QP CODE: 19002510

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Reg No : ....

Name : ....

M.Com. DEGREE (C.S.S) EXAMINATION, NOVEMBER 2019

First Semester

Faculty of Commerce

Core - CM010101 - SPECIALISED ACCOUNTING

2019 Admission Onwards

27AB3DCC

Time: 3 Hours | Maximum Weight: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. State the main objectives and functions of Accounting Standard Board.
2. What are 'Timing Differences' and 'Permanent Differences' ?
3. Illustration 8. State with reasons whether the following statement is correct or not:
   Sunil-Sonal's financial position is as follows:

	Rs.
(a) Sundry assets	9,27,342
(b) Current liabilities	52,492
(c) Average net profit of the last four years	1,20,500
(d) Average capital employed	9,00,000
(e) Partner's average annual remuneration	18,000
(f) The goodwill valued at four years purchase for super profit is	50,000

   Therefore the expected rate of return is 15%
4. What is amalgamation in the nature of purchase?
5. P Ltd. has 30,000 equity shares of ₹ 10 each. The intrinsic value of the share is ₹ 20. P Ltd is to be taken over by Q Ltd. which has an intrinsic value of ₹ 60 per share. Find out the share exchange ratio and purchase consideration.
6. What is amalgamation adjustment reserve?
7. How will you compute Net Owned Funds of an NBFC?
8. What are Open ended and Close ended Mutual Funds?
9. Calculate the NAV of a Mutual Fund with a scheme size of 100 Cr. and a face value per unit of Rs. 10 and investment on shares having a market value of Rs. 400 Cr.
10. What do you mean by blocks in block chain technology?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

Weight 2 each.

11. Fashion Limited is engaged in manufacturing of ready-made garments. They provide you the following information on 31st March, 2019 : (i) On 15th January, 2019 garments worth Rs. 4,00,000/- were sent to Anand on consignment basis of which 25% garments sold were lying with Anand as on 31st March, 2019 (ii) Garments worth Rs. 1,95,000/- were sold to Shine boutique on 25th March, 2019 but at the request of Shine Boutique, these were delivered on 15th April, 2019. (iii) On 1st November, 2018 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, 2018 and no approval or disapproval received for the remaining goods till 31st March, 2019. 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.

12. From the following information relating to X Ltd. calculate Diluted EPS as per AS-20 : Net Profit for the current year: Rs. 2,00,00,000/- Number of equity shares outstanding: 40,00,000 Basic earnings per share: Rs. 5.00/- Number of 11% convertible debentures of Rs. 100/- each: 50,000 Nos. (Each debenture is convertible into 8 equity shares) Interest expense for the current year: Rs. 5,50,000/- Tax saving relating to interest expense: Rs.1,65,000/- Applicable Income Tax rate is 30%

13. From the following information, calculate the value of goodwill by
(a) Three years' purchase of 'Super Profit', and
(b) Capitalization Method

(i) Average Capital employed	6,00,000
(ii) Net Assets (excluding goodwill)	7,50,000
(iii) Net Profits for the last three years:	1,48,000
	1,50,000
	1,49,000
(iv) Expected Rate of Return	20%
(v) Partners' salary p.a.	10,000

14. Following are the ledger balances taken from the books of X Co. Ltd. as on 31-3-2017.

Cr. balances	₹	Dr. balances	₹
Share Capital:		Goodwill	35,000
2,000 shares of ₹100 each	2,00,000	Land and Building	85,000
Reserve Fund	20,000	Plant and Machinery	1,60,000
5% Debentures	1,00,000	Stock	55,000
Loan from A (a director)	40,000	Sundry Creditors	65,000
Sundry Creditors	80,000	Cash at Bank	34,000
		Discount on Debentures	6,000
	4,40,000		4,40,000

The business of the company is taken over by Y Co. ltd as on the date on the following terms:

(a) Y Co. to take over all assets except cash, to value the assets at book value less 10% except goodwill which is to be valued at 4 years purchase of the excess of average (5 Years) profits over 8% of the combined amount of share capital and reserves.

(b) Y Co. to take over traded liabilities which were subject to a discount of 5%.

(c) The purchase consideration was to be discharged in cash to the extent of ₹ 1,50,000 and the balance in fully paid equity shares of ₹10 each valued at ₹12.50 per share. The average of the five year's profits was ₹ 30,100. The expenses of absorption ₹ 4,000 were paid by X Co. Ltd. but afterwards reimbursed by Y Co.Ltd.

X Ltd. had sold, prior to 31-3-2017 goods costing ₹ 40,000 to Y Ltd. for ₹ 50,000. On the date of absorption, ₹ 15,000 worth of goods were still in stock of Y Ltd. Debtors of X Ltd. include ₹ 25,000 still due from Y Ltd.

Show necessary journal entries in the books of X Co. Ltd. and Y Co. Ltd.

15. Ledger balances taken from the books of A Ltd. as on 31st March 209 were as follows.

Cr. Balances	₹	*Dr. Balances*	₹
Shares capital :		*Land and Buildings*	*2,30,000*
8,000 Equity shares of ₹ 50 each fully paid	*4,00,000*	*Machinery*	*1,80,000*
General Reserve	*50,000*	*Furniture*	*20,000*
Workmen Compensation fund (Outstanding Liability)	*30,000*	*Stocks- in-trade*	*90,000*
1,000 7% Debentures, ₹ 50 each	*50,000*	*Debtors ₹ 1,00,000 Less provision ₹ 5,000*	*95,000*
Creditors	*40,000*	*Cash*	*2,000*
Bank Overdraft	*10,000*	*Discount on issue of debentures*	*3,000*
Staff Provident Fund	*40,000*		
	6,20,000		*6,20,000*

The business of the company is taken over by B Ltd. on that date. The purchase consideration is to be discharged as follows:

(a) A payment in cash at ₹ 10 for every shares in A Ltd.

(b) 7% Debentures of A Ltd. are taken over by B Ltd. and are discharged by a payment in cash at ₹ 60 for every Debenture.

(c) An exchange of 5 shares in B Ltd. of ₹ 10 each at the market value of ₹ 15 per share, for every 2 shares in A Ltd.

Show Realization Account, Cash Account and Shareholder's Account in the books of A Ltd. The expenses of liquidation , ₹ 5000 were borne by A Ltd.

16. What are the activities undertaken by NBFCs?

17. Explain the Capital Adequacy Requirements of NBFCs.

18. What are the Principles of Lean Accounting?

(6×2=12 Weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Ergo Industries Ltd. gives the following estimates of cash flows relating to fixed asset on 31-12-2016. The discount rate is 15%.

Year Cash Flow (Rs. in lakhs)

2017 4,000

2018 6,000

2019 6,000

2020 8,000

2021 4,000

Residual value at the end of 2021 = Rs.1000 lakhs
Fixed Asset purchased on 1-1-2014 = Rs.40,000 lakhs
Useful life = 8 years
Net selling price on 31-12-2016 = Rs.20,000 lakhs
Calculate on 31-12-2016:

(a) Carrying amount at the end of 2016

(b) Value in use on 31-12-2016

(c) Recoverable amount on 31-12-2016

(d) Impairment loss to be recognized for the year ended 31-12-2016

(e) Revised carrying amount

(f) Depreciation charge for 2017

(PV Factors @15% 0.870, 0.756, 0.658, 0.572, 0.497)

20. The Balance Sheet of Toy Gun Manufacturing Co. Ltd. discloses the following financial position as at 31 March, 2007.

Liabilities	Rs	Assets		Rs
Paid-up capital:		Goodwill at cost		30,000
30,000 shares of Rs 10 each		Land and buildings at cost		
fully paid	3,00,000	(Less: Depreciation)		1,75,000
Capital reserve	60,000	Plant and machinery at cost		
Sundry creditors	71,000	(Less: Depreciation)		90,000
Provision for taxation	55,000	Stock at cost		1,15,000
Profit and loss A/c	26,000	Book debts	98,000	
		Less: Provision for		
		doubtful debts	3,000	95,000
		Cash at bank		7,000
	5,12,000			5,12,000

You are asked to value the goodwill of Toy Gun Manufacturing Co. Ltd. for which purpose the following information is supplied:

(a) Adequate provision has been made in the accounts for income-tax and depreciation.

(b) Rate of income-tax may be taken at 50%.

(c) The average rate of dividend declared by company for the past five-years was 15 per cent.

(d) The reasonable return on capital invested in the class of business done by the company is 12 per cent.

21. Following are the balances of A Ltd. and B Ltd. as on 31-3-2019.

Credit balances	*A Ltd. ₹ (in Lakhs)*	*B Ltd. ₹ (in Lakhs)*	*Debit balances*	*A Ltd. ₹ (in Lakhs)*	*B Ltd. ₹ (in Lakhs)*
Share Capital			*Goodwill*		*.50*
40,000 equity shares ₹ 100 each	*40*		*Fixed Assets*	*30*	*3.50*
20,000 equity shares of ₹50 each		*10*	*Investment*	*5*	
General Reserves	*30*	*5*	*Current Assets*	*65*	*14*
Current Liabilities	*30*	*1*			
Provision for tax		*1*			
Proposed dividend		*1*			
	100	*18*		*100*	*18*

B Ltd. is to be amalgamated by A Ltd. on the following terms:

(1) B Ltd. declares a dividend of 10 % before absorption for the payment of which it is to retain sufficient amount of cash.

(2) The net worth of B Ltd. is valued at ₹ 14.50 lakhs.

(3) The purchase consideration is satisfied by the issue of fully paid shares of ₹ 100 each in A Ltd.

Further information: (a) A Ltd. hold 5,000 shares of B Ltd. at a cost of ₹ 3 lakhs. (b) The stock of B Ltd. includes items valued at ₹ 1,00,000 purchased from A Ltd. (cost to A Ltd. ₹75,000) (c) The creditors of B Ltd. include ₹ 50,000 due to A

Ltd. (d) A Ltd. takes fixed assets of B Ltd. in its books at ₹ 4,50,000.

Show ledger accounts in the books of B Ltd. to give effect to the above and make journal entries in the books of A Ltd. and also prepare Balance Sheet of A Ltd. after completion of the absorption.

22. Briefly explain the concepts of Green Accounting and its Scope and Significance. Also mention its development in a globalised era.

(2×5=10 weightage)