

C 42721

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Name.....

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2023

(CBCSS)

M.Com.

MCM 2C 06—ADVANCED CORPORATE ACCOUNTING

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A

*Answer any **four** questions.
Each question carries 2 weightage.*

1. What is consolidated financial statement ?
2. What is non-controlling interest ?
3. What is compulsory winding up ?
4. What is deferred tax liability ?
5. P Ltd. Having 8000 shares of Rs. 10 each fully paid up decides to return its member Rs. 3 per share and make shares as Rs. 7 each fully paid up. Write the journal entry.
6. What is operating lease ?
7. Define human resource accounting ?

(4 × 2 = 8 weightage)

Part B

*Answer any **four** questions.
Each question carries 3 weightage.*

8. Differentiate between merger and acquisition.

Turn over

9. The following is the summarized balance sheet of X Ltd as on 31st March 2019 :

| <i>Liabilities</i> | Rs. | <i>Assets</i> | Rs. |
|--|-----------|----------------------|-----------|
| 12,000, 10 % preference shares of Rs. 100 each | 12,00,000 | Goodwill | 90,000 |
| 24,000 equity shares of Rs. 100 each | 24,00,000 | Land and Building | 12,00,000 |
| 10 % Debentures | 6,00,000 | Plant and Machinery | 18,00,000 |
| Bank overdraft | 6,00,000 | Stock | 2,60,000 |
| Sundry creditors | 3,00,000 | Debtors | 2,80,000 |
| | | Cash | 30,000 |
| | | Profit and Loss A/c | 14,00,000 |
| | | Preliminary expenses | 40,000 |
| | 51,00,000 | | 51,00,000 |

On the above date, the company adopted the following scheme of reconstruction.

- 1 The equity shares are to be reduced to shares of Rs. 40 each fully paid up and preference shares are to be reduced to fully paid shares of Rs. 75 each.
- 2 The debenture holder took over the stock and debtors in full satisfaction of their claim.
- 3 The land and building are to be appreciated by 30 % and the plant and machinery is to be depreciated by 30 %.
- 4 The fictitious and intangible assets are to be eliminated.
- 5 Expenses on reconstruction amounted to Rs. 5,000.

Give journal entries incorporating the above scheme of reconstruction.

10. What are the different types of leases ?

11. From the data below, calculate the gearing adjustment required under CCA.

| | Opening | Closing |
|------------------------|---------|---------|
| Convertible debentures | 200 | 240 |
| Bank overdraft | 120 | 160 |
| Cash | 20 | 60 |
| Paid-up share capital | 300 | 400 |
| Reserves | 100 | 160 |

| | |
|-------------------------------------|-----------|
| Cost of sales adjustment | 40 |
| Monetary working capital adjustment | 30 |
| Depreciation adjustment | <u>10</u> |
| Total of Adjustment | 80 |

12. Explain the scope of social responsibility accounting.
13. X Ltd (the lessee) entered into a lease agreement with Y Ltd., (the lessor) to purchase a machinery for Rs. 12,00,000 on 1st April 2019 (FMV of the asset as on 1st April 2019 Rs. 15,00,000). The lease agreement provided for the following terms Lease tenure - 36 months rate of interest - 10 % Annual lease rental - Rs. 5,00,000 guaranteed residual value - Rs. 2,00,000 Calculate the unearned finance income.
14. What are the different adjustments needed under CCA ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** questions.

Each question carries 5 weightage.

15. Z Ltd went into voluntary liquidation on 31st December 2019. Balance sheet of the company as on that date stood as follows :

| I. Equity and Liabilities | | |
|--|------------------|-------------|
| i) Share capital | | |
| 20,000, 10 % cumulative preference shares of Rs. 100 each, fully paid up | 20,00,000 | |
| 10,000 equity shares of Rs. 100 each, Rs. 75 paid up | 7,50,000 | |
| 30,000 equity shares of Rs. 100 each, Rs. 60 paid up | <u>18,00,000</u> | 45,50,000 |
| ii) Reserves and surplus | | |
| Surplus Account (Negative balance) | | (11,25,000) |

Turn over

| | | |
|--|-----------------|------------------|
| iii) Non-current liabilities | | |
| 15 % debentures secured by floating charge | | 10,00,000 |
| iv) Current liabilities | | |
| Trade payables | 12,75,000 | |
| Outstanding interest on debentures | <u>1,50,000</u> | <u>14,25,000</u> |
| Total | | 58,50,000 |
| II. Assets | | |
| i) Non-current assets | | |
| Land and Building | 10,00,000 | |
| Plant and Machinery | 25,00,000 | |
| Furniture and Fixtures | <u>4,00,000</u> | <u>39,00,000</u> |
| ii) Current Assets | | |
| Stock | 5,50,000 | |
| Trade Receivables | 11,00,000 | |
| Cash and Bank balance | 3,00,000 | <u>19,50,000</u> |
| Total | | 58,50,000 |

Other information :

- i) Preference share dividends are in arrears for the last two years.
- ii) Trade payable include preferential creditors of Rs. 1,52,000.
- iii) The assets were sold and realized as follows : Land and Building : Rs. 12,00,000, Plant and Machinery : Rs. 20,00,000, Furniture and Fixtures : Rs. 3,00,000, Stock : Rs. 6,00,000, Trade Receivables : Rs. 8,00,000.
- iv) Expenses of liquidation were Rs. 1,09,000.
- v) Liquidator is entitled to receive commission of 3 % on assets realized except cash.
- vi) Preference shareholders have right to dividend at the time of liquidation.
- vii) The final payment including those on debentures is made on 30th June, 2019. Prepare liquidators' final statement of account

16. P Ltd is the holding company of Q Ltd. The balance sheets of both companies as on 31st march 2019 is given below :

| | P Ltd | Q Ltd |
|--|-----------------|-----------------|
| I. Equity and Liabilities | | |
| 1 Shareholders fund | | |
| a) Share capital (Shares of Rs. 10 each) | 2,50,000 | 50,000 |
| b) Reserves and surplus | | |
| General reserves (01-04-2018) | 1,05,000 | 25,000 |
| Profit and loss a/c (01 -04-2018) | 22,500 | 10,000 |
| Profit for the year | 42,500 | 11,250 |
| 2 Current Liabilities | | |
| Sundry creditors | 60,000 | 23,000 |
| Bills payable | 20,000 | 15,000 |
| Total equity and Liabilities | 5,00,000 | 1,34,250 |
| II. Assets | | |
| 1 Non-current assets | | |
| Tangible assets | | |
| a) Fixed assets | | |
| Land and Building | 1,00,000 | 25,000 |
| Plant and machinery | 1,25,000 | 25,000 |
| Goodwill | 75,000 | 17,500 |
| b) Investments | 50,000 | |
| 2. Current assets | | |
| Debtors | 75,000 | 33,625 |
| Bills receivables | 5,000 | 7,500 |
| Inventory | 50,000 | 10,125 |
| Bank | 15,000 | 12,500 |
| Cash | 5,000 | 3,000 |
| Total Assets | 5,00,000 | 1,34,250 |

Turn over

P Ltd acquired 3,000 shares of Q Ltd of the face value of Rs. 10 each at a price of Rs. 42,500 on 01-04-2018. Out of the debtors and bill receivable of P Ltd Rs. 12,500 and Rs. 4,000 respectively, represented those due from Q Ltd. the stock in the hands of Q Ltd includes goods purchased from P Ltd at Rs. 5,000 which includes profit charged by P Ltd at 25 % on cost. Both the companies have proposed 10 % dividend for 2018-19. Prepare a consolidated balance sheet.

17. Blue Ltd and Star Ltd were amalgamated on and from 1st April 2019. A new company called Yellow star Ltd. was formed to take over the business of the above said companies. Balance sheets of Blue Ltd. and Star Ltd. as on 31st March 2019 are given under :

| | Blue Ltd | Star Ltd |
|--|--------------|--------------|
| I. Equity and Liabilities | | |
| 1. Shareholders fund | | |
| a) Share capital | | |
| 15 % preference shares of Rs. 100 each | 800 | 600 |
| Equity shares of Rs. 100 each | 2,000 | 1,600 |
| b) Reserves and surplus | | |
| Revaluation reserves | 200 | 160 |
| General reserves | 400 | 300 |
| Surplus account | 160 | 120 |
| 2. Non- current liabilities | | |
| 12 % debentures of Rs. 100 each | 192 | 160 |
| 3. Current liabilities | <u>408</u> | <u>190</u> |
| Total equity and Liabilities | <u>4,160</u> | <u>3,130</u> |
| II. Assets | | |
| 1. Non-current assets | | |
| Fixed assets | 2,400 | 2,000 |
| 2. Current assets | <u>1,760</u> | <u>1,130</u> |
| Total Assets | <u>4,160</u> | <u>3,130</u> |

- i) Preference shareholders of Blue Ltd. and Star Ltd. have received same number of 15 % preference shares of Rs. 100 each in the new company.
- ii) 12 % debentures of Blue Ltd. are discharged by the new company by issuing adequate number of 16 % debentures of Rs. 100 each to ensure that they continue to receive the same amount of interest.
- iii) Yellow star Ltd. has issued 1.5 equity shares for each equity share of Blue Ltd. and 1 equity share for each equity share of star Ltd.

The face value of shares issued by Yellow star Ltd. is Rs. 100 each Prepare the balance sheet of Yellow star Ltd. as on 1st April 2019 after the amalgamation has been carried out using the pooling of interest method.

18. What is forensic accounting ? Explain the importance and benefits of forensic accounting ?

(2 × 5 = 10 weightage)