

SECOND SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM2 C06 – ADVANCED CORPORATE ACCOUNTING

(Commerce)

(2019 Admission onwards)

Time: 3 Hours

Maximum: 30 Weightage

Part-AAnswer any **four** questions. Each question carries 2 weightage.

1. What is a subsidiary company?
2. How would you treat Goodwill appearing in the balance sheet of subsidiary company?
3. What is a merger?
4. What is Receiver's Statement of Account?
5. What is tax base?
6. What is human resource accounting?
7. What is social cost benefit ratio?

(4 × 2 = 8 Weightage)**Part-B**Answer any **four** questions. Each question carries 3 weightage.

8. Explain the accounting treatment of operating lease in the books of lessor and lessee.
9. On 1st January 2016, R Ltd. leased a machinery to P Ltd. on the following terms:

Fair value of the machinery on 1.1.2016	Rs. 350,000
Lease term	3 years
Lease rental per annum Rs. 150,000 (Payable on 31 st December every year)	
Guaranteed residual value	Rs. 11,400 (on 31 st December 2018)
Economic life of the machinery	3 years
Internal rate of return	15%

 You are required to compute:
 - a. The value of machinery to be recognised by the lessee
 - b. The finance charges every year
 PV factor of 15% in three years is 2.283.
10. Explain the differences between traditional accounting and forensic accounting.
11. On 31st January, 2019 Mr. Dom purchased from cash from Mr. Brian four 6% Rs. 100 debentures of F&F Ltd at 110.5% cum- interest; interest being payable on 1st June and 1st December every year. Show the journal entry in the books of Mr. Dom and Mr. Brian if each party had to pay bank commission of 25 paise per cent on face value.
12. Calculate deferred tax asset/ liability from the following: Depreciable amount as on 31.3.2019 Rs. 15,00,000, depreciable amount as on 31.3.2020 Rs. 18,00,000, tax base of the depreciable asset as on 31.3.2019 Rs. 16,00,000 and tax base as on 31.3.2020 Rs. 17,60,000.

2. 50% of the interest due on the debentures is waived.
3. The 11% preference shareholders' rights are to be reduced to 50% and converted into 15% Debentures of Rs. 100 each.
4. Current liabilities would be reduced by Rs. 50,000 on account of provision no longer required.
5. The banks agree to the arrangement and to increase the cash credit/overdraft limits by Rs. 1,00,000 upon the shareholders agreeing to bring in a like amount by way of new equity.
6. Besides additional subscription as above, the equity shareholders agree to convert the existing equity shares into new 10 rupees shares of total value Rs. 5,00,000.
7. The debit balance in the Profit and Loss Account is to be wiped out, Rs. 2,60,000 provided for doubtful debts and the value of fixed assets increased by Rs. 4,00,000.

Redraft the Balance Sheet of the company based on the above scheme of reconstruction,

18. In the context of Inflation Accounting System adjust the following Statement of Profit and Loss and Balance Sheet under the 'Current Purchasing Power' (or CPP) method to ascertain the changes in Net Profit and Reserve.

Statement of Profit and Loss for the year ended 31 st December, 2019		Rs ('000)
Sales		500
Opening stock	80	
Add Purchase	420	
Less Closing Stock	(70)	(420)
	Gross Profit	70
Depreciation (buildings)		(5)
Administration Expense		(25)
	Net Profit	40

Balance Sheet as at 31 st December, 2019			
	Rs ('000)		Rs ('000)
Share Capital	200	Land	140
Reserve	200	Building	200
Creditors	35	Less: Depreciation (45)	155
		Stock	70
		Debtors	40
		Cash	30
Total	435	Total	435

Following data are given:

1. Closing stock was acquired during last quarter of 2019 and opening stock during the last quarter of 2018.
2. The land and buildings were acquired and the capital issued during 2005. The buildings are depreciated straight line over 40 years.
3. The relevant retail prices are.
2005 average 60, 2018 last quarter average 108, 2018 December 31st 110, 2019 last quarter average 116, 2019 average 114, 2019 December 31st 118.
4. Sales, Purchases and Administration expenses are assumed to occur evenly over the year and hence at average prices.

(2 × 5 = 10 Weightage)

13. Following were the liabilities and assets of X Limited as on 31-3-2019:

22P240

	Rs.
Equity and Liabilities	
(i) Shareholders' fund	
Share capital:	
2,000 Equity shares of Rs 100 each, Rs 75 per share paid up	1,50,000
6,000 Equity Shares of Rs 100 each, Rs 60 per share paid up	3,60,000
4,000 6% Preference Shares of Rs 100 each	4,00,000
(ii) Non-current Liabilities:	
5% Debentures (having a floating charge on all assets)	2,00,000
(iii) Current Liabilities	
Creditors	2,90,000
Interest Outstanding on Debentures	10,000
Total	14,10,000
Assets	
(i) Non-current assets:	
Land & Buildings	2,00,000
Plant & Machinery	5,00,000
Patents	3,20,000
(ii) Current Assets	
Stock at cost	1,10,000
Sundry Debtors	2,20,000
Cash at Bank	60,000
Total	14,10,000

On 31-3-2019 the company went into voluntary liquidation. The dividend on 14% preference shares was in arrears for one year. Sundry creditors include preferential creditors amounting to Rs 30,000.

The assets realized the following sums:

Land Rs 80,000, Buildings Rs 2,00,000; Plant and Machinery Rs 5,00,000; Patent Rs 50,000; Stock Rs 1,60,000; Sundry Debtors Rs 2,00,000.

The expenses of liquidation amounted to Rs 29,434. The liquidator is entitled to a commission of 2% on all assets realised (except cash at bank) and 2% on amounts distributed among unsecured creditors other than preferential creditors. All payments were made on 30th June, 2019. Prepare the liquidator's Final Statement of Account.

14. From the following information provided by a company for the year 2019-20, calculate deferred tax liability/ asset as per Ind AS 12 taking a tax rate of 50%:

	Rs.
Depreciable amount as on 31.3.2019	15,45,000
Depreciable amount as on 31.3.2020	15,25,000
Tax base of the asset as on 31.3.2019	14,35,000
Tax base of the asset as on 31.3.2020	14,65,000

(4 × 3 = 12 Weightage)

(2)

Part-C

Answer any *two* questions. Each question carries 5 weightage.

15. H Ltd acquired Rs.20,000 (i.e.4/5) equity shares of S Ltd. of Rs. 100 each on 31st March, 2018.

Balance Sheets of H Ltd. and S. Ltd. as 31st March, 2019 were as follows:

	H Ltd. (Rs.)	H Ltd. (Rs.)
Equity and Liabilities		
Shareholders' Funds		
Share Capital:		
Shares of Rs.100 each	80,00,000	25,00,000
Reserves and Surplus:		
Reserves	30,00,000	5,00,000
Surplus Account	10,00,000	10,00,000
Current Liabilities:		
Creditors	20,00,000	5,00,000
Total Equity and Liabilities	1,40,00,000	45,00,000
Assets:		
Non-Current Assets:		
Fixed Assets	70,00,000	25,00,000
Investments: 20,000 Shares in S Ltd.	30,00,000	-----
Current Assets	40,00,000	20,00,000
Total Assets	1,40,00,000	45,00,000

S Ltd. had the credit balance of Rs. 5,00,000 in the reserves and Rs. 2,00,000 in the Surplus Account when H Ltd. acquired the shares in S Ltd. S Ltd. issued bonus share @ 1 for every 5 shares held out of post-acquisition profits. This is not shown in the books. Prepare Consolidated Balance Sheet.

16. Explain the different methods of calculation of purchase consideration.

17. The Balance Sheet of BCR Ltd. As on 31st March 2011 appears as below:

Liabilities	Rs.	Assets	Rs.
1,50,000 Equity Shares of Rs. 10 each fully paid	15,00,000	Fixed Assets	5,00,000
5,000 11% Pref. Shares of Rs. 100 each fully paid	5,00,000	Stock and Stores	6,00,000
Secured Loans:		Receivables	14,50,000
11% Debentures	5,00,000	Underwriting commission	2,00,000
Interest on debentures	1,10,000	Profit & Loss A/c	16,40,000
Bank overdraft	6,30,000		
Unsecured Loans	5,00,000		
Interest on unsecured loan	1,50,000		
Current liabilities	5,00,000		
	43,90,000		43,90,000

A scheme of reconstruction has been agreed amongst the shareholders and the creditors, with the following salient features:

1. Interest due on unsecured loans is waived.

(3)

Turn Over