



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FOURTH SEMESTER – APRIL 2016

CO 4808 - ADVANCED CORPORATE ACCOUNTING

Date: 18-04-2016
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

Section: A

Answer All Questions:

10 x 2 = 20

- 1) Define a “Holding Company”
- 2) What is Value Added?
- 3) A subsidiary company has a capital of `5, 00,000 in shares of `100 each out of which the holding company acquired 80% of the shares at `6, 00,000. The profits of the subsidiary company on the date of acquisition of shares by the holding company were `3, 00,000. Calculate the value of goodwill or capital reserve.
- 4) Write short note on “Purchase Consideration as per AS 14”.
- 5) What are Notes to Accounts?
- 6) State whether the following items are a) prior period items, b) change in accounting estimate, c) extraordinary items.
 - 1) Expenses of `50,000 of the previous year, which were omitted from books of account of the previous year due to an oversight.
 - 2) The amount of provision for doubtful debts as at the end of the previous year was `5,00,000 out of which, debts of `3,00,000 were realized during the year.
 - 3) Sale of significant part of the plot of land of the company.
 - 4) Write off a huge debt of major customer due for more than a year.
- 7) Choose the right answer.
 - 1) AS4 does not apply to: a) Obligation under retirement benefit plans, b) Commitments arising from long term lease contracts, c) Liabilities of general insurance companies arising from policies issues, d) all of the above.
 - 2) Extraordinary items relate to event or transactions affecting: a) Assets or Liabilities, b) Income or Expenses, c) Both, d) none of the above.
- 8) What is Social Cost and Social Benefit Reporting?
- 9) Define Human Resource Accounting.
- 10) S Ltd was taken over by R Ltd. The following position was mutually agreed upon:

Number of Shares	S Ltd 60,000	R Ltd 90,000
Face value share	S Ltd `100	R Ltd `10
Net Assets	S Ltd ` 3,60,00,000	R Ltd `72,00,000

Ascertain the intrinsic value of the shares, ratio of exchange and number of shares

Section – B

Answer any Four Only.

4 x 10 = 40

- 11) What conditions are laid down in AS29 for becoming contingent liabilities? And also write down the disclosure requirements of Provision in financial statement, Contingent Liability and Contingent Assets.
- 12) Distinguish between Merger method and Purchase method of Accounting for Amalgamation.
- 13) Distinguished between “Changes in accounting policies” and Changes in accounting Estimates”. How change in accounting estimates is accounted for in the books of an Enterprise?
- 14) Determine the maximum remuneration available to the part time directors and manager of B Ltd under section 309 and 387 of the companies Act, 1956 from the following particulars. Before charging any such remuneration the P&L A/C showed a credit balance of `6, 60,000 for the year ended March 31` 2015 after taking into account the following matters:

Capital expenditure `1, 50,000

Subsidy received from Govt. `1, 20,000

Special Depreciation `20, 000

Multiple shift allowance `30,000

Bonus to foreign technicians `90, 000

Provisions for taxation `8, 00,000

Compensation paid to injured workmen `20,000

Ex-gratia to an employee `10,000

Loss on sale of fixed asset `20,000

Profit on sale of investment `60,000

- 15) Balance sheet as on 31.12.2014

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd. `	S Ltd.
Share Capital 1 each	5,000	5,000	Sundry Assets	7,000	10,000
Reserves	2,500	-----	3000 shares in S	4,000	
P&L A/c	2,000	2,000	Ltd		
Creditors	1,500	3,000			
	11,000	10,000		11,000	10,000

Shares of S Ltd were purchased by H Ltd on 30th June, 2014. On 1st Jan, 2014 the balance sheet of S Ltd showed a loss of `4000. Prepare the consolidated Balance Sheet.

- 16) What is EVA? Compute Economic Value Added of R Ltd., for 2 years from the Information given.

Particulars	First Year (` in Lacs)	Second Year (` in Lacs)

Average Capital Employed	3000	400
Operating Profit before Interest and Tax	850	1600
Corporate Income Tax	80	120
Average Debt / Total Capital Employed	40%	13%
Beta variant	1.10	1.30
Risk Free Rate	12.5%	12.5%
Equity Risk Premium	10%	10%
Cost of Debt (Post Tax)	19%	20%

17) A Ltd absorbs B Ltd by payment of 5 shares of Rs.10 each at a premium of 10% for every 4 shares in B Ltd. The balance sheet of B Ltd as on that date of absorption is given below:

Particulars	∩	Particulars	∩
Share Capital (10 each)	1,00,000	Fixed Assets	90,000
General Reserve	10,000	2000 shares in A Ltd	20,000
Creditors	300,000	Current Assets	30,000
	1,40,000		1,40,000

Show the important ledger account in the books of B Ltd and the acquisition entries in the books of A Ltd.

Section - C

Answer any two only.

2 x 20 = 40

18) When do you recognize revenue in the following cases as per AS9:

a) Sale of Goods, b) Rendering of Services.

19) A Ltd is to absorb B Ltd. The balance sheets were as under:

Liabilities	A Ltd `	B Ltd `	Assets	A Ltd `	B Ltd `
Share Capital(10)	8,00,000	3,00,000	Fixed Assets	4,00,000	2,00,000
General Reserve	50,000	40,000	Investments		
Creditors	1,00,000	60,000	6000 shares in B Ltd	80,000	
			5000 shares in A Ltd	-----	60,000
			Current Assets	1,70,000	1,40,000
	6,50,000	4,00,000		6,50,000	4,00,000

The purchase consideration was agreed in the following terms: By issuing 5 shares of `10 each at a premium of 10% for every 4 shares held in B Ltd. You are required to show the important ledger accounts in the books of B Ltd and the acquisition entries in the books of A Ltd.

20) The Auto Parts Manufacturing Co.Ltd., was registered with an authorized capital of Rs.7,50,000 divided into 3000, 6% cumulative preference shares of rs.100 each and 4500 equity shares of Rs.100 each. The following are the balance taken as on 31.12.2015

Particulars	Rs	Particulars	Rs
Calls in arrear	18750	Plant and Machinery	900000
Stock 1.1.15	187500	Fixtures	18000
Debtors	217500	Buildings	750000

Purchases	462500	Interim dividend paid	18750
Rent	12000	General Expense	12250
Debenture interest	22250	Bills Payable	95000
General Reserves	62500	P&L Appropriation A/C(cr)	36250
Equity shares (fully called up)	1150000	Preliminary Expense	12500
Goodwill	62500	Freight	32750
Cash in Hand	6125	Wages	212000
Directors fees	14350	Cash at Bank	95750
Commission on sales	18000	Bad Debts	5275
Debentures	750000	Salaries	36250
Government securities	150000	Sales	1037500
Sundry creditors	125000	Provision for bad debts	8750

The stock on 31st Dec,2015 was estimated at Rs.2,52,500. The following adjustments have also to be made:

- 1) Depreciation of plant and Machinery at 10% and on Fixtures at 5%
- 2) Wages include Rs.25000 paid for the construction of additional rooms to the building
- 3) Final dividend at 5% to be provided
- 4) Preliminary expenses to be written off by 20%
- 5) Provision for bad debts to be maintained at 5% on debtors
- 6) `25000 to be transferred to General Reserve.
- 7) A provision for income tax to the extent of `62500 was to be made.

You are required to prepare the trading and profit and loss account and appropriation account for the year ending 31st Dec, 2015 and the balance sheet as per revised schedule VI of the company's Act as on the same date.

21) The balance sheets of B Ltd and S Ltd as at 31st March, 2014 were as under:

Liabilities	B Ltd `	S Ltd `	Assets	B Ltd `	S Ltd `
Eq.Share Capital	9,00,000	3,00,000	Fixed Assets	9,00,000	4,00,000
(`10)	5,00,000	30,000	Investments	6,00,000	-----
General Reserve	6,00,000	2,00,000	Debtors	1,60,000	90,000
Profit and Los a/c	1,00,000	1,70,000	Inventory	2,10,000	1,20,000
Sundry Creditors			Cash	2,30,000	90,000
	21,00,000	7,00,000		21,00,000	7,00,000

B Ltd has acquired 75 % of S Ltd shares at `6,00,000 on 1st July, 2013. S Ltd had an opening balance of `1,00,000 in profit and loss account from which it paid dividend for 2012 – 2013 at 20 % on 30 the September, 2013. The dividend received by B Ltd is included in its profit and loss account. Inventory of B Ltd includes `20,000 out of purchases of `50,000 made from S Ltd on 31st January 2014. Credit period is 90 days. S Ltd had sold these items at a margin of 25 % on cost. There has been no change in the general reserve account of S Ltd during 2013-14. Prepare a consolidated balance sheet as at 31st March, 2014.