

## SECOND SEMESTER M.Com DEGREE EXAMINATION, APRIL 2021

(Improvement/Supplementary)

M.Com

FMCM2C06: ADVANCED CORPORATE ACCOUNTING

Time: 3 Hours

Maximum Weightage: 30

**Part A: Answer any four questions. Each carries 2 weightage**

1. How a holding company comes into existence?
2. What is intercompany owings?
3. What is reorganization of capital?
4. What is taxable temporary difference?
5. Define lease.
6. Discuss the reasons for Human resource accounting.
7. What is environmental accounting?

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

8. How will you deal with pre-acquisition profits and post-acquisition profits on consolidation?
9. What is the difference between internal reconstruction and external reconstruction?
10. What is sale and lease back?
11. X Ltd. acquires 4,000 shares of Rs.10 each at Rs.15 per share in Y Ltd. on 1st October, 2016. The issued share capital of Y Ltd. consists of 5,000 shares of Rs.10 each. In 2017 Y Ltd. declares a dividend of 20% on its paid up capital for the year ending 31st December, 2016. The Profit and Loss account of Y Ltd. shows the following position.

Profit and Loss account (Balance on 1st January, 2016) 30,000

Profit for the year 2016 24,000

Explain the treatment of this dividend in the books of X Ltd. if post acquisition profits are first used.

12. A Ltd. went into voluntary liquidation. The following are the details:

Assets realized 40,000

Liquidators remuneration 5,000

Unsecured creditors 20,000

Preference share capital is Rs.20,000 (2,000 shares of Rs.10 each). Equity share capital consists of:

a. 1,000 shares of Rs.10 each, Rs.9 called and paid up Rs.9,000

b. 2,000 shares of Rs.10 each, Rs.5 called and paid up Rs.10,000

You are required to prepare the Liquidators Statement of a/c.

**(PTO)**

13. B Ltd. leased a machinery to Y Ltd. On the following terms:

Fair Value	20,00,000
Lease term	5 years
Lease rental per annum	5,00,000
Guaranteed residual value	1,00,000
Expected residual value	2,00,000
Internal Rate of return (discounting rate)	15%

Ascertain unearned finance income.

14. Depreciable amount of a depreciable asset on 31.03.2016 is Rs.1,00,000 and as on 31.03.2017 is Rs.90,000. Tax base of the depreciable asset as on 31.03.2016 is Rs.1,00,000 and as on 31.03.2017 is Rs.75,000.

Compute deferred tax liability assuming a tax rate of 30%.

(4 × 3 = 12 Weightage)

**Part C: Answer any two questions. Each carries 5 weightage**

15. How do you measure and recognize revenue from contract with customers.  
 16. Explain the objective and scope of IndAS 12 regarding income tax.  
 17. Balance sheet of H Ltd. and S Ltd. on 31.3.2015 were as follows

	H Ltd.	S Ltd.
<b>I. Equity and Liabilities</b>		
(1) Share holders' Fund		
(a) Share capital:		
(i) Equity shares of Rs.100 each	10,00,000	4,00,000
(ii) 10% Preference Shares of Rs.100 each		1,00,000
(b) Reserves and Surplus		
(i) General Reserve	1,00,000	50,000
(ii) Surplus A/c:		
Balance on 1.4.2014	40,000	30,000
Profit for 2014-15	2,00,000	80,000
(2) Current liabilities		
Creditors	1,50,000	70,000
<b>Total</b>	<b>14,90,000</b>	<b>7,30,000</b>
<b>II. Assets</b>		
(1) Non current Assets		
(a) Fixed Assets		
(i) Land and building at cost	3,10,000	1,60,000
(ii) Machinery less 10% Depreciation	2,70,000	1,35,000
(b) Investment		
(i) 3,000 shares in S Ltd.	4,50,000	
(2) Current Assets		
Stock at cost	2,20,000	1,50,000
Sundry debtors	1,55,000	90,000
Cash and Bank Balance	85,000	1,95,000
<b>Total</b>	<b>14,90,000</b>	<b>7,30,000</b>

H Ltd. acquired 3,000 equity shares in S Ltd. on 1<sup>st</sup> October 2014. As on the date of acquisition, H Ltd. found that the value of land and buildings and machinery of S Ltd. should be Rs. 1,50,000 and 1,92,500 respectively

Prepare the consolidated Balance sheet of H Ltd and its subsidiary S Ltd. as on 31<sup>st</sup> March, 2015 taking in to consideration the fact that assets are to be taken at their proper values.

18. The balance sheet of M/s Raman Ltd. as at 31<sup>st</sup> March 2015 is as follows:

Liabilities		Assets	
Paid up capital:		Fixed Assets:	
8,000 equity shares of Rs.100 each fully paid up	8,00,000	Land, Building and Machinery	14,00,000
Secured loan:		Current assets:	
8% Debentures	14,00,000	Stock	1,00,000
Accrued interest on Debentures	70,000	Sundry Debtors	40,000
Sundry Creditors	4,50,000	Investments	15,000
Income tax liability	10,000	Cash at bank	1,03,000
		Cash in hand	2,000
		Surplus a/c (negative balance)	10,70,000
	27,30,000		27,30,000

The fixed assets are heavily overvalued. A scheme of reorganisation was prepared and passed. The salient points of the scheme are the following:

- (1) Each share shall be sub divided into ten fully paid equity shares of 10 each.
- (2) After such sub division, each shareholder shall surrender to the company 90% of his holding, for the purpose of reissue to debenture holders and creditors so far as required and otherwise for cancellation.
- (3) Of those surrendered 50,000 equity shares of Rs.10 each, shall be converted into 8% preference shares of Rs.10 each fully paid for debenture holders.
- (4) The debenture holders' total claim shall be reduced to Rs.5,00,000. This will be satisfied by the issue of 50,000 preference shares of Rs.10 each fully paid.
- (5) The claim of sundry creditors shall be reduced by 80% and the balance shall be satisfied by allotting them equity shares of Rs.10 each, fully paid from the shares surrendered.
- (6) Shares surrendered and not reissued shall be cancelled.

Assuming that the scheme is duly approved by all parties interested and by the court, draft necessary journal entries and Balance sheet of the company after the scheme has been carried into effect.

**(2 × 5 = 10 Weightage)**