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| **SESSION** | **JULY-AUGUST 2024** |
| **PROGRAM** | **BACHELOR OF COMMERCE (B.COM)** |
| **SEMESTER** |  **IV** |
| **COURSE CODE & NAME** | **DCM2203 CORPORATE ACCOUNTING** |
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**Set – 1**

**1. Discuss different types of companies on the basis of incorporation**

**Ans 1.**

**Types of Companies Based on Incorporation**

Companies can be categorized based on their mode of incorporation, which refers to the process through which they are legally formed and recognized as separate legal entities. The primary types of companies based on incorporation are as follows:

**1. Chartered Companies**

Chartered companies are formed under a royal charter granted by a monarch or government. These companies are established through a special charter that defines their rights,

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**2. Fashion Fabrics Ltd. issued 100000 shares of ` 10 each on 1st April, 2014. The**

**amount payable on these shares was as under:**

**₹ 2 per share on application.**

**₹ 3 per share on allotment.**

**₹ 5 per share on call.**

**The amount applicable on application, allotment and further calls were successfully called upon by the company and hence received on all the shares.**

**Give journal entries for the above transactions in the books of Fashion Fabrics Limited.**

**Ans 2.**

A company issues shares to raise capital for its business operations. The issuance process involves inviting the public or specific investors to subscribe to the shares of the company. Shares represent ownership in the company, and shareholders are entitled to a share in the company's profits and decision-making.

In the case of Fashion Fabrics Ltd., the company issued 1,00,000 equity shares with a face value of ₹10 each. The payment was divided into three stages: application, allotment, and final

**3. Critically examine the classification of debentures based on various criteria, such as convertibility, security, redemption and priority.**

**Ans 3.**

Debentures are an important tool for raising long-term capital for companies. They represent a debt instrument through which companies borrow money from investors, promising fixed interest payments and the return of the principal at maturity. The classification of debentures can be critically examined based on various criteria such as convertibility, security, redemption, and priority.

Convertibility is a key criterion in classifying debentures. Convertible debentures allow holders to convert their debt into equity shares of the issuing company after a specified period. This

**Set – 2**

**4. Analyse the legal and financial implications of debenture redemption under the provisions of the Companies Act, focusing on the absence of stringent regulatory guidelines, also elucidate on different redemption methods of Debentures when Debentures are redeemed at par, at premium, and at a discount.**

**Ans 4.**

Debenture redemption is a critical financial and legal obligation for companies that have issued debentures. Under the provisions of the Companies Act, debenture redemption involves the repayment of the principal amount to debenture holders upon maturity or as specified in the terms of issuance. While the Act outlines general guidelines, the absence of stringent regulatory provisions allows companies significant flexibility in managing their redemption obligations,

**5. Mr Ravi Shankar plans to make an investment of Rs.1 Lakh in a business for tenure of 5 years. The WACC of this business is 6%. The estimated cash flows are mentioned below –**

**Year Cash Flow Amount in Rs.**

**1 20,000**

**2 23,000**

**3 30,000**

**4 37,000**

**5 45,000**

**You are required to calculate the Present Value of the respective future cash inflows for each year and the total discounted cash inflows for five years and Net Present Value of this investment opportunity and advise Mr. Ravi Shankar on the investment decision.**

### Ans 5.

Mr. Ravi Shankar's investment requires calculating the Present Value (PV) of the expected cash inflows for 5 years and the Net Present Value (NPV) of the investment.

#### Formula for Present Value (PV):

$$PV=\frac{Cash Flow}{\left(1+r\right)^{n}}$$

Where:

* $r=Discount Rate (WACC)=6\%=0.06$
* $n=Year$

**6. Evaluate the legal and procedural requirements for a company to reduce its share capital and for protecting stakeholder interests. Additionally, discuss the significance of the Capital Reduction/Reconstruction Account in managing liabilities and revaluating assets**

**Ans 6.**

Reducing share capital is a critical decision for a company and requires compliance with stringent legal and procedural requirements under the Companies Act to safeguard the interests of stakeholders, including shareholders, creditors, and employees. A company may reduce its share capital for various reasons, such as eliminating accumulated losses, returning excess capital, or restructuring to improve financial health. The process must adhere to provisions