of current assets.

You are required to:

1. Pass journal entry.
  2. Prepare Balance sheet.
  3. Value equity share on net asset basis.
3. The paid up capital of Toy Ltd. amounted to Rs. 2,50,000 consisting of 25,000 equity shares of Rs. 10 each. Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as under:
- i. In lieu of their present holdings, the shareholders are to receive:
    - a. Fully paid equity shares equal to 2/5<sup>th</sup> of their holdings.
    - b. 5% preference share fully paid- up to the extent of 20% of the above new equity shares.
    - c. 3000, 6% second debentures of Rs. 10 each.
  - ii. An issue of 2500 5% first debenture of Rs.10 each was made and fully subscribed in cash.
  - iii. The assets were reduced as follows:
    - a. Goodwill from Rs.1,50,000 to as Rs.75,000.
    - b. Machinery from Rs.50,000 to Rs. 37,500.
    - c. Leasehold premises from Rs.75,000 to Rs.62,500.

Show the Journal entries to give effects to the above scheme of reconstruction.

**Q3. Answer the following. (Any Two)**

1. Define Insurance. Explain different types of life insurance.
2. Write a note on conceptual framework for preparation and presentation of financial statements.
3. Write a note on Buy back of shares.