

**SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)**

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.

B.Com.(Honours) END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - III

20UBHCT3010 - Accounting Standards

Total Duration : 3 Hrs	Total Marks : 75
MCQ : 30 Mins	MCQ : 15
Descriptive : 2 Hrs.30 Mins	Descriptive : 60

Section B

Answer any **SIX** questions (6 × 5 = 30 Marks)

1. What are accounting standards? Briefly summarize the objectives of accounting standards.
2. Goods worth Rs. 6,62,500 were sold on 31.10.2017 by X Ltd. to Y Ltd. Y Ltd. requested for a trade discount of 8% which was agreed by X Ltd. The sale was effected and goods were dispatched. However, on receipt of the goods, Y Ltd. found that goods worth Rs. 77,500 were damaged. Consequently, Y Ltd. returned the damaged goods to X Ltd. and made the due payment amounting to Rs. 5,32,000. The accountant of X Ltd. booked the sale for Rs. 5,32,000. Discuss the above treatment by the accountant with reference to applicable Accounting Standard.
3. XYZ Ltd. is installing a new plant at its production facility. It provides you the following information:

	(Rs)
Cost of the plant (cost as per supplier's invoice)	31,25,000
Estimated dismantling costs to be incurred after 5 years	2,50,000
Initial operating losses before commercial production	3,75,000
Initial delivery and handling costs	1,85,000
Cost of site preparation	4,50,000
Consultants used for advice on the acquisition of the plant	6,50,000

Give your advice to XYZ Ltd. on the costs that can be capitalised for plant in accordance with AS 10: Property, Plant and Equipment.

4. Ajay Co. Ltd. finalised its books of accounts on 31.03.2010. Board of directors have considered and approved the accounts on 25.5.10. Akshai Ltd., a competing company has filed a case against Ajay Co. Ltd. on 10.5.10 claiming substantial damages for infringement of their patents. Ajay Co. Ltd. denies the infringement and decides to contest the matter in the court. How should the event be dealt with in the financial statements of Ajay Co. Ltd. as per AS-4?

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5. Explain briefly some benefits and limitations of Accounting Standards for an accountant.
6. A machine was purchased on 1.1.2006 for Rs. 12 crores and depreciation on straight line basis at 10% p.a. was provided on the basis of 10 years effective life of the machine. On 31.12.2008, it is reassessed and the balance of effective life time is deemed as only 3 more years. How do you deal with the matter under depreciation accounting, AS-6?
7. What do you mean by Investments? List out the information of investments to be disclosed in the financial statements as per AS-13.
8. Determine the amounts to be capitalised as per AS-10, Accounting for fixed assets” from the following:

Furniture for new meeting hall	Rs.80,000
Replacement of tiles with new ones in canteen	Rs.60,000
Overhauling of factory machines	Rs. 1,40,000
New computers for office	Rs. 60,000
Replacement of water tank in the factory wash room	Rs. 40,000
Lamps and lightings in the meeting hall	Rs. 12,000
Salary for the labours attending in the meeting hall	Rs. 3,000

Section C

Part A

Answer any **TWO** questions ($2 \times 10 = 20$ Marks)

9. Discuss in detail the applicability of accounting standards for corporate and Non-corporate entities.
10. The Balance sheets of A Ltd. and B Ltd. as on 31st December, 2016 are as follows:

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Share Capital (in shares of Rs. 10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
General reserves	18,000	20,000	Goodwill	-	20,000
P&L A/c	24,500	23,000	Shares in B Ltd. at cost	1,40,000	-
Creditors	30,000	15,200			
Total	2,72,500	1,58,200		2,72,500	1,58,200

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In the case of B Ltd. profit for the year ended 31st December 2016 is Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of A Ltd in B Ltd. is 90% acquired on 30th June 2016. Draft a consolidated Balance Sheet of "A" Ltd. and its subsidiary as per AS-21.

11. The following summary cash account has been extracted from the company's accounting records:

Summary of Cash Account

Particulars	('000)	('000)
Balance as on 01.04.2019		175.00
Receipts from customers		13,915.00
Issue of Shares		1,500.00
Sale of fixed assets		<u>640.00</u>
		16,230.00
Payments to suppliers	10,235.00	
Payments for fixed assets	1,150.00	
Payments for overhead	575.00	
Wages and Salaries	345.00	
Taxation	1,215.00	
Dividends	400.00	
Repayments of bank loan	1,250.00	(15,170.00)
Balance as on 31.12.2019		1,060.00

Compute cash flow from Operating activities of the company Raja Ltd. for the year ended 31st March 2020 in accordance with AS-3 (Revised).

12. Mr. Ashok had 12% debentures of face value of Rs. 100 each of M/s XYZ Ltd. as current investments. He provides the following details relating to the investments:

1.04.2017 Opening balance 18,000 debentures costing at Rs. 98 each
 1.06.2017 Purchased 9,000 debentures @ Rs. 120 each cum interest
 1.09.2017 Sold 13,500 debentures @ Rs. 110 each cum interest
 01.12.2017 Sold 9,000 debentures @ Rs. 105 each ex interest
 31.01.2018 Purchased 13,500 debentures @ Rs.100 each ex-interest
 31.03.2018 Market value of the investments @ Rs. 105 each

Interest due dates are 30th June and 31st December.

Mr. Ashok closes his book on 31.03.2018. Show investment account in the books of Mr. Ashok assuming LIFO and FIFO method is followed.

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Part B

Compulsory question (1 × 10 = 10 Marks)

13. Fashion Limited is engaged in manufacturing of readymade garments. They provide you the following information on 31st March, 2017:
- i. On 15th January 2017 garments worth Rs. 4,00,000 were sent to Anand on consignment basis of which 25% garments unsold were lying with Anand as on 31st March 2017.
 - ii. Garments worth Rs. 1,95,000 were sold to Shine boutique on 25th March 2017 but at the request of Shine Boutique, these were delivered on 15th April 2017.
 - iii. On 1st November 2016, garments worth Rs. 2,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% goods up to 31st December 2016 and no approval or disapproval received for the remaining goods till 31st March 2017.

You are required to advise the accountant of Fashion Limited, the amount to be recognised as revenue in above cases in the context of AS- 9.