

Reg. No. :

Name :

Fourth Semester B.Com. Degree Examination, August 2022

First Degree Programme under CBCSS

Core Course

CO 1443/CC 1444 : CORPORATE ACCOUNTING

(Common for Commerce/Commerce with Computer Application)

(2014 – 2017 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences each. Each question carries 1 mark.

1. What are preliminary expenses?
2. What are calls in arrears?
3. What is Profit and Loss Appropriation Account?
4. What is proposed dividend?
5. Write a short note on IFRS.
6. What do you understand by capital reserve?
7. What is internal reconstruction?
8. What is purchase consideration?
9. What is Net Payment method?
10. Pass journal entry to record the business purchase in the books of the purchasing company.

(10 × 1 = 10 Marks)

P.T.O.

SECTION – B

Answer any **eight** questions in not exceeding **one** paragraph. Each question carries **2** marks.

11. What are the objects of Accounting Standards?
12. Write a short note on AS-20.
13. Mention the objectives of Ind-AS 36.
14. What is an investment property as per IAS 40?
15. How is the loss prior to incorporation treated in the books of accounts?
16. What do you understand by amalgamation in the nature of merger?
17. What is the difference between 'alteration of share capital' and 'reduction of share capital'?
18. What are potential equity shares?
19. How would you calculate Basic EPS?
20. From the following items found in the Trial Balance and the adjustments given there under, write the necessary journal entries :

Trial Balance :

Advance payment of tax Rs. 60,000, Provision for Taxation Rs. 80,000 and Tax Deducted at Source Rs. 10,000.

Adjustments :

- (a) Income tax for previous year has been assessed at Rs. 90,000 against which the advance tax and tax deducted at source are to be adjusted.
- (b) Provide Rs. 60,000 for taxation on current profits.

21. From the following information presented by P Ltd., ascertain the value of stock to be included in the Balance Sheet as per AS 2 :

Cost price of certain stock amounted to Rs. 60,000; being obsolete, it can be used for production purposes after incurring Rs. 10,000 for modification. The same could be used as a by-product for an existing product, the purchases price for the same amounts to Rs. 40,000.

22. P Ltd, take over the business of Q Ltd. for which P Ltd. pays Rs. 2,00,000 in equity shares of Rs. 10 each, Rs. 1,50,000 in 12% debentures of P Ltd. and Rs. 1,75,000 in cash. Creditors for Rs. 75,000 and employees' security deposit Rs. 15,000 are also assumed by P Ltd.

Compute purchase consideration.

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions. Each question carries 4 marks.

23. Which are the statutory registers that a company is required to keep as per the provisions of the Companies Act?
24. What is amalgamation? What are its objects?
25. The following are the relevant balances extracted from the books of a company. You are required to calculate the remuneration of the managing director at 5% of the Net Profit, after charging such commission ascertained according to the Companies Act.

Net Profit Rs. 38,786

Items considered for arriving at the above net profit :

	Rs.
(a) Provision for taxation	39,000
(b) Managing Director's remuneration paid	12,000
(c) Preliminary expenses written off	4,000
(d) Directors' fees	25,000
(e) Provision for doubtful debts	1,200
(f) Depredation written off	12,880
(g) Depredation allowable as per Income Tax rules	12,000
(h) Ex-gratia payment to employee (without any liability to the company)	2,000

26. A company deals in three products X, Y, and Z which are neither similar nor interchangeable. At the time of closing of its accounts for the year 2020-21, the historical cost and net realisable value of the items of closing stock are determined as :

Items	Historical cost (Rs. in Lacks)	Net Realisable value (Rs. in Lacks)
X	40	28
Y	32	32
Z	16	24

What will be the value of closing stock as per AS 2?

27. X Ltd. has a share capital of Rs. 2,00,000 divided into 2,000 shares of Rs. 100 each, of which Rs. 80 per share called-up and paid-up.

Show the entries under each of the following conditions :

- (a) If X Ltd. resolves to subdivide the shares into 20,000 shares of Rs. 10 each, of which Rs. 8 per share paid-up and called-up.
- (b) If X Ltd. resolves to convert its 2,000 shares of Rs. 100 each (assume fully-paid) into Rs. 2,00,000 worth of stock.
28. P Ltd. has agreed to issue one share of Rs. 10 each for every three shares in Q Ltd. There are 10,000 shares of Rs. 10 each in Q Ltd. The shares of P Ltd. are quoted at Rs. 24 in the market. Calculate the amount of purchase consideration.
29. Explain various methods of reduction of share capital.

30. The following is the Balance Sheet of X Co. Ltd :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Land and Building	2,50,000
20,000 shares	2,00,000	Stock	90,000
Debentures	1,00,000	Debentures	27,500
Creditors	30,000	Cash at Bank	12,500
Reserve Fund	50,100	Cash in Hand	100
	<u>3,80,100</u>		<u>3,80,100</u>

The company is absorbed by A Ltd., the consideration is :

Discharge of the debentures at a premium of 5%, taking over the liabilities in respect of creditors; payment of Rs. 7 in cash and one share of Rs. 5 in A Co. at the market value of Rs. 8 per share in exchange for one share in X Co. The cost of liquidation is Rs. 5,000 to be met by purchasing company. Prepare ledger accounts in the books of X Co.

31. X Ltd. presented the following particulars for the period ended 31st March 2021, from which you are required to calculate the diluted earnings per share :

Net profit earned for the year 2020-21	Rs. 20,00,000
No. of equity shares outstanding at the end of the period	10,00,000
No of 12% Convertible Debentures of Rs. 100 each to be convertible into 10 equity shares	25,000
Income Tax Rate is	50%

(6 × 4 = 24 Marks)

SECTION – D

Answer **any two** questions. **Each** question carries **15** marks.

32. Discuss in detail the various methods of calculating purchase consideration.
33. Shelvan Manufacturing Co. Ltd. was registered with an authorized capital of Rs. 5,00,000 divided into shares of Rs. 10 each, of which 20,000 shares had been issued and fully paid.

The following is the Trial Balance extracted on March 31, 2021:

Particulars	Debit (Rs.)	Credit (Rs.)
Stock (April 1, 2020)	93,210	–
Purchase and sales	3,59,105	5,84,950

Particulars	Debit (Rs.)	Credit (Rs.)
Returns	6,340	4,925
Manufacturing wages	54,870	—
Sundry manufacturing expenses	9,620	—
Carriage inwards	2,455	—
18% bank loan (Secured)	—	25,000
Interest on bank loan	2,250	—
Office salaries and expenses	8,935	—
Auditor's fees	4,300	—
Directors' remuneration	13,125	—
Preliminary expenses	3,000	—
Freehold premises	82,105	—
Plant and machinery	64,200	—
Furniture	2,500	—
Loose tools	6,250	—
Debtors and creditors	52,700	31,110
Cash in hand	9,765	—
Cash at bank	48,430	—
Advance payment of tax	42,145	—
Profit and loss account on April 1, 2020	—	19,320
Share capital	—	2,00,000
	<u>8,65,305</u>	<u>8,65,305</u>

Prepare trading and profit and loss account for the year ended 31st March 2021, and a balance sheet as on that date after taking into consideration the following adjustments:

- On 31st March, 2021, outstanding manufacturing wages and outstanding salaries stood at Rs. 945 and Rs. 600 respectively. On the same date, stock was valued at Rs. 62,420 and loose tools at Rs. 5,000.
- Provide for interest on bank loan for six months.

- (c) Depreciation on plant and machinery is to be provided at 15%, while on office furniture it is to be 10%.
- (d) Write off one-third of balance of preliminary expenses.
- (e) Make a provision for Income tax @ 50%.
- (f) The directors recommended a maiden (first) dividend @ 15% for the year ending 31st March, 2021, after a transfer of 5% of net profits to general reserve.
34. X Ltd. was incorporated on 1st April 2021 in order to take over a running business from 1st January 2021. X Ltd. prepares its final accounts on 31st December 2021. You are asked to calculate the sales ratio of pre-and post-incorporation periods from the following particulars:
- (a) Sales (from January 2021 to December 2021) – Rs. 4,80,000;
- (b) January sales = Twice the average sales;
- (c) February sales = Average sales;
- (d) May to August = $\frac{1}{4}$ th of the average sale for each month;
- (e) October and November = 3 times the average sale.
35. C Ltd. acquires D Ltd. for a consideration of Rs. 38,00,000 to be satisfied in the form of fully paid equity shares of Rs. 10 each. The balance sheets of the two companies on 31st December 2021, the date of acquisition, were as follows:

Balance Sheet as on 31st December 2021

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Share capital :			Sundry Assets	96,00,000	58,00,000
Equity Shares of Rs. 10 each	40,00,000	25,00,000			
General Reserve	15,00,000	3,00,000			
Development Rebate Reserve	3,00,000	1,00,000			
Export Profit Reserve	6,00,000	4,00,000			

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Profit and Loss Account	12,00,000	9,00,000			
Sundry Liabilities	<u>20,00,000</u>	<u>16,00,000</u>			
	<u>96,00,000</u>	<u>58,00,000</u>		<u>96,00,000</u>	<u>58,00,000</u>

You are required to pass the necessary journal entries in the books of C Ltd. (transferee company) when amalgamation is by way of merger. Also prepare the resultant balance sheet presuming that the Development Rebate Reserve and Export Profit Reserve are required to be continued.

(2 × 15 = 30 Marks)