LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – **COMMERCE**

THIRD SEMESTER – **APRIL 2025**

PCO3MC03 – CORPORATE ACCOUNTING AND REPORTING

Date: 29-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

	SECTION A – K1 (CO1)
	Answer ALL the questions **(5 x 1 = 5)**
1	**Write a short note on the following:**
a)	Prior period items.
b)	Net realizable value.
c)	Cost of control.
d)	Intrinsic value of shares.
e)	Integrated Reporting.
	SECTION A – K2 (CO1)
	Answer ALL the questions **(5 x 1 = 5)**
2	**State whether the following statements are True or False:**
a)	Revenue under consignment sale is recognized by the shipper when the goods are sold by the recipient to a third party.
b)	Any dividend remaining unclaimed after three years from the date on which it became due can be transferred to capital reserve.
c)	Accumulated profits and losses are transferred to realization account in case of amalgamation of a company with another company.
d)	A subsidiary company cannot acquire shares in the holding company.
e)	Likert's Model of human resource accounting is a cost-based model.
	SECTION B – K3 (CO2)
	Answer any THREE of the following. **(3 x 10 = 30)**
3	When do you recognize revenue in the following cases as per Ind AS-18? a) Sale of Goods b) Rendering of services
4	Distinguish between Amalgamation in the nature of Merger and Purchase.
5	P Ltd having three whole time directors on its board, the others being part time directors, earned profits during the year ended 31st March, 2022 to the tune of ₹ 2,50,000 after taking into consideration the following: Depreciation on fixed assets: ₹ 47,800. (Depreciation admissible as per the Companies Act ₹ 32,800). Provision for income tax ₹ 1,22,500 Capital Expenditure included in general expenses charged to profit and loss a/c ₹ 12,500 Calculate the maximum remuneration payable to the whole-time directors and the part time directors assuming that the remuneration payable to the whole-time directors is to be calculated on net profits remaining after payment of commission to part time directors and that the commission to part time directors is to be calculated on net profits remaining after payment of remuneration to whole time directors.
6	From the following balance sheets of H Ltd and its subsidiary S Ltd as on 31st December 2023.

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	4,00,000	1,50,000	Furniture	1,00,000	34,000
P&L A/c	2,00,000	50,000	Current Assets	6,80,000	3,86,000
Creditors	3,00,000	2,00,000	Shares in S Ltd 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 ₹ 50,000 and ₹ 30,000 respectively on the date of acquisition of its 80% shares held by H Ltd as on 1/01/2023. Machinery book value ₹ 2,00,000 and furniture book value ₹ 40,000 of S Ltd were revalued as ₹ 3,00,000 and ₹ 30,000 respectively to fix 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 of that date having taken to the above adjustments.

7 A Ltd acquires B Ltd for a consideration of ₹ 38,00,000 to be satisfied in the form of fully paid equity shares of ₹ 10 each. The balance sheets of the two companies on 31st March, 2024, the date of acquisition, were as follows:

Particulars	A Ltd. ₹	B Ltd. ₹
A. Equity and Liabilities:		
1. Shareholders' Funds		
(a) Share Capital:		
Issued, subscribed and paid up capital :		
4,00,000 Equity shares of ₹ 10 each fully paid up	40,00,000	
2,50,000 Equity shares of ₹ 10 each fully paid up		25,00,000
(b) Reserves and Surplus:		
General Reserve	15,00,000	3,00,000
Development Rebate Reserve	3,00,000	1,00,000
Export Profit Reserve	6,00,000	4,00,000
Profit and Loss Account	12,00,000	9,00,000
	76,00,000	42,00,000
2. Current Liabilities:		
Trade Payables	20,00,000	16,00,000
Total (1) + (2)	96,00,000	58,00,000
B. Assets:		
1. Non Current Assets	46,00,000	28,00,000
2. Current Assets	50,00,000	30,00,000
	96,00,000	58,00,000

You are required to pass the necessary journal entries in the books of A Ltd when amalgamation is (1) by way of merger. And (2) by way of purchase. Presume that the development rebate reserve and export profit reserve are required to be continued.

SECTION C – K4 (CO3)

Answer any TWO of the following. **(2 x 12.5 = 25)**

8 "The contents of corporate social report are essentially based on Social Objectives" – Discuss.

9 The Capital Structure of R Ltd is as under:

80,00,000 Equity Shares of ₹ 10 each.
1,00,000, 12% Preference Shares of ₹ 250 each.
1,00,000, 10 % Debentures of ₹ 500 each.
Term Loan from Bank at 10% ₹ 4,50,00,000

The company's Profit and Loss Account for the year showed a balance Profit After Tax of ₹1,00,00,000, after appropriating Equity Dividend at 20%. The Company is in the 40% tax bracket.

	Treasury Bonds carry 6.5% interest and beta factor for the Company may be taken at 1.5. The long run market rate of return may be at 16.5%. Calculate Economic Value Added.

10 Given below are the Balance sheets of H Ltd and S Ltd as on 31st March 2023

Liabilities	H Ltd ₹	S Ltd ₹	Assets	H Ltd ₹	S Ltd ₹
Share Capital (Rs.100 each)	5,00,000	2,00,000	Sundry Assets	6,00,000	3,00,000
Reserves	1,40,000	50,000	1500 shares in S Ltd	2,40,000	
P&L A/C	1,00,000	30,000			
Creditors	1,00,000	20,000			
	8,40,000	3,00,000		8,40,000	3,00,000

S Ltd had a credit balance of ₹ 10,000 in the reserves when H Ltd acquired shares in it. S Ltd made a bonus issue of one share for every five shares held, all out of the post-acquisition profits, on the date of the above balance sheet. The issue is not yet recorded in the books.
Calculate the cost of control before and after the bonus issue. And show the consolidated balance sheet after the bonus issue.

11 Following are the balance sheets of A Ltd and B Ltd:

Liabilities	A Ltd ₹	B Ltd ₹	Assets	A Ltd ₹	B Ltd ₹
Sh. Capital ₹ 10 each	2,00,000	1,00,000	Assets	8,00,000	4,00,000
Reserves	6,24,000	3,20,000	1000 shares in ABC Ltd	24,000	
			1000 shares in XYZ Ltd		20,000
	8,24,000	4,20,000		8,24,000	4,20,000

It was decided that A Ltd will absorb B Ltd. You are required to calculate the purchase consideration. What shall be the purchase consideration if both the companies are absorbed by a new company C Ltd.

SECTION D – K5 (CO4)

Answer any ONE of the following. **(1 x 15 = 15)**

12 The following are the Balance Sheets of H Ltd and S Ltd as on 31st March, 2022

Liabilities	H Ltd ₹	S Ltd ₹	Assets	H Ltd ₹	S Ltd ₹
Share Capital (Rs.100)	5,00,000	4,00,000	Fixed Assets	2,50,000	2,00,000
General Reserve	1,00,000	1,00,000	Investment in S Ltd	2,50,000	------------
Profit and Loss Account	2,00,000	1,50,000	Current Assets	4,00,000	5,50,000
Current Liabilities	1,00,000	1,00,000			
	9,00,000	7,50,000		9,00,000	7,50,000

The following further information is furnished:
1) H Ltd acquired 2,000 shares in S Ltd on 1/4/2021 when the latter's general reserve and profit and loss account were ₹ 2,50,000 and ₹ 1,00,000 respectively.
2) On 30/6/2021, S Ltd declared 20% dividend out of pre-acquisition profits and H Ltd credited the same to its profit and loss account.
3) On 31/10/2021, S Ltd issued bonus shares in the ratio of 3 shares for 5 shares held out of the general reserve. H Ltd made no entry in its books for the bonus shares received.
4) S Ltd owed H Ltd ₹ 50,000 on 31/3/2022 on account of goods supplied on credit. However, all of those goods were already sold by S Ltd.
Prepare a consolidated Balance Sheet as at 31st March 2022.

13 Following are the balance sheets of A Ltd and B Ltd

Liabilities	A Ltd ₹	B Ltd ₹	Assets	A Ltd ₹	B Ltd ₹
Share Capital in ₹ 10 each fully paid	6,00,000	3,00,000	Assets	12,30,000	4,80,000
Reserves	2,00,000	60,000	Shares in A Ltd of 1000 shares	------------	1,20,000
Liabilities	4,50,000	2,50,000	Preliminary Expenses	20,000	10,000

	12,50,000	6,10,000		12,50,000	6,10,000

The market value of the assets of B Ltd (other than investments in A Ltd) was ₹ 5,20,000. A Ltd agrees to absorb B Ltd and pay for liquidation expenses ₹ 500. The shares of A Ltd are quoted at ₹ 15 each. You are required to calculate purchase consideration and give journal entries in the books of both the companies.

SECTION E – K6 (CO5)

Answer any ONE of the following. **(1 x 20 = 20)**

14 Prepare consolidated Balance Sheet of IND Ltd and its Subsidiary SRI Ltd as at 31st March 2023 from their individual balance sheets as on that date given below:

Liabilities	IND Ltd ₹	SRI Ltd ₹	Assets	IND Ltd ₹	SRI Ltd ₹
Equity Capital (₹ 10)	5,00,000	3,00,000	Fixed Assets	7,00,000	4,00,000
Capital Profit	7,60,000	2,00,000	Investments: 18,000 shares of SRI Ltd. 10,000 shares of IND Ltd.	 8,00,000 --------------	 ------------ 2,00,000
Revenue Profit	6,40,000	4,00,000	Current Assets	5,00,000	4,00,000
Current Liabilities	1,00,000	1,00,000			
	20,00,000	10,00,000		20,00,000	10,00,000

15 X Ltd was registered with a nominal capital of ₹ 10,00,000 divided into shares of ₹ 100 each. The following Trial Balance is extracted from the books on 31st March 2024.

Debit Balances	₹	Credit Balances	₹
Buildings	2,90,000	Sales	5,20,000
Machinery	1,00,000	Outstanding Expenses	2,000
Closing Stock	90,000	Provision for Doubtful Debt 1/4/23	3,000
Purchases (Adjusted)	2,10,000	Equity Share Capital	2,00,000
Salaries	60,000	General Reserve	40,000
Directors Fees	10,000	Profit and Loss A/C 1/4/23	25,000
Rent	26,000	Creditors	92,000
Depreciation	20,000	Provision for depreciation On building ₹ 50,000 On Machinery ₹ 55,000	1,05,000
Bad Debts	6,000	14% Debentures	2,00,000
Interest accrued on Investment	2,000	Interest on Debentures accrued but not paid	14,000
12,000 shares of X Ltd of ₹ 10 each	1,20,000	Interest on Investments	12,000
Debenture Interest	28,000	Unclaimed dividend	5,000
Loose Tools	23,000		
Advance Tax	60,000		
Sundry Expenses	18,000		
Debtors	1,25,000		
Bank	30,000		
	12,18,000		12,18,000

Note: Bills Discounted but not yet matured ₹ 10,000.

You are required to prepare Statement of Profit and Loss for the year ending 31st March 2024 and Balance sheet as at that date after taking into consideration the following information:

a) Closing stock is more than opening stock by ₹ 80,000.
b) Provide for doubtful debts @ 4% on Debtors.
c) Make a provision for income tax @ 30%.
d) Depreciation expense includes depreciation of ₹ 8,000 on building and that of ₹ 12,000 on Machinery.

	e) The directors recommend a dividend @ 25%.

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