

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



M.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2022

PCO 3501 – ADVANCED CORPORATE ACCOUNTING

Date: 21-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

Section: A

Answer All Questions:

(10 x 2 = 20 Marks)

- 1) State any two advantages of setting Accounting Standards.
- 2) What do you understand by substance over form?
- 3) A Ltd produces chemical X which has the following production cost per unit: Raw Material Rs.5; Direct Labour Rs.2; Direct Expenses Rs.3. Normal Capacity 5000 units per annum. Actual Production 4000 units. Fixed Production Overhead Rs.20,000 per annum. The company has 2000 units of unsold stock lying with it at the end of year. You are required to value the closing stock.
- 4) Write a short note on “Events Occurring After Balance Sheet Date”.
- 5) What is Purchase Consideration as per AS14?
- 6) Y Ltd was taken over by X Ltd. Liquidation expenses of Y Ltd are to be reimbursed by X Ltd to the extent of Rs.10,000. Journalise in the books of X Ltd.
- 7) Plant has useful life of 10 years. Depreciable amount is Rs.39,00,000. The company has charged depreciation based on SLM. At the end of 6th year, the balance useful life was re-estimated at 8 years. Calculate the depreciation is to be charged from 7th year.
- 8) Distinguish between Gross Value Added and Net Value Added.
- 9) State Brummet’s five areas of social objectives.
- 10) Write a short note on XBRL.

Section: B

Answer Any Four Questions:

(4 x 10 = 40 Marks)

- 11) Explain the accounting treatment and presentation of the following items in the profit and loss account as prescribed by AS 5:
 - a) Prior period items, b) Extraordinary items, c) Change in accounting estimates
- 12) Distinguish between Amalgamation in nature of Merger and Purchase.
- 13) When do you recognize revenue in the context of Sale of Goods and Rendering of services as per AS 9?

- 14) A) Determine the maximum remuneration payable to the part time directors and manager of X Ltd under section 309 and 387 of the Companies Act, from the following particulars. Before charging any such remuneration the P&L A/c showed a credit balance of Rs.23,10,000 for the year ended 31st March 2011 after considering the following items: **(6 Marks)**

Particulars	Rs.
Capital Expenditure	5,25,000
Subsidy received from Govt	4,20,000
Special Depreciation	70,000
Multiple shift allowance	1,05,000
Bonus to foreign technicians	3,15,000
Provision for taxation	28,00,000
Compensation to injured workmen	70,000
Ex-gratia to an employee	35,000
Loss on sale of fixed assets	70,000
Profit on sale of investment	2,10,000

- B) Briefly explain provisions of the schedule XIII on remuneration payable by the companies having no profits or inadequate profits. **(4 Marks)**

- 15) The Balance Sheet of B Ltd and S Ltd as on 31st March 2012

Liabilities	B Ltd Rs.	S Ltd Rs.	Assets	B Ltd Rs.	S Ltd Rs.
Eq.Sh. Capital Rs.10 each	9,00,000	3,00,000	Fixed Assets	9,00,000	4,00,000
General Reserve	5,00,000	30,000	Investments	6,00,000	
P&L A/C	6,00,000	2,00,000	Debtors	1,60,000	90,000
Creditors	1,00,000	1,70,000	Stock	2,10,000	1,20,000
			Bank	2,30,000	90,000
	21,00,000	7,00,000		21,00,000	7,00,000

B Ltd has acquired 75% of S Ltd.'s shares at Rs.6,00,000 on 1st July,2011. S Ltd had an opening balance of Rs.1,00,000 in P&L A/C from which it paid dividend for 2010 -2011 at 20% on 30th Sept 2011. The dividend received by B Ltd is included in its P&L A/C. Inventory of B Ltd includes Rs.20,000 out of purchase of Rs.50,000 made from S Ltd in Feb 2012 for a Credit period of 90 days, S Ltd had sold these items at a margin of 25% on cost. There has been no change in general reserve of S Ltd during 2011-2012. Prepare a consolidated Balance Sheet as at 31st March 2012.

- 16) The following are the Balance sheets of C Ltd and D Ltd as on 31st March 2018

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Share Capital Rs.100 each	10,00,000	2,50,000	Land & Building	7,50,000	1,00,000
P&L A/C	7,50,000	1,25,000	Investments	1,25,000	-----
Current Liabilities	7,50,000	75,000	Current Assets	16,25,000	3,50,000
	25,00,000	4,50,000		25,00,000	4,50,000

C Ltd has agreed to absorb D Ltd on the following terms:

- 1) It is assessed that Net Assets of D Ltd may be taken at Rs.3,62,500 which is to be satisfied by issue of fully paid shares of Rs.100 each by C Ltd at par.
 - 2) C Ltd.'s Investment include 20% of the shares in D Ltd at a cost of Rs.60,000
- Close the books of D Ltd and give Journal entries in the books of C Ltd.

17) A) Explain the concept of Economic Value Added. (A = 3 Marks + B = 7 Marks)

B) Compute Economic Value Added of Z Ltd from the information given below:

Particulars	Rs.
Average Capital Employed	3000
Operating Profit before Interest (adjusted for tax effect)	850
Corporate Income Tax	80
Average Debt / Total Capital Employed	40%
Beta Variant	1.10
Risk Free Rate	12.50%
Equity Risk Premium	10%
Cost of Debt (Post Tax)	19%

Section: C

Answer Any Two Questions:

(2 x 20 = 40 Marks)

18) Following are the draft balance sheets of two companies R Ltd and S Ltd as at 31/03/2015

Liabilities	R Ltd	S Ltd	Assets	R Ltd	S Ltd
Equity Capital 100 each	3,00,000	1,50,000	Fixed Assets	2,50,000	75,000
Capital Profit	40,000	42,500	Investments 1200 shares in S Ltd 600 shares in R Ltd	1,50,000	1,00,000
Revenue Profit	1,60,000	14,500	Debtors	1,00,000	40,000
Creditors	75,000	40,500	Stock	20,000	15,000
-----	-----	-----	Bank	55,000	17,500
Total	5,75,000	2,47,500	Total	5,75,000	2,47,500

The following adjustments were not yet made:

- a) Stock worth Rs.2,500 in S Ltd was found to be obsolete with no scrap value.
 - b) R Ltd acquired an asset costing Rs.25,000 on 31/03/2015. No effect has been given for both purchase and payment.
 - c) During the year, R Ltd sold an asset for Rs.30,000 (Original Cost Rs.20,000). The profit was included in the Revenue Profit.
 - d) Debtors of R Ltd included a sum of Rs.25,000 owed by S Ltd
- You are required to prepare the consolidated Balance Sheet of both the Companies as on 31/3/2015 after giving effect to the above adjustments.

19) Define Human Resource Accounting and Explain the various methods of valuing Human Resources.

20) Roger Co. Ltd., has a nominal capital of Rs.30,00,000 divided into shares of Rs.10 each. The following is the Trial Balance of the Company as on 31st December, 2017:

Debit	Amount	Credit	Amount
Freight	65,500	Provision for Bad Debts	17,500
Director Fees	28,700	Sales	20,75,000
Bad Debts	10,550	Bills Payable	1,90,000
Investment in 4% Govt. Bonds	3,00,000	Share Capital	23,00,000
Inventories (1 st January 2017)	3,75,000	General Reserve	1,25,000
Furniture	36,000	Creditors	2,50,000
Trade Receivables	4,35,000	P & L A/c (01 – 01 – 2017)	72,500
Goodwill	1,25,000	6% Debentures	15,00,000
Cash	3,750		
Bank	1,99,500		
Wages	4,24,000		
General Expenses	84,500		
Salaries	72,500		
Interest on Debentures	45,000		
Calls in Arrears	37,500		
Premises (Rs.3,00,000 added on 1 st July 2017)	18,00,000		
Machinery	15,00,000		
Interim Dividend Paid	37,500		
Purchases	9,25,000		
Preliminary Expenses	25,000		
	65,30,000		65,30,000

Prepare final accounts of the company for the year ending 31st December, 2017 in the prescribed form after considering the following adjustments:

- Inventories as on 31st December, 2017 was Rs.5,05,000;
- Provide for Income Tax at Rs.1,25,000;
- Transfer Rs.50,000 to general reserve;
- Provide 5% for bad debt on Trade Receivables;
- Wages include Rs.50,000 paid for the construction of a compound wall to the premises and no adjustment was made;
- Write off Preliminary Expenses;
- Depreciate Machinery by 10% and Furniture by 5%.

21) B Ltd is to absorb S Ltd. the purchase consideration is the issue of 5 shares of Rs.10 each at 10% premium for every 4 shares held in S Ltd. The Balance sheets on the date of Absorption were as under:

Liabilities	B Ltd Rs.	S Ltd Rs.	Assets	B Ltd Rs.	S Ltd Rs.
Share Capital Rs.10 each	20,00,000	12,00,000	Fixed Assets	16,00,000	8,00,000
Reserves	2,00,000	1,60,000	24,000 Shares in S Ltd	3,20,000	
Creditors	4,00,000	2,40,000	20,000 Shares in B Ltd		2,40,000
			Current Assets	6,80,000	5,60,000
	26,00,000	16,00,000		26,00,000	16,00,000

Prepare ledger accounts in the books of S Ltd and journal entries in the books of B Ltd along with Balance sheet after the absorption.
