



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

FOURTH SEMESTER – APRIL 2017

**CO 4958- CORPORATE ACCOUNTS AND ACCOUNTING STANDARDS**

Date: 22-04-2017  
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

**Section: A**

**Answer All Questions:**

**10 x 2 = 20**

- 1) What are fundamental accounting assumptions?
- 2) What is prior period item?
- 3) A) When the proposed dividend exceeds 20% of the paid up capital the percentage of profits to be transferred to reserve is -----.  
B) Maximum remuneration payable to a part time director when he is not assisted by managing director should not be exceeding -----.
- 4) What do you understand by Substance over form?
- 5) Plant has useful life of 10 years. Depreciation amount is `39 lakhs. The company has charged depreciation based on straight line method. At the end of 6<sup>th</sup> year, the balance useful life was re-estimated at 8 years. Calculate the amount of depreciation to be charged from 7<sup>th</sup> Year.
- 6) On 1-1-2009 A Ltd has 1800 equity shares outstanding. On 31-05-2009, it issued 600 equity shares for cash (without bonus claim). On 1-11-2009 it bought back 300 shares. Calculate weighted average number of shares as on 31-12-2009.
- 7) Define Holding Company.
- 8) Write a short note on: Minority Interest.
- 9) What do you understand by Net Value Added?
- 10) A subsidiary company sold goods to its holding company on the basis of cost plus 25%. At the end of the year, Stock of the holding company included such goods amounted to `80,000. 25% of the shares of the subsidiary company are held by outsiders. What is the amount of Stock Reserve required?

**Section – B**

**Answer any five only:**

**5 x 8 = 40**

- 11) Distinguish between Merger method and Purchase method of Accounting for amalgamation.
- 12) Define “Value Added Statement”? Give a rough format of a Gross Value Added Statement for a Manufacturing Firm.
- 13) Define “Impairment Loss”. How would an impaired Asset be identified? What are the disclosure provisions relating to impairment of assets?

14 From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company . the profit and loss account of the company showed a net profit of `40,00,000 after taking into account the following items:

Depreciation (including special depreciation of `40,000)	1,00,000
Provision for income tax	2,00,000
Donation to political parties	50,000
Ex-gratia payment to a worker	10,000
Capital profit on sale of asset	15,000

14) Balance sheets as on 31.12.2014

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Equity Capital (1 each)	10,000	5,000	Sundry Assets	16,000	10,000
General Reserve	5,000	-----	5000 shares in S Ltd	6,000	-----
Profit & Loss A/c	4,000	1,800			
Creditors	3,000	3,200			
	22,000	10,000		22,000	10,000

Shares of S Ltd were purchased by H Ltd on 30<sup>th</sup> June, 2014. On 1<sup>st</sup> January, 2014 the Balance Sheet of S Ltd showed a loss of `3,000. Prepare a consolidated balance sheet.

15) From the following items found in the trial balance of a company on 31.12.2011 and the following adjustments given hereunder, show how the items would appear in the relevant accounts. Trial Balance

Particulars		
Advance Tax paid 2010	30,000	
Provision for taxation 2010		40,000
Tax deducted at source	5,000	

Adjustments: Income tax for 2010 has been assessed at 50,000 against which the advance payment of tax and tax deducted at source are to be adjusted. Provide 30,000 for taxation on current profits.

16) Compute EVA of R Ltd from the information given below:

Particulars	in Lakhs
Average Capital Employed	3,000
Operating Profit before interest and Tax	850
Corporate income Taxes	80
Average Debt ÷ Total Capital Employed ( in %)	40
Beta Variant	1.10
Risk Free Rate (%)	12.50
Equity Risk Premium (%)	10
Cost of Debt ( Post Tax) (%)	19

17) A firm purchased a plant for ` 10,000 on 1<sup>st</sup> January, 2004. 1<sup>st</sup> July, 2004 another plant for ` 58,200 was bought and spent ` 1,800 on its erection. It was charging depreciation at 10% p.a., according to the straight line method. On 1<sup>st</sup> July, 2006 the machinery bought on 1<sup>st</sup> January 2004 was sold for `

7,200 and on the same date another plant was bought at a cost of ` 40,000. At the end of 2008, the firm decided to change the method of depreciation from the SLM to the diminishing balance method *w.e.f.* 1<sup>st</sup> January, 2004. The rate of depreciation was to be at 12% p.a. You are required to prepare the plant account and show how the depreciation item would appear in the profit and loss account of the year 2008 as per AS-6.

### Section – C

**Answer any two only:**

**2 x 20 = 40**

18) i) What is revenue as per AS-9?

(ii) State the scope of the Accounting Standard (AS-9).

(iii) When do you recognize revenue in the cases of Sale of Goods and Rendering of Services as per AS9?

19) Following are the balance sheets of P Ltd and S Ltd:

Liabilities	P Ltd.	S Ltd.	Assets	P Ltd.	S Ltd
Share Capital in `10 each fully paid	6,00,000	3,00,000	Sundry Assets	12,30,000	4,80,000
Reserves	2,00,000	60,000	Investments: Shares in P Ltd 1000 shares		1,20,000
Sundry 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 S Ltd (other than investments in P Ltd was `5,20,000). P Ltd agrees to absorb S Ltd., and pay for liquidation expenses `500. The shares of P Ltd are quoted at ` 15 each. You are required to calculate the purchase consideration and give journal entries in the books of both the companies.

20) Ltd is a company with an authorized capital of `5,00,000 divided into 5000 equity shares of `100 each on 31.12.2015 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

Particulars	`	Particulars	`
Opening Stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit and Loss a/c	6,220
Discount Allowed	4,200	Creditors	35,200
Insurance ( up to 31.03.2016)	6,720	Reserves	25,000
Salaries	18,500	Loan form managing director	15,700
Rent	6,000	Share Capital	2,50,000
General Expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		

Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad Debts	3,200		
Calls in arrears	5,000		
Total	6,60,270		6,60,270

You are required to prepare Profit and Loss Account for the year ended 31.12.2015 and a Balance sheet as on that date. The following further information is given:

- 1) Closing stock was valued at `1,91,500
- 2) Depreciation plant at 15% and on furniture at 10% to be provided.
- 3) A Tax provision of `8,000 is necessary.
- 4) The directors declared an interim dividend on 15.08.2015 for 6 months ending June, 30, 2015 at a rate of 12%.