

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FOURTH SEMESTER – APRIL 2010

CO 4958 - CORPORATE ACCOUNTS & ACCOUNTING STANDARDS

Date & Time: 22/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

SECTION: A

Answer All Questions:

10 x 2 = 20

- 1) Write short note on fundamental accounting assumptions.
- 2) There is a sales tax demand of Rs.2.50 crores against the company relating to prior years against which the company has gone on appeal to the appellate authority in the department. The ground of appeal deals with points covering Rs.2 crores of the demand. State how the matter will have to be dealt with in the financial statement for the year.
- 3) On 1-1-2001 A Ltd has 1800 equity shares outstanding. On 31-05-2001, it issued 600 equity shares for cash (without bonus claim). On 1-11-2001 it bought back 300 shares. Calculate weighted average number of shares as on 31-12-2001.
- 4) Explain the term “Potential Equity Shares” with examples.
- 5) The provision for tax at the end of 31.03.08 stood at Rs.300000. During 2008 -09, the tax liabilities up to 31.03.08 were settled for Rs.2,74,000. Provision required in respect of 2008 -09 is Rs.82,000. How will you show provision for tax in profit and loss a/c.
- 6) Write short not on “Cost of Control”.
- 7) What is Value added?
- 8) What is purchase Consideration according to AS14?
- 9) Fill in the Blanks:
 - a. If the proposed dividend lies between 12.5% and 15 % the percentage of profits to be transferred to general reserve is -----.
 - b. A reserve which is represented by investments outside the business is known as ----
-----.
- 10) What is “Pooling of Interest Method”?

SECTION – B

Answer any five only:

5 x 8 = 40

- 11) Define “Impairment Loss”. How would an impaired Asset be identified? What are the disclosure provisions relating to impairment of assets?
- 12) Distinguish between Merger method and Purchase method of Accounting for Amalgamation.
- 13) What is a Value added statement? Give a rough format of a Gross Value Added Statement for a Manufacturing Firm.
- 14) X Ltd, having three whole time directors on its Board, the others being part time directors, earned profits during the year ended 31st March, 2007 to the tune of Rs.2,50,000 after taking into consideration the following:

Depreciation on fixed assets - Rs.47, 800

Depreciation admissible as per Income Tax rules – Rs. 32, 800

Provision of Income Tax – Rs.1, 22,500

Capital expenditure included in general expenses charged to

P&L

A/C – Rs.12, 500

Calculate the maximum remuneration payable to the whole time directors assuming that the remuneration payable to the whole time directors to be calculated on net profits remaining after payment of commission to part time directors and the commission to part time directors is to be calculated on net profits remaining after payment of remuneration to whole time directors.

- 15) X Ltd., is having a plant (Asset) carrying amount of which is Rs.250 lakhs on 31.03,2002. Its useful life is 5 years and residual value at the end of 5 years is Rs.5 lakhs. Estimated future cash flow from using the plant in next 5 years are:

For the year ended on	Estimated cash flow (Rs.in lakhs)
31.03.03	50
31.03.04	30
31.03.05	30
31.03.06	20
31.03.07	20

Calculate “Value in use” for plant if the discount rate is 25% and also calculate the recoverable amount if net selling price of plant on 31.03.02 is Rs.60 lacs and impairment loss. Give necessary journal entries of net sales price of plant on 31.03.2002. in Rs. 60/ a.n.

- 16) From the following details find out minority interest and cost of control. Share capital of Y company Ltd., which is the subsidiary of X company Ltd., Rs.5,00,000 out of which share of X company Ltd., Rs.3,00,000. Closing date of Balance sheet – 31.03,07 profit of Y company Ltd., Rs.2,86,000. Investment in the shares of Y company Ltd., made by X company Ltd on 01.07.06 was Rs.3,25,000. Assume profits on 01.04.2006 is Nil.

- 17) A) Write a short note on “Diluted Earnings per Share”.

B) The following information pertains to A Ltd., Calculate the earnings per share for presentation in the financial statements for the year 2008:

No.of shares outstanding as on January 1, 2008 50,00,000

Net Profit for the year 2008 Rs.1,00,00,000

Tax Rate 30%

No. of 12% convertible debentures of Rs.100 each outstanding as on January 1, 2008 each debentures is convertible into 10 equity shares in 2010.

- 18) From the following items in the trial balance of a company on 31.12.2006 and the adjustments given hereunder, show how the items would appear in the relevant accounts and details in the balance sheet.

Trial Balance	DR.	CR.
Advance tax paid (2005)	Rs.3, 00, 000	
Provision for tax (2005)		Rs.4, 00, 000
Tax deducted at source	Rs.50, 000	

Adjustments:

- Income tax for 2005 has been assessed at Rs.5, 00, 000 against which the Advance Payment of tax deducted at source is to be adjusted.
- Provide Rs.3, 00, 000 for taxation on current profits.

SECTION – C

Answer any two only:

2 x 20 = 40

- 19) The authorized capital of X Ltd is Rs.5, 00,000 consisting of 2,000, 6% preference shares of Rs.100 each and 30,000 equity shares of Rs.100 each. Keeping in mind the requirements of schedule VI part I and Part II of the companies Act 1956, draw up the final accounts of X Ltd.

The following was the Trial Balance of X Ltd as on 31-03-2009

Trial Balance of X Ltd as on 31-03-2009		
Particulars	Debits (Rs.)	Credits (Rs.)
Investment in shares in cost	50,000	
Purchases	4,90,500	
Selling Expenses	79,100	
Stock on 01-04-2008	1,45,200	
Salaries and Wages	52,000	
Cash in hand	12,000	
Interim preference dividend for half year	6,000	
Discount on issue of Debentures	2,000	
Preliminary Expenses	1,000	
Bills Receivable	41,500	
Interest on Bank Overdraft	7,800	
Interest on Debentures up to 30-09-08	3,750	
Debtors and Creditors	50,100	87,850
Freehold property at cost	3,50,000	
Furniture at cost	35,000	
6% preference share capital		2,00,000
Equity share capital fully paid up		2,00,000
5% Mortgage Debenture secured on - -Freehold properties		1,50,000
Income tax paid in advance for 2008 -09	10,000	
Dividends		4,250
Profit and Loss A/C (1-4-2008)		28,500
Sales (Net)		6,70,350
Bank Overdraft secured by Hypothecation of stocks		1,50,000
Technical know – how fees at cost paid - - during the year	1,50,000	
Audit fees	5,000	
	14,90,950	14,90,950

You are require to prepare the profit and loss account for the year ended 31-03-09 and the balance sheet as on that date after taking into the following:

- 1) Closing stock was valued at Rs.1,42,500
- 2) Purchase includes Rs. 5000 worth of goods and articles distributed among valued customers. Salaries and wages include Rs.2000 being wages incurred for installation of electrical fittings which were recorded under furniture.
- 3) Bills receivable of Rs.2000 maturing after 31-3-06 were discounted.
- 4) Depreciation on furniture to be charged at 10% on written down value.
- 5) Rs.1000 of discount on issue of debentures to be written off.
- 6) Provide provision for taxation Rs.4000
- 7) Technical knowhow is to be written off over a period of 10 years and preliminary expenses to be written off Rs.500.

20) The following are the Balance sheets of C Ltd and D Ltd as on 31.03.09

Liabilities	CLtd	DLtd	Assets	C Ltd	D Ltd
Share Capital (Rs.100each)	Rs.10,00,000	Rs.2,50,000	Buildings	Rs.7,50,000	Rs1,00,000
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:

- 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
 - 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 and Balance sheet in the books of C Ltd.

21) The following is the Balance Sheet of R Ltd and S Ltd for the year ending 31.12.09. Prepare consolidated Balance Sheet.

Liabilities	R Ltd. Rs.	S.Ltd Rs.	Assets	R Ltd Rs.	S Ltd Rs.
Share Capital (Rs.100)	10,00,000	6,00,000	Buildings	3,00,000	3,40,000
Capital Reserve	-----	4,00,000	Machinery	1,50,000	85,000
General Reserve	2,00,000	-----	Stock	1,86,000	1,78,000
P&L A/C	79,800	1,18,900	Shares of S Ltd	4,24,000	-----
Creditors	85,000	65,000	Bills Receivable	52,000	81,000
Bills Payable	19,000	22,000	Debtors	1,93,800	3,56,000
Bank Over Draft	15,000	26,000	Cash	1,00,000	2,00,000
Other Liabilities	7,000	9,000			
	14,05,800	12,40,900		14,05,800	12,40,900

Additional Information:

- The shares were purchased on 31.12.09
- On the date of Acquisition S Ltd made a Bonus Issue at one share for every 3 shares held by its share holders out of capital reserve, effect has yet to be made.
- A building has to be undervalued by Rs.22, 000 for S Ltd.
- Plant and machinery has to be overvalued by Rs.50,000 for S Ltd
- Bills includes Rs.8000 due to R Ltd from S Ltd
- Creditors includes Rs.32,000 due to R Ltd from S Ltd
- Closing stock of S Ltd includes Rs.40, 000 values of goods sold by R Ltd to S Ltd on which R Ltd made a profit as $33 \frac{1}{3}$ % on cost.
