STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2020–2021 and thereafter)

B.COM. DEGREE EXAMINATION NOVEMBER 2023
HONOURS
FIFTH SEMESTER

COURSE	**:**	**MAJOR – CORE**
PAPER	**:**	**CORPORATE ACCOUNTING**
SUBJECT CODE	**:**	**20BH/MC/CG55**
TIME	**:**	**3 HOURS**

MAX. MARKS: 100

SECTION – A

ANSWER ALL QUESTIONS: **(10 x 2 = 20)**

1. State the meaning of authorized capital.
2. What is ex-interest quotation?
3. What are the three cash flow activities?
4. Explain IFRS 15.
5. Explain how impairment of goodwill will be accounted in a consolidated statement of financial position and performance.

6. The following transactions relate to Max's business:

1 May	Purchase of goods for resale on credit	$300
2 May	Max injects long term capital into the business	$1,400
3 May	Payment of rent made	$750
5 May	Max withdraws cash from the business	$400
7 May	Goods which had cost $600 were sold on credit 1,200.	

   At the start of the week, the assets of the business were $15,700 and liabilities amounted to $11,200. At the end of the week, what was the amount of Max's capital?

7. Entity F acquired 80% of the issued equity shares of entity G on 1 July 20X6. The cost of sale for the year ended 31 March 20X7 for entity F and entity G were $10 million and $4 million respectively. During the post-acquisition period, F made sales to G of $1.6 million. The intra-group sales were made at a mark-up of 25%. At the year end, one quarter of the goods sold. by F to G remained within G's inventory.
   What was the group cost of sales figure for the year ended 31 March 20X7?

8. 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 Limited, 2 shares in Raman Limited 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 Limited.
   c) Rs.10,000 will be paid towards expenses of winding up.

   Calculate the purchase consideration.

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9. From the following details, ascertain operating profit before working capital changes for the year 2002-2003.

Particulars	Rs.
Interest on investments	22,000
Profit on sale of land	60,000
Discount on issue of debentures written off	10,000
Depreciation on Fixed assets	90,000
Loss on sale of machinery	8,000
Patent rights written off	15,000

Net profit for the year 2002-03 after the above mentioned items was Rs.1,15,000.

10. Krishna Ltd, which had Rs.50,00,000 10% debentures outstanding made the following purchases in the open market for immediate cancellation:
1.4.1997 1,000 debentures of Rs.100 each at Rs.99
1.9.1997 2000 debentures of Rs.100 each at Rs.97. You are required to give the journal entries for purchase and cancellation of the debentures if the above purchase rates are 'cum-interest'. Assume that interest is payable every year on 30th June and 31st December.

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

11. Carbon is a limited liability entity. A trial balance for the year ended 31 December 2022 is presented below.

	Dr. $	Cr. $
Revenue		450,000
Purchases	180,000	
Administrative expenses	140,000	
Distribution expenses	56,000	
Plant and machinery – cost	150,000	
Plant and machinery – accumulated depreciation at 1 January 2022		30,000
Trade receivables	36,000	
Allowance for receivables – 1 January 2022		2,500
Inventory – 1 January 2022	33,000	
Equity share capital		10,000
Trade payables		32,000
Retained earnings – 1 January 2022		25,500
8% Loan – repayable 31 December 2026		50,000
Cash	5,000	
	600,000	600,000

The following notes are relevant to the preparation of the financial statements for the year ended 31 December 2022:

(i) The current year tax charge has been estimated at $5,000.
(ii) It has been determined that trade receivables of $1,500 are irrecoverable. In addition, it was decided that the allowance for receivables should be increased by $1,000.
(iii) Depreciation on plant and machinery is charged at 20% per annum on a reducing balance basis. Depreciation is charged to cost of sales.
(iv) The loan was taken out on 1 October 2022. No interest has been accrued.
(v) Closing inventory has been correctly valued at $27,000.
(vi) A customer bought goods on credit from Carbon for $1,000 on 5 December 2022. The customer returned these goods on 28 December 2022. No entries have been posted for this return.
(vii) Carbon is being sued by a customer regarding the sale of goods that the customer believes to be defective. Legal advisers think that it is probable that Carbon will lose the case and that they will have to pay damages of $20,000 in 2023. Legal expenses are charged to administrative expenses.

Required:

Prepare a statement of profit or loss of Carbon the year ended 31 December 2022

12. The statements of profit or loss for two entities, Plate and Saucer, for the year ended 31 December 20X4 are presented below:

Particulars	**Plate '000**	**Saucer '000**
Revenue	1500	700
Less Cost of Sales	775	370
Gross Profit	**725**	**330**
Less Administrative expenses	317	135
Operating Profit	**408**	**195**
Add Interest receivable	15	
Less Finance Cost	60	20
Profit Before Tax	**363**	**175**
Less Income Tax	96	45
Profit for the year	**267**	**130**

The following notes are relevant to the preparation of the consolidated financial statements:

(i) Plate acquired 70% of the equity shares in Saucer on 1 January 20X1.
(ii) During the year ended 31 December 20X4, Saucer sold goods to Plate for $150,000 making a mark-up on cost of 20%. One fifth of these goods remained in the inventory of Plate at the year end.
(iii) On 1 October 20X4, Plate made a $1 million loan to Saucer. Interest is charged at 6% annually in arrears.

Prepare a consolidated statement of Profit or loss for the Plate group for the year ended 31 Dec 20X4

13. Y Ltd. issued 10,000 shares of ₹10 each payable as: ₹2 on application, ₹4 on allotment, ₹3 on the First Call, and ₹1 on the Second and Final Call. The shares were fully subscribed and all money was duly received except First Call money on 1,000 shares and Second & Final Call money on 2,000 shares. Pass necessary Journal Entries by opening Calls in Arrears Account.

14. Calculate net cash flows from operating activities from the following information:

Particulars	**2014 Rs.**	**2015 Rs.**
Stock	60,000	50,000
Debtors	25,000	23,000
Creditors	32,000	28,000
Expenses Outstanding	3,500	4,500
Bills Payable	35,000	22,000
Profit and Loss account	80,000	90,000

15. Following is the Balance sheet of Samy Ltd. as on 31.03.2004

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

Romy Ltd. agreed to take over the business of Samy Ltd. Calculate the purchase consideration under Net assets method on the basis of the following:

(i) Romy Limited agreed to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Limited.

(ii) Fixed assets are to be valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

16. Insol Ltd. is to be liquidated. Their summarised Balance Sheet as at 30th September, 2016 appears as under:

Liabilities:	Rs.
2,50,000 equity shares of Rs.10 each	25,00,000
Secured debentures (on land and buildings)	10,00,000
Unsecured loans	20,00,000
Trade creditors	35,00,000
	90,00,000

Assets:	
Land and Building	5,00,000
Other fixed assets	20,00,000
Current assets	45,00,000
Profit and Loss A/c	20,00,000
	90,00,000
Contingent liabilities are:	
For bills discounted	1,00,000
For excise duty demands	1,50,000

On investigation, it is found that the contingent liabilities are certain to devolve and that the assets are likely to be realised as follows:
Land and buildings – Rs.11,00,000
Other fixed assets – Rs.18,00,000
Current assets – Rs.35,00,000
Taking the above into account, prepare the statement of affairs.

17. On 1 July 2000, a limited company issued 10,000 redeemable preference shares valued at Rs.10 per share. The shares were redeemable at a premium of 10%. Two-fifths of the company's issue was redeemed out of profits on 10 January 2004. On 20 January 2004, the company issued 20,000 equity shares at Rs.10 each at a premium of Rs.4 per share. Out of the proceeds of the issue, the balance of redeemable preference shares was redeemed.
Make journal entries to record these transactions in the company's books.

SECTION – C

ANSWER ANY ONE QUESTIONS: (1 x 20 = 20)

18. X Ltd. issued Rs 10,00,000 debentures on January 01, 2012. These were to be redeemed on December 31, 2014. For this purpose, the company established a sinking fund. The investments were expected to earn interest @ 5% p.a. The Sinking fund table shows that Rs.0.317208 invested annually at 5% amounts to Re.1 in 3 years. On December 31, 2014, the bank balance was Rs.4,20,000 before receipt of interest on Sinking Fund Investments. On that date, the investments were sold for Rs.6,56,000. Calculate the interest to the nearest rupee and investments be made to the nearest of Rs.100. Record necessary journal entries. Show Debentures Account, Debenture Redemption Fund Account and Debenture Redemption Fund Investment Account in the books of the company. Ignore entries for interest on debentures.

19. From the following Balance Sheets of Ponni Ltd., make out the statement of cash flow.

Liabilities	1989 Rs.	1990 Rs.	Assets	1989 Rs.	1990 Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% redeemable preference share capital	1,50,000	1,00,000	Land & Buildings	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
P & L a/c	30,000	48,000	Debtors	1,60,000	2,00,000

Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information

a. Depreciation of Rs. 10,000 and Rs. 20,000 have been charged on plant account and land and buildings account respectively in 1990.
b. An interim dividend of Rs. 20,000 has been paid in 1990.
c. Income tax Rs. 35,000 was paid during the year 1990.

20. The following are the abridged balance sheets of P Ltd. and S Ltd. as on 31st March, 1999.

Liabilities	P Ltd Rs. ('000)	S Ltd Rs. ('000)	Assets	P Ltd Rs. ('000)	S Ltd Rs. ('000)
Equity share capital	8,000	3,000	Fixed Assets	11,000	4,730
10% Preference share capital of Rs. 100 each	-	1,000	Current Assets	4,000	1,970
General reserve	4,610	980			
Statutory reserve	390	125			
Profit and Loss account	563	355			
12% Debentures	-	250			
Current liabilities	1,437	990			
	15,000	6,700		15,000	6,700

On 1st April 1999, P Ltd. takes over S Ltd. on the following terms:
i) P Ltd will issue 3,50,000 equity shares of Rs.10 each at par to the equity shareholders of S Ltd.
ii) P Ltd will issue 11,000 10% Preference shares of Rs.100 each at par to the preference shareholders of S Ltd.
iii) The debentures of S Ltd. will be converted into an equal number of 12.5% debentures of the same denomination.
You are informed that the statutory reserves of S Ltd are to be maintained for two more years. You are required to show the balance sheet of P Ltd immediately after the above mentioned scheme of amalgamation has been implemented assuming that:
a) The amalgamation is in the nature of merger and
b) The amalgamation is in the nature of purchase.

21. **Case Study (Compulsory)** **(1 x 20 = 20)**
At 31 December 2004, the statement of Financial position of Portus Co and Sanus Co were as follows:

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Particulars	Portus Co		Sanus Co	
	$'000		S'000	
Non-current Assets				
Plant Property and equipment	56600		16200	
Investment in Sanus Co (At cost)	13800			
		70400		16200
Current Assets				
Inventory	2900		1200	
Trade receivable	3300		1100	
Cash	1700		100	
		7900		2400
		78300		18600
Equity				
Share Capital (1$ Shares)	8000		2400	
Reserves	54100		10600	
		62100		13000
Non-Current Liability				
Long term borrowing	13200		4800	
Current Liability				
Trade and other Payables	3000		800	
		16200		5600
		78300		18600

Notes:

1. On 1 April 2004, Portus Co purchases an 80% holding in Sanus Co for $ 13.8 Million In cash, Sanus's total comprehensive income for the year ending 31 December 2004 was $ 2Million, Accruing evenly over the year. Sanus Co did not pay any dividends in the year.
2. At the date of acquisition, the fair value of Sanus Co's assets was equal to their carrying amounts with the exception of the item listed below which exceeded their carrying amounts as follows (see the table below). Sanus Co has not adjusted the carrying amounts as a result of the fair value exercise. The Inventories were sold by Sanus co before the year end.
3. The non-controlling interest in Sanus Co is to be valued at its fair value of $3.2 million at the date of acquisition. An impairment test conducted at the year-end revealed that the consolidated goodwill of Sanus Co was impaired by $150000.
4. On 1 oct 2004, sanus Co sold goods to Portus for $200000, at a gross profit margin of 40%. The goods were still in Portus Co inventory at the year end. No other sales were made between Portus Co and Sanus Co in the year. On 31 Dec 2004, Portus Co's current account with Sanus Co was $ 130000(Cr). This did not agree with the equivalent balance in sanus's books due to cash in Transit of $70.000 which was not received by Sanus co until after the year end.

	$ '000
Inventories	300
Plant and equipment (10 Years remaining useful life)	1200

	1500

Required

Prepare the consolidated statement of financial Position of the Portus Group as at 31 December 2004

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