

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



M.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2019

16/1718PCO3MC01 – ADVANCED CORPORATE ACCOUNTING

Date: 29-10-2019

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

Section: A

Answer All Questions:

10 x 2 = 20

- 1) What is Tax deducted at Source? How is it shown in company final accounts?
- 2) What do you understand by Substance over form?
- 3) Indicate whether the following statements are True or False:
 - a) The income tax deducted from interest paid on debentures is shown on the liability side of the balance sheet.
 - b) No dividend is paid on Calls in Advance.
- 4) Write a short note on "Purchase Consideration".
- 5) What do you understand by Net Value Added?
- 6) Fill in the blanks:
 - a) Net worth method and intrinsic value method of ascertaining purchase consideration are both based on the ----- taken over.
 - b) The method of accounting used to record amalgamation in the nature of merger is called ----- method.
- 7) What are the requirements to be fulfilled for a company to become a 'Holding Company'.
- 8) S Ltd has capital of `15,00,000 in shares of `100 each. Out of this, H Ltd purchased 75% shares at `17,50,000. The profit of S Ltd at the time of purchase of shares by H Ltd were `7,50,000. S Ltd decided to make a bonus issue out of the profit. Calculate the cost of control after the issue of bonus shares.
- 9) The management of the company does not want to provide for depreciation on the assets in a particular year because the company had not used the assets at all during the year. Give your comment.
- 10) List the social benefits and costs to community.

Section – B

Answer any four only:

4 x 10 = 40

- 11) How would you recognize the revenue in case of sale of goods and rendering of services as per AS-9?
- 12) How are "Contingencies" and "Events occurring after Balance Sheet date to be treated as per AS - 4?
- 13) Distinguish between Value Added and Economic Value Added concepts.

- 14) From the following Profit and Loss Account of K Ltd, for the year ended 31.03.2015 and additional date given Calculate commission due to Managing director at 5% of net profit . Salary of Managing director is to be treated as part of payment of the commission.

Profit and Loss Account for the year ending 31.03.2015

Particulars	₹	Particulars	₹
To Opening Stock	55,000	By Sales	8,50,000
To Bonus (including 2500 for 2014)	25,000	By Closing Stock	75,000
To directors fees	15,000	By Discount	10,000
To Managing Director:		By Profit on sale of fixed asset	5,000
Salary	10,000		
Commission	5,000		
To Development rebate reserve	4,000		
To provision for tax	15,000		
To Establishment expenses	2,00,000		
To Loss on sale of investment	1,000		
To Net Profit c/d	6,10,000		
	9,40,000		9,40,000

The book value of the fixed asset sold was ₹ 10,000 and their original cost was ₹ 13,000.

- 15) The following is the Balance Sheet of W Ltd as on 30th June 2012:

Liabilities	₹	Assets	₹
Share Capital: 20,000 shares of ₹10 each.	2,00,000	Goodwill	25,000
General Reserve	20,000	Land and Building	1,00,000
Loan from Bank	40,000	Plant and Machinery	1,45,000
10% Debentures	1,00,000	Stock	55,000
Creditors	80,000	Debtors	65,000
		Cash at Bank	42,000
		Preliminary Expenses	8,000
	4,40,000		4,40,000

The business of W Ltd is taken over by S Ltd as on the above date on the following terms:

- All assets except goodwill and cash at Bank are taken over at book value less 10% ..
- Goodwill is to be valued at 4 years purchase of the excess of average profits (five years) over 8 % of the combined amount of share capital and general reserve.
- Debentures are taken over by S Ltd and paid off in cash ₹ 50,000 and the balance in fully paid equity shares of 10 each valued at 12.50 per share.
- Loan from bank is to be repaid by W Ltd.
- The purchase consideration is to be discharged by cash ₹ 50,000 and the balance in fully paid equity shares of ₹10 each valued at ₹12.50 per share.
- The average of the five years profit is ₹30,100. The expenses of liquidation amount to ₹2,000 and met by W Ltd. Prior to 30th June 2012 W Ltd sold goods costing 30,000 to S Ltd for 40,000. Debtors include 20,000 still due from S Ltd. On the date of absorption 25,000 worth of goods were still in

stock of S Ltd. You are required to show : a) Leger account in the books of S Ltd, b) Journal entries in the books of S Ltd. All calculations should form part of your answer.

16) Following is the Balance Sheet of R Ltd and S Ltd as on 31/12/16. Prepare a consolidated Balance Sheet:

Liabilities	R Ltd `	S Ltd `	Assets	R Ltd `	S Ltd `
Share Capital 100	9,00,000	6,00,000	Buildings	4,00,000	5,50,000
Reserves	1,48,000	1,92,000	Machinery	1,20,000	1,80,000
P&L A/C as on 1/1/16	14,900	12,400	Investments:		
Profit for the year	56,000	1,30,000	4000 shares of S Ltd	4,56,000	-----
Creditors	98,000	1,22,000	Debtors	1,26,000	1,88,000
Bills Payable	25,000	35,000	Bills Receivable	40,000	56,000
Other Liabilities	1,100	4,600	Stock	72,000	80,000
			Cash	29,000	42,000
	12,43,000	10,96,000		12,43,000	10,96,000

Additional Information:

1. Date of Acquisition was on 1.8.16
2. Debtors includes 20,000 due from R Ltd to S Ltd
3. Bills includes 26,000 due from S Ltd to R Ltd.
4. Closing stock includes 28,000 worth of goods sold by S Ltd to R Ltd on which S Ltd made a profit of 20 % on Sales.

17) The following information is available for a concern. Compute Economic Value Added. Amounts in Crores.

Particulars	`	Particulars	
Debt Capital 12%	2,000	Risk Free Rate	9%
Equity Capital	500	Bea Factor	1.05
Reserve and Surplus	7,500	Market Rate of Return	19%
Capital Employed	10,000	Equity (Market) Risk Premium	10%
Operating Profit after Tax	2,100	Tax Rate	30%

Section - C

Answer any Two Only:

2 x 20 = 40

18) Define Human Resource Accounting (HRA). Explain uses of valuation of Human Resources and its reporting.

19) Following are the Balance sheet of Two companies, X Ltd and Y Ltd as on 31/03/17

Liabilities	X Ltd `	Y Ltd `	Assets	X Ltd `	Y Ltd `
Equity Shares of ` 100 each	5,00,000	3,00,000	Assets	7,50,000	3,50,000
Reserves	1,00,000	60,000	1000 shares in Y Ltd at cost	-----	1,00,000
Creditors	1,50,000	90,000			
	7,50,000	4,50,000		7,50,000	4,50,000

X Ltd absorbed the Y Ltd., agreeing that the shares of both the companies are worth `120 each. The purchase consideration was to be discharged in the form of fully paid shares.

A sum of `20,000 is owed by X Ltd to Y Ltd. Also included in the stock of X Ltd is `30,000 goods supplied by Y Ltd at cost plus 20%..

Give entries in the books of both the companies and Balance sheet in the books of X Ltd.

20) Following are the balance sheets of H Ltd and S Ltd as on 31st March, 2001.

Liabilities	H Ltd `	S Ltd `	Assets	H Ltd `	S Ltd `
Share Capital	1,00,000	20,000	Investments in 1600 shares of S Ltd	30,000	
Reserves:			Investments in 1000 shares of H Ltd		25,000
Pre-acquisition	1,000	500	Other Assets	90,000	5,000
Post acquisition	5,000	1,000			
Other liabilities	14,000	8,500			
	1,20,000	30,000		1,20,000	30,000

Prepare consolidated balance sheet.

21) Following balances have been extracted from the book of A Ltd as at 31/12/2017

Particulars	`	Particulars	`
Share Capital	4,00,000	Rent	5,300
Cash	6,200	Prepaid expenses	4,600
Repairs and maintenance	8,600	Advances from customers	50,000
General reserve	3,00,000	Power	8,800
Raw material at cost	2,67,000	Travelling expense	4,100
Plant and machinery	4,30,000	Auditors fees	1,500
Sundry Creditors	3,40,000	Bank	8,000
Land	30,000	Provision for taxation	2,10,000
Furniture	12,200	Advances to staff	5,300
Sundry Debtors	1,40,000	Miscellaneous Income	54,600
Finished goods at cost	3,10,000	Income tax advances	3,00,000
Raw materials consumption	28,60,000	Miscellaneous Expense	61,400
Sales	42,30,000	Salaries and wages	11,60,000
Development rebate reserve	1,00,000	Cash credit from bank	12,500
Building	74,100		

Additional information:

- 1) The authorized capital of the company is 80,000 equity shares of `10 each of which 50% has been fully called and paid up.
- 2) A dividend of 20% on the paid up capital has been recommended by the directors.
- 3) The closing stock of finished goods at cost `5,60,000
- 4) The development rebate reserve is no longer required
- 5) Depreciation on plant and machinery amounting to `43,000, on furniture amounting to `1,300 and on building amounting to `3,800 has been debited to miscellaneous expenses.
- 6) Income tax assessment for a prior year has been completed, fixing the income tax liability at `1,55,000 (against which a provision of `80,000 and advances of income tax of `70,000 exists in the books) create 60% provision for income tax.

You are required to prepare:

- a) Profit and Loss account for the period ended 31st December, 2017 and
- b) Balance Sheet in the prescribed form as on that date.