

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034****M.Com. DEGREE EXAMINATION – COMMERCE****THIRD SEMESTER – APRIL 2023****PCO 3501 – ADVANCED CORPORATE ACCOUNTING**

Date: 02-05-2023

Dept. No. 

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

**Section: A****Answer All Questions:****10 x 2 = 20**

- 1) State the objectives of setting Accounting Standards.
- 2) What are the fundamental accounting assumptions?
- 3) A Plant has useful life of 10 years. Depreciable amount is Rs.39,00,000. The company has charged SLM depreciation. At the end of 6<sup>th</sup> year, the balance useful life was re-estimated at 8 years. How much depreciation will be charged from 7<sup>th</sup> year?
- 4) Write a short note on “Prior Period item”.
- 5) What is Purchase Consideration as per AS14?
- 6) Y Ltd was taken over by X Ltd. Liquidation expenses of Y Ltd are to be reimbursed by X Ltd to the extent of Rs.10,000. Journalise in the books of X Ltd.
- 7) Distinguish between Economic Value Added and Market Value Added
- 8) Treasury bonds carry 4.5% interest, Beta factor for the company is 1.7 and the long run market rate of return of the company is 12.5%. Calculate the cost of equity of the company.
- 9) Define Human Resource Accounting.
- 10) State any two advantages of Value-Added Statement.

**Section: B****Answer Any Four Questions:****4 x 10 = 40**

- 11) Distinguish between Amalgamation in nature of Merger and Amalgamation in nature of Purchase.
- 12) What conditions are laid down in AS-29 for becoming Contingent Liabilities and Provisions?
- 13) “Brummet has identified five possible areas wherein social objectives can be traced out”. Identify these five areas and explain content of Corporate Social Report based on Social Objectives.
- 14) The following are the Balance sheets of X Ltd and Y Lt. as at 31st March, 2015

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
Eq.Capital (Rs.10 each)	4,00,000	1,00,000	Equipment	2,50,000	95,000
Profit and Loss A/C	50,000	20,000	9000 Eq.Shares in Y Ltd acquired	1,40,000	-----
External Liabilities	7,50,000	4,80,000	Other Assets	8,10,000	5,05,000
	12,00,000	6,00,000		12,00,000	6,00,000

X Ltd acquired shares in Y Ltd on April 1, 2014. On that date Profit and Loss Account of Y Ltd., showed a credit balance of Rs.8,000 and Equipment of Y Ltd., was revalued by X Ltd., at 20% above its book value of Rs.1,00,000 but no such adjustment was effected in the books of Y Ltd. Prepare the consolidated balance sheet as on 31st March, 2015.

- 15) On 31<sup>st</sup> March 2016, the balance Sheet of Y Ltd stood as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital Rs.100 each	6,00,000	Machinery	5,50,000
Capital Reserve	13,000	Furniture	1,35,200
Foreign Project Reserve	9,700	Stock	3,15,800
General Reserve	75,350	Debtors	1,29,300
P&L A/C	24,130	Cash at Bank	74,360

11% Debentures	3,00,000		
Creditors	1,82,480		
	12,04,660		12,04,660

On this date, Y Ltd. was absorbed by X Ltd. The scheme of absorption provided that shareholders of Y Ltd. would get 110 shares of X Ltd. of Rs. 100 each for every 100 shares held in Y Ltd. and 3,000 11% debentures of Y Ltd. would be converted into equal number of 12% debentures of X Ltd. of Rs. 100 each. You are required to pass journal entries in the books of X Ltd. assuming that the absorption is in the nature of merger.

- 16) From the following items in the trial balance of a company on 31.12.2016 and the adjustments given hereunder, show necessary journal entries to amend the adjustments and how the items would appear in the relevant accounts and details in the balance sheet.

	Trial Balance	DR.	CR.
Advance tax paid (2015)		Rs.3, 00, 000	
Provision for tax (2015)			Rs.4, 00, 000
Tax deducted at source		Rs.50, 000	
Adjustments:			

- 1) Income tax for 2015 has been assessed at Rs.5, 00, 000 against which the Advance Payment of tax deducted at source is to be adjusted.
- 2) Provide Rs.3, 00, 000 for taxation on current profits.

- 17) 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	4000
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%

### Section: C

**Answer Any Two Questions:**

**2 x 20 = 40**

- 18) Following are the Balance Sheets of H Ltd and its subsidiary S Ltd as on 31<sup>st</sup> March, 2014.

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital (100 each)	10,00,000	4,00,000	Fixed Assets	8,00,000	5,00,000
General Reserve	3,20,000	1,20,000	Stock	2,00,000	1,80,000
P&L A/C	2,80,000	1,80,000	Debtors	80,000	1,50,000
Creditors	1,60,000	1,80,000	Investments:		
			3200 shares in S Ltd	6,00,000	
			at Cost		
			Cash at Bank	80,000	50,000
	17,60,000	8.80,000		17,60,000	8.80,000

H.Ltd. acquired the shares in S.Ltd on 1<sup>st</sup> Oct.2013. The Profit and loss account of S.Ltd. on 1- 4 - 2013 showed a credit balance of Rs.1, 40, 000 out of which a dividend of 20% was paid for the year 2012-2013 in the month of Oct 2013. H.Ltd credited the dividend to its Profit and Loss account. Sundry creditors of S.Ltd includes Rs.30, 000 for goods supplied by H.Ltd. The closing stock of S.Ltd includes goods worth Rs.12,000 which were supplied by H.Ltd. at a profit of 25% on cost. Prepare Consolidated Balance Sheet.

19) When do you recognize revenue in the context of Sale of Goods and Rendering of services as per AS 9?

20) The following is the trial balance of V Ltd., as on 31<sup>st</sup> March, 2021

Debits	Rs.	Credits	Rs.
Stock 1/4/2020	6,50,000	Purchase Returns	1,00,000
Purchases	25,50,000	Sales	34,00,000
Wages	3,00,000	Discount	30,000
Carriage Inwards	9,500	Profit and Loss A/C	2,95,000
Furniture	1,70,000	Share Capital Rs.100 each	10,00,000
Salaries	75,000	Creditors	1,75,000
Rent	40,000	General Reserve	1,55,000
Trade Expenses	60,500	Bills Payable	70,000
Dividend Paid for 2019-20	90,000		
Debtors	4,21,000		
Plant and Machinery	2,90,000		
Bank	4,62,000		
Patents	48,000		
Bills Receivable	59,000		
	52,25,000		52,25,000

Prepare Statement of Profit and Loss for the year ended 31st March, 2021. And a Balance Sheet on that date after taking into account the following adjustments:

1. Stock as on 31st March 2021 was valued at Rs.8,81,000
2. Make a provision for income tax as 25%
3. Depreciate plant and Machinery at 15%; Furniture at 10% and Patents at 5%.
4. On 31st March, 2021 outstanding rent amount to Rs.8,000
5. The board of directors recommends proposed dividend at 15%p,a
6. Provide 3,100 for doubtful debts.
7. Provide Rs.52,000 for managerial remuneration.

21) The following are the Balance sheets of C Ltd and D Ltd as on 31<sup>st</sup> March 2018

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Share Capital Rs.100 each	10,00,000	2,50,000	Land & Building	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 has agreed to absorb D Ltd on the following terms:

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

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