



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

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

THIRD SEMESTER – NOVEMBER 2017

**16PCO3MC01 - ADVANCED CORPORATE ACCOUNTING**

Date: 01-11-2017  
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 do you understand by “substance over form”?
- 3) Choose the best Alternative:
  - (I) Extraordinary items relate to event or transactions affecting:
    - a) Assets or liabilities, of the above.
    - b) Income or Expenses,
    - c) Both,
    - d) None
  - (II) Prior period item may arise as a result of:
    - a) Mathematical mistake in preparation of financial statements of earlier year,
    - b) Consequent court decision on the case contested having earlier year effect,
    - c) Effect of legislative changes with retrospective application,
    - d) All of the above
- 4) How would you recognize the revenue in respect of commission receivable by advertising agencies?
- 5) Write a note on “Holding Company”.
- 6) Stock of `3,20,000 held by Holding company consists of `1,20,000 goods purchased from Subsidiary company who has charged profit on sale of 20%. Holding company acquired 80% of shares of Subsidiary company Calculate the amount of unrealized profit included in stock.
- 7) What is “Onerous Contracts”?
- 8) What is Value Added?
- 9) Fill in the blanks:
  - a) The pooling of interest method is specially applied for -----.
  - b) If the amount of purchase consideration is lower than the value of the net assets acquired, the difference should be treated as -----.
- 10) List the Brummet’s five areas of corporate social objectives.

**Section – B**

**Answer any Four only:**

**4 x 10 = 40**

- 11) How would you recognize the revenue from sales of goods as per AS-9?

12) When to recognize the provisions?

13) A) Determine the maximum remuneration payable to the part time directors and manager of X 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 ` 23,10,000 for the year ended 31<sup>st</sup> March 2011 after taking into account the following items:

Particulars	`
Capital Expenditure	5,25,000
Subsidy received from Govt	4,20,000
Special Depreciation	70,000
Multiple shift allowance	1,05,000
Bonus to foreign technicians	3,15,000
Provision for taxation	28,00,000
Compensation to injured workmen	70,000
Ex-gratia to an employee	35,000
Loss on sale of fixed assets	70,000
Profit on sale of investment	2,10,000

B) And also briefly explain provisions of the schedule XIII on remuneration payable by the companies having no profits or inadequate profits.

14) Discuss the different methods of valuation of human resources?

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

Liabilities	`	Assets	`
Share Capital (`10 each)	10,00,000	Fixed Assets	9,00,000
General Reserve	1,00,000	20,000 shares in A Ltd	2,00,000
Creditors	3,00,000	Current Assets	3,00,000
	14,00,000		14,00,000

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

16) Given below are the Balance sheets of H Ltd and S Ltd.

Liabilities	H Ltd `	S Ltd `	Assets	H Ltd `	S Ltd `
Share Capital (`100 each)	5,00,000	2,00,000	Sundry Assets	6,00,000	3,00,000
Reserves	1,40,000	50,000	1500 shares in S Ltd	2,40,000	
P&L A/C	1,00,000	30,000			
Creditors	1,00,000	20,000			
	8,40,000	3,00,000		8,40,000	3,00,000

S Ltd had a credit balance of `10,000 in the reserves when H Ltd acquired shares in it. S Ltd made a bonus issue of one share for every five shares held, all out of the post-acquisition profits, on the date of the above balance sheet. The issue is not yet recorded in the books.

Calculate the cost of control before and after the bonus issue. And also show the consolidated balance sheet after the bonus issue.

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 only:**

**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,2012

Liabilities	H Ltd ,	S Ltd ,	Assets	H Ltd ,	S Ltd ,
Share Capital (`100 each)	5,00,000	4,00,000	Fixed Assets	2,50,000	2,00,000
General Reserve	1,00,000	1,00,000	Investments in S Ltd	2,50,000	-----
P&L A/C	2,00,000	1,50,000	Current Assets	4,00,000	5,50,000
Creditors	1,00,000	1,00,000			
	9,00,000	7,50,000		9,00,000	7,50,000

The following further information is furnished:

- H Ltd acquired 2000 shares in S Ltd on 01.04.2011 when the latter's general reserve and profit and loss account were `2,50,000 and `1,00,000 respectively.
- On 30.06.2011 S Ltd declared 20% dividend out of pre-acquisition profits and H Ltd credited the amount received to its profit and loss account.
- On 31.10.2011 S Ltd issued bonus shares in the ratio of 3 shares for 5 shares held out of the general reserve. H Ltd made no entry in its books for the bonus shares received.
- S Ltd owed H Ltd `50,000 on 31.03.12 on account of good supplied on credit. However all of goods were already sold by SLtd.

Prepare a consolidated balance sheet as at 31<sup>st</sup> March 2013.

19) A) What is Value added Statement?

B) Give a rough format of a Gross Value Added Statement for a Manufacturing Firm.

C) Discuss the advantages of reporting value added statements..

20) The Auto Parts Manufacturing Co.Ltd., was registered with an authorized capital of `7,50,000 divided into 3000, 6% cumulative preference shares of `100 each and 4500 equity shares of `100 each. The following are the balance taken as on 31.03.2014

Particulars	`	Particulars	`
Calls in arrear	18750	Plant and Machinery	900000
Stock 1.4.13	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 A/C (Cr)	36250
Equity shares (fully called up)	1150000	Preliminary Expense	12500
Goodwill	162500	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	1137500
Sundry creditors	125000	Provision for bad debts	8750

The stock on 31<sup>st</sup> March,2014 was estimated at `3,52,500. The following adjustments have also to be made:

- 1) Depreciation of plant and Machinery at 10% and on Fixtures at 5%
- 2) Wages include `25000 paid for the construction of additional rooms to the building
- 3) Final dividend at 10% 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 for the year ending 31<sup>st</sup> March 2014 and the balance sheet as per revised format as on the same date.

21) The balance sheets of X Ltd., and Y Ltd., as on 31.03.2010 are as under: ( ` in lacs)

Liabilities	X Ltd `	Y Ltd `	Assets	X Ltd `	Y Ltd `
Equity shares (10 each)	25	50.00	Fixed assets	110	50.00
Reserves	131	29.25	Investments	16.25	25.00
12% Debentures	11	5.50	Current Assets	40.25	3.25
Creditors	8	2.75	Miscellaneous Expenditure	8.50	9.25
	175	87.50		175	87.50

Investments of X Ltd represents 1,25,000 shares of Y Ltd. Investments of Y Ltd are considered worth `30 lacs. Y Ltd is taken over by X Ltd on the basis of the intrinsic value of shares in their respective books of account necessary ledger accounts in Y Ltd. Prepare journal entries in the books of X Ltd and the Balance sheet of X Ltd after the absorption.

\$\$\$\$\$\$\$\$