



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FOURTH SEMESTER – APRIL 2017

CO 4808- ADVANCED CORPORATE ACCOUNTING

Date: 20-04-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

Section: A

Answer All Questions:

10 x 2 = 20

1) Fill in the blanks:

a) The maximum remuneration payable to managerial personnel is ----- of the net profits calculated in accordance with Section 349 and 350 of the Companies Act.

b) No transfer to reserve is obligatory if the proposed dividend does not exceed-----.

2) What is Economic Value Added?

3) Write a short note on “Unclaimed Dividend”.

4) What is Purchase Consideration?

5) X Ltd was taken over by R Ltd. the following position was mutually agreed upon:

	X Ltd	Rs.	R Ltd	Rs.
No. of shares		60,000		90,000
Face value of share		100		10
Net Assets		3,60,00,000		72,00,000

Ascertain intrinsic values of the shares, ratio of exchange of share and number of shares to be issued for purchase consideration.

6) Define a “Holding Company”.

7) 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?

8) List out Brummet’s five areas of social contribution.

9) What is ‘Onerous Contract’?

10) What is a prior period item?

Section – B

Answer any Four Only:

4 x 10 = 40

- 11) What is meant by “revaluation of fixed assets”? What are the various bases on which fixed assets can be revalued? Where a fixed asset is revalued, how would the following items be dealt with in the accounts?
- Surplus arising on revaluation.
 - Depreciation on revalued assets.
- 12) What are the distinguishing features of ‘Purchase Method’ of accounting for Amalgamation?
- 13) Define Human Resource Accounting. What are its purposes? List the models of Human Resource Accounting.
- 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, 2015 to the tune of `2,50,000 after taking into consideration the following:

Particulars	`
Depreciation on fixed assets (Depreciation admissible as per income tax rules `32,000)	47,800
Provision for Income Tax	1,22,500
Capital Expenditure included in general expense charged to profit and loss account	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 director.’

- 15) Following is the balance sheet of HLtd and SLtd as on 31st December, 2011

Liabilities	HLtd	SLtd	Assets	HLtd	SLtd
Share Capital	10,000	8,000	Plant	6,000	5,400
General Reserve	4,000	2,000	Furniture	3,000	1,900
Profit (Current yr)	3,000	1,000	Other Assets	1,000	3,700
			6400 shares in SLtd	7,000	
	17,000	11,000		17,000	11,000

At the time of acquisition of shares by HLtd in SLtd, on 1st January, 2011 plant of `6000 of SLtd was revalued at `8000 and furniture of SLtd of `2000 was revalued at `1500. The balance sheet of SLtd showed the above assets on the non revalued basis. You are required to prepare a consolidated balance sheet after giving effect to above revaluation from 1st January, 2011. Depreciation is charged on plant at 10% p.a and on furniture at 5% p.a.

- 16) The following are the balance sheet of CLtd and DLtd as on 31.03.2015

Liabilities	CLtd	DLtd	Assets	CLtd	DLtd
Share Capital (`100 each)	10,00,000	2,50,000	Land& Buildings	7,50,000	1,00,000
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 agreed to absorb D Ltd on the following terms:

- 1) It is assessed that Net Assets of D Ltd may be taken at ₹ 3,62,500 which is to be satisfied by issue of fully paid shares of ₹ 100 each by C Ltd at par.
 - 2) C Ltd's investments include 20% of the shares of D Ltd at a cost of ₹ 60,000.
- Close the books of D Ltd and give journal entries in the books of C Ltd.

17) Compute Economic Value Added of R Ltd:

4,00,00,000 Equity Shares of ₹ 50 each.

12,00,000, 12% Preference Shares of ₹ 150 each.

60,000 10% Debentures of ₹ 1000 each.

9.5% Term Loan from ICICI ₹ 20 Lacs

The EBIT for the company for the current year is ₹ 3,600 Lakhs.

Treasury Bonds Carry 6.5% interest and beta factor for the Company may be taken at 1.8.

The long run market rate of return may be taken at 14.5%.

The Company is under 50% tax bracket.

Section – C

Answer any two only:

2 x 20 = 40

18) The balance sheets of H Ltd and S Ltd as on 31st March, 2015 were as under:

Liabilities	H Ltd ₹	S Ltd ₹	Assets	H Ltd ₹	S Ltd ₹
Equity Capital (₹ 10 each)	9,00,000	3,00,000	Fixed Assets	9,00,000	4,00,000
General Reserve	5,00,000	30,000	Investments	6,00,000	-----
Profit & Loss A/c	6,00,000	2,00,000	Debtors	1,60,000	90,000
Creditors	1,00,000	1,70,000	Inventory	2,10,000	1,20,000
			Bank	2,30,000	90,000
	21,00,000	7,00,000		21,00,000	7,00,000

H Ltd has acquired 75% of S Ltd shares at ₹ 6,00,000 on 1st July, 2014. S Ltd had an opening balance of ₹ 1,00,000 in profit and loss account from which it paid dividend for 2013 -2014 at 20% on 30th September, 2014. The dividend received by H Ltd is included in its profit and loss account.

Inventory of H Ltd includes ₹ 20,000 out of purchase of ₹ 50,000 made from S Ltd in January, 2015. Credit period is 120 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 2014 -2015. Prepare a consolidated Balance Sheet as on 31st March, 2015.

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

Liabilities	A Ltd ₹	B Ltd ₹	Assets	A Ltd ₹	B Ltd ₹
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Share Capital(` 10)	5,00,000	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

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) (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?
- 21) M Ltd was registered with nominal capital `12,00,000 in equity shares of `10 each. The following is the list of balances extracted from its books on 31st March, 2016.

Particulars	`	Particulars	`
Opening Stock	1,50,000	Sales	8,30,000
Premises	6,00,000	Discount received	
Furniture	14,400	Profit and Loss a/c	29,000
Calls in arrears	15,000	Creditors	1,76,000
Plant and Machinery	6,60,000	Reserves	50,000
Carriage outwards	75,000	6% Debentures	6,00,000
Debtors	1,74,000	Share Capital	8,00,000
Goodwill	68,000	Prov. for Doubtful debts (1/4/15)	7,000
Cash and Bank Balance	63,300		
Purchases	3,70,000		
Preliminary Expenses	10,000		
Wages	1,69,730		
General Expenses	13,670		
Advertising	20,000		
Salaries	29,000		
Freight	26,230		
Directors fees	11,450		
Bad debts	4,220		
Debenture interest	18,000		
	24,92,000		24,92,000

You are required to prepare Profit and Loss Account for the year ended 31.3.2016 and a Balance sheet as required by the revised Schedule as on that date. The following further information is given:

- 1) Closing stock was valued at ` 1,90,000
- 2) Depreciate plant at 5%, Premises by 2% and Furniture at `2,400.
- 3) A Tax provision of 50% net profit is required.
- 4) The directors declared a dividend of 15%.