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| **SESSION** | **JULY 2023** |
| **PROGRAM** | **master of commerce (M com)** |
| **SEMESTER** | **IV** |
| **Course CODE & NAME** | **DCM7201– ADVANCED CORPORATE ACOCUNTING** |
| **CREDITS** | **4** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02****30 Marks each** |

**Set – 1**

**1. (a) What is Managerial Remuneration and the provisions related to its disbursement as per the Companies Act, 2013?**

**Ans 1(a)**

Managerial Remuneration refers to the compensation or reward given to the managers or key managerial personnel (KMP) of a company for their services. It includes salary, commission, bonuses, perks, and any other monetary or non-monetary benefits. The Companies Act, 2013,

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**(b) List the provisions related to Disposal of Profits of a company as per the Companies Act, 2013.**

**Ans 1(b)**

The Companies Act, 2013, has laid down various provisions related to the disposal of profits of a company. The disposal of profits primarily relates to the declaration and payment of dividends.

**2(a) Define Goodwill and Various methods to calculate Goodwill.**

**Ans 2a.**

Goodwill is an intangible asset that represents the excess value of a business beyond its tangible assets and liabilities. It is the premium that a buyer is willing to pay over the fair market value of the net assets (assets minus liabilities) of a business during an acquisition.

**Q2b.**

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| **The Balance Sheet of XYZ Manufacturing Co. Ltd. discloses the following financial position as at 31 March, 2007** |
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| **BALANCE SHEET** |
| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
| **Paid-up capital:** |  | **Goodwill at cost** | **1,30,000** |
| **40,000 shares of Rs.10 each fully paid** | **4,00,000** | **Land and building at cost (less depreciation)** | **1,75,000** |
| **Capital Reserve** | **60,000** | **Plant and machinery at cost (less depreciation)** | **90,000** |
| **Sundry creditors** | **90,000** | **Stock at cost** | **1,15,000** |
| **Provision for taxation** | **50,000** | **Book debts = Rs.1,12,000** | **1,09,000** |
| **Less: Provision for doubtful debts = Rs.3,000)** |
| **Profit and Loss A/c** | **26,000** | **Cash at bank** | **7,000** |
|  | **6,26,000** |  | **6,26,000** |
| **You are asked to value the goodwill of Toy Gun Manufacturing Co. Ltd. for which purposes the following information is supplied:** |
| **(a) Adequate provision has been made in the accounts for income-tax and depreciation.** |
| **(b) Rate of income-tax may be taken at 50%** |
| **(c) The average rate of dividend declared by the company for the past five-year’s was 15 percent.** |
| **(d) The reasonable return on capital invested in the class of business done by the company is 10 percent.** |

**Ans 2b.**

To value the goodwill of Toy Gun Manufacturing Co. Ltd., we need to use the information provided to calculate the average profits of the company, and then capitalize those profits at the reasonable rate of return.

**3. Document the format of Balance Sheet and Profit & Loss Account of:**

* **Banking Companies**
* **Life Insurance Companies**

**Ans 3.**

The Balance Sheet and Profit & Loss Account are two essential financial statements that businesses need to prepare and present at the end of a financial year. For Banking and Life Insurance Companies, the format of these financial statements is slightly different from other

**Set – 2**

**4a. Explain the meaning and Accounting Treatment of: Issues of Shares and Forfeiture of Shares.**

**Ans 4a.**

The term 'Issues of Shares' refers to the process by which companies allot new shares to shareholders or investors. This can be done in various ways such as public issue, rights issue, bonus issue, etc. Accounting Treatment for issue of shares involves several steps:

**4b. A company has its share capital divided into shares of Rs.10 each. On 1st April, 2020 it granted 20,000 employees stock options at Rs.50, when the market price was Rs.150. The options were to be exercised between 16th December, 2020 and 15th March, 2021. The employees exercised their options for 10,000 shares only; the remaining options lapsed. The company closes its books on 31st March every year. Pass the necessary Journal Entries.**

**Ans 4b.**

To record the transaction related to employee stock options, the company would make the following journal entries:

1. On 1st April 2020, when the options are granted: No entry is required at this point, as the

**5a. Explain the meaning and forms of Reduction of Capital under the Companies Act, 2013.**

**Ans 5a.**

Reduction of capital refers to the process by which a company reduces its share capital. It is governed by Section 66 of the Companies Act, 2013, in India. This provision allows a company to reduce its share capital, subject to confirmation by the tribunal. A company

**5b. C Ltd. has Rs.10,00,000 Authorized Capital on 31.12.2020 divided into shares of Rs.100 each out of which 5,000 shares were issued and fully paid up. In June, 2021 the Company decided to convert the issued shares into stock. But in June, 2022 the Company re-converted the stock into shares of Rs.10 each, fully paid up. Pass entries and show how Share Capital will appear in Notes to Balance Sheet as on 31-12-2020, 31-12-2021, 31-12-2022.**

**Ans 5b.**

Authorized Capital is the maximum amount of capital that a company is allowed to issue to its shareholders as per its constitutional documents. It represents the upper limit of the equity capital a company can issue. In this case, C Ltd. has an authorized capital of Rs.10,00,000

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| **Asco Limited Balance Sheet as on 31st March, 2003** |
| **Liabilities** | **Rs** | **Assets** | **Rs** |
| **Share Capital:** |  | **Fixed Assets:** |  |
| **1,000 6% Preference shares of Rs.100 each fully paid** | **100,000** | **Machinery** | **190,000** |
| **2,000 Equity shares of Rs.100 each fully paid** | **200,000** | **Furniture** | **10,000** |
| **2,000 Equity shares of Rs.100 each, Rs.75 paid** | **150,000** | **Current Assets:** |  |
| **Loan-bank (secured on stock)** | **100,000** | **Stock** | **120,000** |
| **Current Liabilities** |  | **Debtors** | **240,000** |
| **Creditors** | **350,000** | **Cash at bank** | **50,000** |
| **Income-tax payable** | **10,000** | **Miscellaneous Expenditure** |  |
|  |  | **Profit and Loss A/c** | **300,000** |
|  | **910,000** |  | **910,000** |
| **The company went into liquidation on 1st April, 2003. The assets were realized as follows:  Machinery                                                                        Rs.1,66,000 Furniture                                                                                Rs.8,000 Stock                                                                                  Rs.1,10,000 Debtors                                                                             Rs.2,30,000 Liquidation expenses amounted to                                   Rs.4,000  The liquidators are entitled to a commission at 2% on amount paid to unsecured creditors excluding preferential creditors. Calls on partly paid shares were made but the amount due on 200 shares was found to be irrecoverable.  Q- Prepare Liquidator's Statement of Account.** |
|

**Ans 6.**

**Liquidator's Statement of Account**

The Liquidator's Statement of Account provides a summary of the assets realized, the liabilities paid off, and the expenses incurred during the process of liquidation. Below is the Liquidator's Statement of Account for Asco Limited.