



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.COM. DEGREE EXAMINATION - COMMERCE

FOURTH SEMESTER – APRIL 2014

CO 4808 - ADVANCED CORPORATE ACCOUNTING

Date : 29/03/2014
Time : 01:00-04:00

Dept. No.

Max. : 100 Marks

Section: A

Answer All Questions:

10 x 2 = 20

- 1) What are Notes Accounts?
- 2) The Company incurred ` 40, 00,000 as fixed production overhead per year. It normally produces 2, 00,000 units in a year. In 2011-2012 however its production has been only 80,000 units. At the yearend 31.01.2012 the closing stock was 20,000 units. The cost of unit is: material ` 1000 per unit, Labour ` 500 per unit, Fixed Production Overheads ` 40, 00,000 p.a and Fixed Administration Overheads ` 20,00,000 p.a. Calculate the value of closing stock.
- 3) What do you understand by Substance over form?
- 4) Stock of ` 1, 60,000 held by H Ltd consists of ` 60, 000 goods purchased from S Ltd who has charged Profit on Sale of 20%. H Ltd acquired 80% of shares of S Ltd. Calculate the amount of unrealized profit included in stock.
- 5) Fill in the Blanks: A) when the proposed dividend exceeds 20% of the paid up capital the percentage of profits to be transferred to reserve is -----.
B) Maximum remuneration payable to a part time director when he is not assisted by managing director should be not exceeding -----.
- 6) State whether the following statements are “True” or “False”:
 - a) For calculating minority interest there is need to distinguish between capital and revenue profits of the subsidiary.
 - b) Issue of bonus shares out of pre acquisition profit by the subsidiary company has no effect on the accounting treatment.
- 7) Board of directors approved the financial statement of year 2008 -2009 on 31st July, 2009. The following events occurred before the approval of financial accounts by Board of Directors .State how would you deal with the following situation: A fire occurred in the godown on April 8, 2008 damaging huge quality of stock of value ` 10, 00,000
- 8) Define Holding Company.
- 9) What is purchase Consideration according to AS14?
- 10) What do you understand by Market Value Added?

Answer any Four only:

4 x 10 = 40

- 11) How would you recognize the revenue in respect of revenue from rendering of the services?
- 12) What conditions are laid down in AS 29 for becoming contingent liabilities? List out the areas where AS 29 is not applicable.
- 13) The Manager of S Co.Ltd. is entitled to salary of ` 4000 p.m. and in addition to a commission of 2% on net profit the company before charging such salary and commission. The profit and loss account of the company for the year ended 31.12.2013 was as follows:

To Salary	2,00,000	By Gross Profit	8,00,000
To General Expenses	40,000	By Subsidiary from Govt.	40,000
To Depreciation	60,000	By Profit on sale of plant	30,000
To Ex-gratia (without liability)	8,000	(difference between sale price	
To Manager's Salary	48,000	and written down value	
To Commission to the Manager	5,000	Cost Rs.1,75,000	
To Income tax	1,20,000	Realized Rs.1,50,000)	
To Balance c/d	3,89,000		
	8,70,000		8,70,000

You are required to ascertain the commission payable to the Manager. Give your Comments, if any, in this connection.

- 14) Discuss the different methods of evaluation of human resources.
- 15) R Ltd and S Ltd decide to amalgamate themselves into RM Ltd. The following are the summarized Balance sheet as on 31.03.2012:

Liabilities	R Ltd	S Ltd	Assets	R Ltd	S Ltd
Share Capital (10 each)	6,00,000	4,00,000	Investments: 20000 shares in S Ltd	2,20,000	
General Reserve	1,50,000	1,50,000	10000 shares in R Ltd		1,20,000
Creditors	1,50,000	50,000	Sundry Assets	6,80,000	4,80,000
	9,00,000	6,00,000		9,00,000	6,00,000

The purchase price is to be determined on the basis of net assets and it is discharged by the issue of equity shares of 10 each in RM Ltd. State the amount of purchase consideration for each of these companies.

- 16) Balance sheets of H Ltd and S Ltd as on 31st December, 2011 were as follows:

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital	2,00,000	40,000	Assets	2,05,000	64,000
Reserves	40,000	10,000	30,000 shares in S Ltd	60,000	
Profits	25,000	14,000			
	2,65,000	64,000		2,65,000	64,000

S Ltd had the credit balance of 10,000 in the reserves when H Ltd acquired shares in S Ltd. S Ltd capitalized its 10,000 (all out of profits earned after the acquisition of its share by H Ltd) by making bonus issue of one share for every four shares held. You are required to calculate cost of

goodwill before and after the declaration of bonus issue. Also prepare the consolidated balance sheet after bonus issue.

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17) A) What is the difference between 'Value Added Statements' prepared on gross basis and net basis?

B) The Capital structure of R Ltd is as under:

80,00,000 Equity Shares of ₹ 10 each.

1,00,000 11% Preference Shares of ₹ 250 each.

1,00,000 9% Debentures of ₹ 500 each.

Net Operating Profit after Tax is ₹ 700 Lakhs. Equity Dividend declared for the year at 20%. The Company is in the 40% tax bracket. Treasury Bonds carry 6.5% interest and beta factor for the Company may be taken at 1.5. The long run market rate of return may be taken at 16.5%.

Calculate EVA.

Section – C

Answer Any Two Questions Only:

2 X 20 = 40

18) The following balance sheets of G Ltd and B Ltd as at 31st March, 2012 are given below:

Liabilities	G Ltd	B Ltd	Assets	G Ltd	B Ltd
Equity Share Capital (100 each)	22,50,000	7,50,000	Fixed Assets	15,00,000	75,000
General Reserve	2,00,000	1,50,000	Sundry Debtors	4,35,000	2,25,000
Profit and Loss A/C	3,40,000	15,000	Stock	7,20,000	3,15,000
12% Debentures	-----	4,50,000	1500 shares in B Ltd	2,25,000	-----
Current Liabilities	3,00,000	1,35,000	4500 shares in G Ltd	-----	7,50,000
			Bank	2,10,000	1,35,000
Total	30,90,000	15,00,000	Total	30,90,000	15,00,000

B Ltd traded in raw materials which were required by G Ltd for manufacture of its products. Stock of G Ltd includes ₹ 1,50,000 for purchases made from B Ltd which company made a profit of 20% on selling price. G Ltd owed ₹ 60,000 to B Ltd in this respect. It was decided that G Ltd should absorb B Ltd on the basis of the intrinsic value of the shares of the two companies. Before absorption, G Ltd declared a dividend of 12%.

Show the journal Entries which G Ltd should pass to record the acquisition and also prepare its Balance Sheet immediately thereafter. All workings should form part of your answer.

19) "A new dimension of financial reporting is the growing demand for reports on activities which reflect the contribution of an enterprise to the society". Discuss the above concept and illustrate how the performance of an enterprise to the society at large is evaluated.

20) The Balance sheets of X Ltd and Y Ltd as at 31st March, 2013 were as under:

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Share Capital (10 each)	9,00,000	3,00,000	Fixed Assets	9,00,000	4,00,000
Reserves	5,00,000	30,000	Investments	6,00,000	-----
Profits	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
total	21,00,000	7,00,000	total	21,00,000	7,00,000

X Ltd has acquired 75% of Y Ltd shares at ` 6, 00,000 on 1st July, 2012. Y Ltd had an opening balance of ` 1, 00,000 in profit and loss account from which it paid dividend for 2011 to 2012 at 20% on 30th December, 2012. The dividend received by the B Ltd is included in the profit and loss account. Inventory of B Ltd included ` 20,000 out of purchase of ` 50,000 made from S Ltd in January 2013 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 small Ltd 2012 – 2013. Prepare a consolidated balance sheet as at 31st March, 2013.

21) The following is the trial balance of B Ltd., as on 31st March, 2012:

Particulars	`	Particulars	`
Stock as on 01.04.2011	75,000	Purchase Returns	10, 000
Purchases	2, 45, 000	Sales	3, 40, 000
Wages	30, 000	Discount	3, 000
Carriage	950	Profit and loss a/c	15, 000
Furniture	17, 000	Share Capital	1, 00, 000
Salaries	7,500	Creditors	17, 500
Rent	4000	General Reserve	15, 500
Sundry trade expenses	7,050	Bills Payable	7, 000
Dividend paid	9,000		
Debtors	27, 500		
Plant and Machinery	29, 000		
Cash at bank	46, 200		
Patents	4, 800		
Bills Receivable	5, 000		
	5, 08, 000		5, 08, 000

You are required to prepare the Profit and loss Account and Balance sheet as 31st March, 2012 as per the revised Schedule VI.

1. Stock as on 31st March, 2012 ` .88,000
2. Provide for income tax at 50%
3. Depreciate plant and machinery at 15%; Furniture at 10%; and patents at 5%.
4. On 31st March, 2012 outstanding rent amounted to. ` 800 and salaries ` 900
5. The board of directors recommended payment of a dividend @15% per annum
6. Provide ` 510 for doubtful debts
7. Provide for managerial remuneration at 10% on profit before tax.

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