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

B.COM. DEGREE EXAMINATION - NOVEMBER 2024
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. List any four items appearing in the statement of changes in equity.
2. State the effect of revaluation gain in the financial statements with an example.
3. Give any two reasons for the directors of parent company not wishing to consolidate some subsidiaries.
4. Write a short note on redemption of debentures.
5. State the need for cash flow statements.
6. From the following details of S Ltd you are required to answer the following True or False:
   a) Goodwill impairment of $10,000 will be deducted in full, from the parent retained earnings.
   b) Goodwill impairment will be apportioned between the parent and the NCI when the NCI is valued at fair value.
7. A company issued 10,000 shares of Rs.10 each. Total applications were 12,000 shares; allotment was made pro-rata. Application money was Rs.2 per share and allotment money Rs.3 per share. Raghu failed to pay the allotment money on his 300 shares. How much is due from Raghu for allotment?
8. A company pays interest on 30th June and 31st December on its 1,00,000, 15% debentures of Rs.100 each; the books are closed on 31st march. How will the relevant items appear in the company's balance sheet?
9. A Ltd. Purchased business of B & Co. and agreed to settle purchase consideration by the allotment of:
   1000 equity shares of Rs.10 each at 10% premium to partners
   500, 10% Debentures of Rs.100 each at par for loan creditors. And
   Rs.50,000 in cash to partners.
   Calculate purchase consideration.

10. Find out the cash from operations from the following data:

	Rs.
Net profit for 2015	25,000
Prepaid expenses 1-1-2015	2,000
Prepaid expenses 31-12-2015	1,000
Depreciation for 2015	10,000
Outstanding salary	500

SECTION – B

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

11. Prepare the extract of SOCIE from the following details for the year ended 31 December 2022:
    - Retained earnings (01/04/2021) $ 85,000
    - Profit for the year after tax $ 35,000
    - Revaluation gains from Building during the year $ 15,000
    - 25,000 shares of 1$ each were issued at a premium of 1$ each:
    - Opening balance of share capital (01/04/2021) $ 40,000
    - Opening balance of share premium (01/04/2021) $ 20,000

12. Calculate the purchase consideration
James Ltd. acquired 24 million $1 shares, 80% of the equity shares of Tom Ltd. by offering a share exchange of two shares for every three shares acquired in Tom and a cash payment of $2 per share payable three years later. James shares have a nominal value of $1 and current market value of $2.50.
The cost of capital is 10% and the value of $1 receivable in three years can be taken as $ 0.75.
    a) Calculate the cost of investment and show the journals to be recorded in the parent financial statement.
    b) Also show how the discount would be unowned.

13. From the following balance sheets of Ever Green Co. Ltd., as on Dec. 31, 2019 and 2020, you are required to prepare a cash flow statement for the year ended Dec. 31, 2020.

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Share capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General reserve	14,000	18,000	Building	40,000	36,000
Profit & loss a/c	16,000	13,000	Plant	37,000	36,000
Creditors	8,000	5,400	Investments	10,000	11,000
Bills receivable	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000	Bills	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash	600	200
			Bank	6,000	15,000
	1,55,600	1,55,800		1,55,600	1,55,800

Additional Information:

(i) Depreciation charged on plant Rs. 4,000

(ii) Provision for taxation of Rs. 19,000 was made during the year 2020

14. Following is the balance sheet of Sam Ltd. As on 31-3-2016:

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 Sam Ltd.

(a) Calculate purchase consideration under Net assets method on the basis of the following:

- (i) Romy Ltd. Agreed to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.
- (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

(b) Calculate purchase consideration under Net payments method on the basis of the following:

- (i) Romy Ltd. Agrees to discharge the 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.
- (ii) Preference shares are discharged at a premium of 10% by issuing 10% Preference shares of Rs. 100 each in Romy Ltd.
- (iii) For every 2 Equity shares in Sam Ltd. 3 Equity shares of Rs. 10 each in Romy Ltd. Will be issued in addition to Cash payment of Rs. 3 per Equity share in Sam Ltd.

15. Swan Ltd. Issued 8000, 9% Redeemable Preference shares of Rs. 100 each at par on 1-7-2009, redeemable at the option of the company on or after 30th June 2015, partly or fully. Redemptions were made out of profits as follows:

- (i) 1,200 shares on 30th June 2015 at par
- (ii) 1,600 shares on 31st Dec 2015 at 10% premium
- (iii) Remaining shares on 30th June 2016 at a premium of 5% by making a fresh issue of 40,000 equity shares of Rs. 10 each at a premium of Re. 1 each.

On 30th June 2016, the company also decided to capitalize 50% of its capital redemption reserve by issuing bonus shares of Rs. 10 each fully paid at a premium of Rs. 2.50 per share. Pass necessary journal entries to record the above transactions.

16. From the following Ledger balances of Star Ltd., prepare the Balance Sheet of the company as on31st March 2020 as per Schedule III of the Companies Act.

Particulars	**$**	**Particulars**	**$**
Plant & machinery	5,00,000	Bills Receivable	1,00,000
Loan to Manager	90,000	Provision for taxation	1,50,000
Employee's provident Fund	1,85,000	Patent	95,000
Share capital (100,000 shares of $10 each fully paid)	10,00,000	Brokerage on issue of shares	85,000
Securities premium	45,000	Security Deposit	4,45,000
Deposits with bank	1,46,000	Immovable property	8,00,000
Sundry Creditors	1,28,000	Bank overdraft	1,00,000
Prepaid insurance	85,000		
8% Debenture	8,00,000		
Cash at bank	62,000		

17. Mary acquired 28,000 ordinary $1 shares in Susan on 1 January 20X5, when Anne's retained earnings stood at $7,000 and its share premium was $8,000. On this date, the fair value of the 30% non-controlling shareholding in Susan was $15,000. The Mary Group uses the fair value method to value the non-controlling interest.

Particulars	Mary	Anne
	$	**$**
Non-current assets:		
Property, plant & equipment	2,00,000	40,000
Investment: shares in Susan	1,50,000	-
Current assets	4,80,000	1,90,000
	8,30,000	**2,30,000**
Equity:		
Ordinary $1 shares	1,80,000	80,000
Share premium	80,000	16,000
Retained earnings	1,30,000	56,000
	390,000	1,52,000
Current liabilities		78,000
	8,30,000	**2,30,000**

Calculate the following:

a. Net assets of Anne at acquisition date and reporting date
b. Goodwill
c. NCI

SECTION – C

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

18. Grace Ltd. Issued 6% debentures for Rs.12,00,000 on 1-1-2014. It was provided in the debenture trust deed that the debentures are repayable at the end of 2016 with a premium of 10%. A sinking fund was set up to provide cash for the redemption on the due date. This amounts set aside annually are to be invested in 5% government bonds. Sinking fund tables show the 0.31720856 at 5% compound interest in 3 years will become Re.1.
You are required to write the ledger accounts for all the 3 years in the company's books. Calculations may be made to the nearest rupee.

19. On Jan 31, 2020, a compulsory order for winding up was made against X company Ltd., the following particulars being disclosed:

	Book Value(Rs.)	Estimated to produce(Rs.)
Cash in hand	100	100
Debtors	4,000	3,600
Buildings	60,000	48,000
Furniture	20,000	20,000
Unsecured Creditors	20,000	
Debentures:		
Secured on Buildings	42,000	
Secured on Floating Charge	10,000	
Preferential Creditors	6,000	
Share Capital: 32,000 shares of Rs. 10 each	3,20,000	

Estimated liability for bills discounted was Rs. 6,000 estimated to rank at Rs. 6,000.
Other contingent liabilities were Rs. 12,000 estimated to rank at Rs. 12,000.
The company was formed on the 1st day of January 2015 and has made losses of Rs.3,13,900.
Prepare statement of affairs and deficiency a/c.

20. Following are the comparative balance sheets of Cheran Company Ltd.

Liabilities	31-12-2016 Rs.	31-12-2017 Rs.	Assets	31-12-2016 Rs.	31-12-2017 Rs.
Share Capital	70,000	74,000	Bank Balance	9,000	-
Debentures	12,000	6,000	Accounts receivable	14,900	17,700
Accounts payable	10,360	11,840	Stock in Trade	49,200	42,700
Provision for doubtful debts	700	800	Buildings	20,000	40,600
P & L A/c	10,040	10,560	Goodwill	10,000	5,000
Bank overdraft	-	2,800			
	1,03,100	1,06,000		1,03,100	1,06,000

Additional Information:

a) Buildings were acquired for Rs.20,600
b) Amount provided for amortisation of goodwill totaled Rs.5,000
c) Dividends paid totaled Rs.3,500
d) Debenture loan repaid was Rs.6,000

Explain how the overdraft of Rs.2,800 as on 31st December 2017 has arisen.

21. **Case Study (Compulsory):** **(1 x 20 = 20)**

Philips acquired 70% of Strac three years ago, when Strac's retained earnings were $4,30,000. The financial statement of each company for three years ended 31 March 2017 are as follows:

Statement of financial position as at 31 March 2017

	Philips $'000	Strac $'000
Non-current assets		
Property, Plant and equipment	900	400
Investment in Strac at cost	700	-
Current assets	300	600
	1,900	**1,000**
Share capital ($1)	200	150
Share premium	50	-
Retained earnings	1,350	700
Non-current liability	100	90
Current liability	200	60
	1,900	**1,000**

Statement of Profit or Loss for the year ended 31 March 2017

	Philips $'000	Strac $'000
Revenue	1,000	260
Cost of sales	-750	-80
Gross profit	250	180
Operating expenses	-60	-35
Profit from Operation	**190**	**145**
Finance Costs	-25	-15
Investment income	20	-
Profit before tax	**185**	**130**
Income tax expenses	-100	-30
Profit for the year	**85**	**100**

You are provided with the following additional information:

- Strac had plant in its statement of financial position at the date of acquisition with a carrying amount of $ 100,000 but a fair value of $120,000. The plant had a remaining life of 10 years at acquisition. Depreciation is charged to cost of sales.
- Philips group value non-controlling interest at fair value. The fair value of the Non-controlling interest at the date of acquisition was $250,000. Goodwill has been impaired by a total of 30% of its value at the reporting date, of which one third related to the current year.
- At the start of the year Philips transferred a machine to Strac for $15,000. The asset had a remaining useful life of 3 years at the date of transfer. It had a carrying amount of $12,000 in the books of Philips at the date of transfer.
- During the year Strac sold some goods to Philips for $60,000 at a mark-up of 20%. 40% of goods remained unsold at the year end. At the year end, Strac books showed a receivables balance of $6,000 as being due from Philip. This disagreed with the payable balance of $1,000 in Philps books due to Philips having sent a cheque to Strac shortly before the year end which Strac had not yet received.
- Strac paid a dividend of $20,000 on 1 March 2017.

Required:
Prepare the consolidated statement of financial position and consolidated statement of profit or loss for the year ended 31 March 2017 for the Philips group.

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