

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****M.Com. DEGREE EXAMINATION – COMMERCE****THIRD SEMESTER – NOVEMBER 2023****PCO 3501 – ADVANCED CORPORATE ACCOUNTING**

Date: 30-10-2023

Dept. No. 

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

**Section: A****Answer All Questions:****10 x 2 = 20**

- 1) What is Contingent Asset?
- 2) What do you understand by substance over form?
- 3) How would you treat the following in the accounts?

The company acquired assets for Rs.500 lakhs on which it received Govt. grants of 10%.

- 4) Write a short note on “Events Occurring After Balance Sheet Date”.
- 5) What is Purchase Consideration as per AS14?
- 6) The following is the accounting policy of the company. State whether it is as per As-2.  
Raw and packing materials are valued at cost or market value, which is lower. Excise duty is not included in the value of raw and pacing material inventory as the MODVAT benefit is credited to the purchase account on accrual basis and goes to reduce the cost of purchased material.
- 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 6<sup>th</sup> year, the balance useful life was re-estimated at 8 years. Calculate the depreciation is to be charged from 7<sup>th</sup> year.
- 8) Distinguish between Economic Value Added and Market Value Added.
- 9) Why do we need Social Responsibility Accounting?
- 10) What is Human Resource Accounting?

**Section: B****Answer Any Four Questions:****4 x 10 = 40**

- 11) How would you deal with the revaluation of fixed assets as per AS-10?
- 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) The following are the Balance sheets of C Ltd and D Ltd as on 31<sup>st</sup> 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	7,50,000	75,000	Current Assets	16,25,000	3,50,000

Liabilities					
	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.

15) Balance sheet as at 31.12.2017

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital	2,00,000	40,000	30,000 shares in S Ltd	60,000	-----
Reserves	40,000	10,000			
Profits	25,000	14,000	Assets	2,05,000	64,000
	2,65,000	64,000		2,65,000	64,000

S Ltd had the credit balance of Rs.10,000 in the reserves when H Ltd acquired shares in S Ltd. S Ltd capitalized its Rs.10,000 ( all out of profits earned after the acquisition of its shares by H Ltd) by making a bonus issue of one share for every four shares held You are required to prepare the Consolidated Balance Sheet after the bonus issue.

16) 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%

17) 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 31<sup>st</sup> March 2021 after considering the following items:

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

**Section: C**

**Answer Any Two Questions:**

**2 x 20 = 40**

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

19) From the following Balance Sheets of H Ltd and its subsidiary S Ltd as on 31<sup>st</sup> December 2017.

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Shares of Rs.100 each	10,00,000	2,00,000	Machinery	8,00,000	1,80,000
Reserves			Furniture	1,00,000	34,000
P&L A/c	4,00,000	1,50,000	Current Assets	6,80,000	3,86,000
Creditors	2,00,000	50,000	Shares in S Ltd		
	3,00,000	2,00,000	1,600 at Rs.200 each	3,20,000	-----
	19,00,000	6,00,000		19,00,000	6,00,000

Reserve and Profit and Loss Account of S Ltd stood at Rs.50,000 and Rs.30,000 respectively on the date of acquisition of its 80% shares held by H Ltd as on 1/01/2017. Machinery book value Rs.2,00,000 and furniture book value Rs.40,000 of S Ltd were revalued as Rs.3,00,000 and Rs.30,000 respectively for the purpose of fixing the price of its shares. There was no purchase or sale of these assets since the date of acquisition. Prepare a Consolidated Balance Sheet as on that date having taken into the consideration of the above adjustments.

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 31<sup>st</sup> December, 2020:

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 <sup>st</sup> January 2020)	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 – 2020)	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 <sup>st</sup> July 2020)	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 31<sup>st</sup> December, 2020 in the prescribed form after considering the following adjustments:

- Inventories as on 31<sup>st</sup> December, 2020 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;

- e) Wages include Rs.50,000 paid for the construction of a compound wall to the premises and no adjustment was made;
- f) Write off Preliminary Expenses;
- g) Depreciate Machinery by 10% and Furniture by 5%.

21) The following are the summarized Balance Sheets of M Ltd and N Ltd.

Liabilities	M Ltd	N Ltd	Assets	M Ltd	N Ltd
Share Capital Rs.100 each	1,00,000	1,50,000	Fixed Assets	65,500	2,05,500
Profit and Loss A/c	-----	50,000	Investments in 2500 shares of M Ltd	-----	23,750
Creditors	17,500	97,250	Bank	48,500	68,000
			Profit and Loss A/c	3,500	-----
	1,17,500	2,97,250		1,17,500	2,97,250

N Ltd agreed to acquire the business of M Ltd at Book Values of assets and liabilities. Expenses of liquidation of Rs.450 were also incurred by N Ltd. Purchase consideration was settled in 500 fully paid shares of Rs.100 each and the balance in cash. Close the books of M Ltd and give journal entries in the books of N Ltd.

&&&&&&&&&&