**Corporate Accounting**

**June 2023 Examination**

**Q1. XYZ Ltd issued 10,000, 10% debentures of Rs.100 each on 1st January 2020. The debentures are redeemable at a premium of 10% after 3 years from the date of issue. On 31st December 2022, the company decided to redeem the debentures. Prepare the necessary journal entries and the balance sheet extract for XYZ Ltd as on 31st December 2022. (10 Marks)**

**Ans:**

**Introduction:**

Debentures are a form of loan taken utilizing the company, which must be repaid in the targeted way on a given date. Generally, the repayment length and debentures' mode of repayment is supplied in the prospectus at the time of trouble. Redemption of debentures refers back to the refund of debentures. It is the system of discharge of debenture repayment liability by the company. Further, section seventy one (1) of the Companies Act 2013 allows an organization to convert its debentures into fairness or preference stocks, wholly or partly, at the time of redemption. However, debentures can be altered only if such an alternative is

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**Q2. The extract of the balance sheet of XYZ Ltd as at March 31, 2022, shows the following:**

**Liabilities:**

**Long-term debt Rs. 5,00,00,000**

**Accounts payable and other current liabilities Rs. 2,00,00,000**

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**Rs. 7,00,00,00**

**Shareholders' Equity:**

**Equity Share Capital (Rs. 10 par value;**

**10,00,000 shares authorized;**

**8,00,000 shares issued and outstanding) Rs. 80,00,000**

**General Reserve Rs. 20, 00,000**

**Retained earnings Rs. 1, 00, 00,000**

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**Rs. 2, 00, 00,000**

**The market value of XYZ Ltd's total assets as of March 31, 2022, is Rs. 25, 00, 00,000. The company has 8, 00,000 equity shares issued and outstanding.**

**Calculate the value of each equity share of XYZ Ltd using the net asset method. (10 Marks)**

**Ans:**

**Introduction:**

Proportion valuation helps in selecting and evaluating an employer's net worth. It includes determining a business's price primarily based on its share capital. The process of determining the cost of a proportion is called share valuation.

**Conditions under which share valuation may be preferred.**

A company may seek a valuation of its stocks under the following conditions:

• Sale of business

• Acquisition of a loan against shares or securities

**Q3. A) Assume you are a financial analyst working for a company in India. Your company is considering acquiring another company and wants to determine the value of its goodwill using the super profit method. The financial data of the target company for the past five years is available to you. Using this data, calculate the value of goodwill using the super profit method. (5 Marks)**

**Ans:**

**Introduction:**

Goodwill represents the emblem cost of the reputation of a business. It is usually calculated throughout acquisitions, mergers, demergers, or another business mixture. There are various techniques of goodwill valuation. One such method is to decide the value of goodwill by calculating a high income.

Super income can be defined as profits the business earns over and above its average or usual

**Q3. B) How can a bank effectively manage its non-performing assets (NPAs) in the wake of economic uncertainty and changing regulatory requirements? (5 Marks)**

**Ans:**

**Introduction:**

The first section of financial liberalization in 1991 completely reformed the banking industry. Earlier, the Indian banking quarter became typically targeted targets like opening wide networks, rural improvement, precedence quarter lending, employment generation