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.

M.Com.(A&F) - END SEMESTER EXAMINATIONS NOVEMBER - 2022

SEMESTER - III

20PAFCT3010 - Advanced Corporate Accounting and Accounting Standards

Total Duration : 2 Hrs 30 Mins. **Total Marks : 60**

Section A

Answer any **SIX** questions $(6 \times 5 = 30$ Marks)

1. Explain the basic postulates of accounting theory.
2. Illustrate AS -21- consolidated Financial Statement.
3. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.
   (i) Average capital employed in the business is Rs.20,00,000
   (ii) Rate of interest expected from capital having regard to the risk involved is 10%
   (iii) Net trading profits of the firm for the past three years were Rs.3,50,400, and 2,80,300 and Rs.3,10,100.
   (iv)Fair remuneration to the partners for their services is Rs.48,000 per annum.
   (v) Sundry assets of the firm are Rs.23,50,400 and Current liabilities are Rs.95,110.

4. The profits of Thilaga Ltd., For the last 5 years were as follows:

Years	Rs
1994	15,000
1995	18,000
1996	22,000
1997	25,000
1998	27,000

   Compute the value of goodwill of Thilalga Ltd., on the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits.

5. Raman Ltd., agrees to purchase the business of Krishnan Ltd., on the following terms:
   (a) For each of the 10,000 shares of Rs.10 each in Krishnan Ltd., 2 shares in Raman Ltd., of Rs.10 each will be issued at an agreed value of Rs.12 per share. In addition, Rs.4 per share cash also will be paid.
   (b) 8% Debentures worth Rs.80,000 will be issued to settle the Rs.60,000 9% debentures in Krishnan Ltd.
   (c) Rs.10,000 will be paid towards expenses of winding up.
   Calculate the purchase consideration.

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6. The Balance sheets of C Ltd., as on 31st December, 1986 are as follows:

Liabilities	C Ltd. Rs	D Ltd. Rs	Asset	C Ltd. Rs	D Ltd. Rs
Share Capital (in shares of Rs. 10 each) General Reserve Profit & Loss A/C Creditors	2,00,000 18000 24,500 30,000	1,00,000 20,000 23,000 15,200	Sundry assets Goodwill Shares in D Ltd at cost	1,32,500 - 1,40,000	1,38,200 20,000 -
	2,72,500	1,58,200		2,72,500	1,58,200

In the case of 'D' Ltd., profit for the year ended 31st December 1986 is Rs.12,000 and transfer to reserve is Rs.5,000. The holding of C Ltd., in D Ltd., is 90% acquired on 30th June 1986. Prepare a Consolidated Balance sheet of 'C' Ltd., and its subsidiary.

7. On 31st March, 1996 the Balance sheet of H Ltd., and its subsidiary S Ltd., stood as follows.

Liabilities	H Ltd. Rs	S Ltd. Rs	Assets	H Ltd. Rs.	S Ltd. Rs
Equity			Fixed assets	5,50,000	1,00,000
share capital	8,00,000	2,00,000			
General Reserve	1,50,000	70,000	75% shares in S Ltd.(at cost)	2,80,000	-
Profit& loss A/c	90,000	55,000	Stock	1,05,000	1,77,000
creditors	1,20,000	80,000			
			Other		
			current assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	4,05,000

Draw a consolidated Balance sheet as at 31st March, 1996 after taking into consideration the following information:
(i) H Ltd., acquired the shares on 31st July, 1995.
(ii) S Ltd., Earned profit of Rs.45,000 for the year ended 31st March 1996.
(iii) In January 1996 S Ltd., sold to H Ltd., goods costing Rs.15,000 for Rs.20,000. On 31st March, 1996 half of these goods were lying as unsold in the godown of H Ltd.

8. Distinguish between opportunity cost method and standard cost method.

Section B

Part A

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

9. Determine from information given below, the value of each class of equity shares both under asset backing method and earning capacity method:

Paid up capital (on 31.12.1998)	3,00,000
30,000 equity shares of Rs.10 each fully paid up	
25,000 equity shares of Rs.10 each, Rs 6 per share	
Called and paid up	1,50,000
500, 12% preference shares of Rs.100 each fully paid up	50,000
General reserve A/c	1,19,500
Profit Loss A/c (cr)	80,000

(i) The preference shares are preferential as to return of capital but do not participate in any surplus assets in case the company is winding up.
(ii) The average annual profits of the company are Rs.59,200
(iii) All assets are worth their book value.
(iv) 10% return is considered fair in this type of company.

10. The following is the Balance sheet of Meera Ltd., as on 31 st March 2016.

Liabilities	Rs	Assets	Rs
Share capital:		Fixed Assets	16,25,000
8% preference shares of Rs.100 each	3,75,000	Investments	3,00,000
		Current Assets	2,50,000
Equity shares of Rs.10 each	7,50,000		
General Reserve	4,50,000		
7% Debentures	3,50,000		
Current liabilities	2,50,000		
	21,75,000		21,75,000

Rainbow Ltd., agreed to take over the business of Meera Ltd., calculate purchase consideration under net assets method by valuing all assets and liabilities at book value. Pass journal entries in the books of rainbow ltd.

11. X Ltd., Purchased 750 shares in Y Ltd., on 1.7.94. The following were their Balance sheets on 31.12.94

Liabilities	X Ltd Rs	Y Ltd Rs	Assets	X Ltd Rs	Y Ltd Rs
Share capital:			Buildings	2,05,000	1,25,000
			Stock	1,00,000	80,000
Shares of Rs.100 each	3,00,000	1,00,000	Debtors	1,00,000	40,000
Gen.reserve on 1.1.94	1,00,000	70,000	Investment in Y Ltd.	1,00,000	
Profit &Loss	1,00,000	60,000	Bills Receivable	40,000	45,000
			Cash at Bank	60,000	20,000
Creditors	80,000	40,000			
Bills payable	50,000	20,000			
Current Account:			Current Account:		
X Ltd.	-	20,000	Y Ltd.	25000	-
	6,30,000	3,10,000		6,30,000	3,10,000

Additional information
(a) Bills Receivable of X Ltd., include Rs.10,000 accepted by Y Ltd.
(b) Debtors of X Ltd., include Rs.20,000 payable by Y Ltd.
(c) A Cheque of Rs.5,000 sent by Y Ltd., On 28th December was not yet received by X Ltd., On 31 st December 1994.
(d) Profit and Loss A/c of Y Ltd., Showed a Balance of Rs.20,000 on 1.1.94.
You are required to prepare a consolidated Balance sheet of X Ltd., and Y Ltd., as on 31.12.1994.

12. Distinguish between Net benefit model and Equivalent net benefit model.

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Part B

Compulsory question $(1 \times 10 = 10$ Marks)

13. You are asked by a liquidator of a company to prepare a statement of account to be laid before a meeting of the shareholders from the following:
Balance sheet of the company as on date of liquidation 1.1.1998

Liabilities	Rs	Assets	Rs
Share capital:		Fixed Assets	8,00,000
8,000 equity		Sundry Debtors	6,00,000
shares of Rs.100	7,20,000	Profit&Loss A/c	2,60,000
each called Rs.90			
2,000 preference			
shares of Rs.100			
each called Rs.60	1,20,000		
Secured loan from			
banks on:			
Plant & Machinery	3,00,000		
Sundry Creditors	5,20,000		
	16,60,000		16,60,000

The Assets realized as follows:

On 1.4.1998 - Sundry Debtors -	2,00,000
Fixed Assets -	2,00,000
Expenses paid -	8,000
On 1.6.1998 - Fixed Assets (final) -	4,00,000
Sundry Debtors -	2,00,000
On 1.8.1998 - Sundry Debtors (final) -	1,00,000

The liquidator is entitled to 4% on collections from debtors and 2% on the amount paid to equity shareholders. Prepare the statement on the assumption that disbursements are made in accordance with law, as and when cash is available.

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