



IV Semester M.Com. Degree Examination, September/October 2020

(CBCS)

COMMERCE

AT – 4.2 : Corporate Reporting Practices and IND. AS.

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any seven** of the following sub-questions. **Each** sub-question carries **two** marks. (7×2=14)

1. a) State the scope of disclosure of accounting policies as per Accounting Standards.
- b) Describe the conditions which must be fulfilled for an amalgamation in the nature of merger.
- c) What are the objectives of buy-back of shares by a Limited Company ?
- d) What is De-merger ?
- e) What do you mean by Non Current Assets held for sale and discontinued operation ?
- f) How do deferred tax assets and deferred tax liabilities be disclosed in the Balance Sheet of a company ?
- g) State any five Indian Accounting Standards which make use of Fair Value.
- h) What are the three major considerations governing the selection and application of Accounting Policies ?
- i) A loss of Rs. 8,00,000 on account of embezzlement of cash was suffered by the Company and it was debited to Salary Account, State the Accounting treatment.
- j) 'D' has acquired 100% of the equity of 'F' on March 31, 2020. The purchase consideration comprises of an immediate payment of Rs. 10 lakhs and two further payments of Rs. 1.21 lakhs if the Return on Equity exceeds 20% in each of the subsequent two financial years. A discount rate of 10% is used. Compute the value of total consideration at the acquisition date.



## SECTION – B

Answer **any four** of the following. **Each** question carries **five** marks. (4×5=20)

2. Ram Ltd. holds 80% share in Shyam Ltd., its subsidiary. Share Capital of Shyam Ltd. of Rs. 25,00,000 Lakhs and Reserves being Rs. 5,00,000 on the date of acquisition 31-03-2020. Following is the results of Shyam Ltd. :

Year Ended	Profit/(Loss)	Net Worth (Rs. in Lakhs)
31-03-2017	(1500000)	+15.00
31-03-2018	(2000000)	(5.00)
31-03-2019	400000	(1.00)
31-03-2020	500000	+4.00

Calculate Minority Interest for the period from 2016 to 2020.

3. Discuss some key differences between IAS, US GAAP and Indian AS with respect to fixed assets.
4. What are the objectives of Ind AS 103 ? List the information an acquirer should disclose to help users of financial statement to evaluate the nature and financial effect of a business combination.
5. A Ltd. purchased 40% stake of B Ltd. for Rs. 12 per share. After two years A Ltd. decided to purchase another 40 % share in B Ltd., B Ltd. has 10000000 equity shares of Rs. 10 each fully paid up shares. The purchase deal was finalised on the following terms :
- Purchase price per share to be calculated on the basis of average profit of last three years capitalised at 7.5%. Profits for last three years are Rs. 35 lacs, Rs. 65 Lacs and Rs. 89 lacs.
  - Total assets of B Ltd. of 115000000. Assets to be appreciated by Rs. 40,00,000
  - Of the external creditors for Rs. 2,50,00,000 one creditor to whom Rs. 10,00,000 was due has expired and nothing is to be paid to settle this liability.
  - B Ltd. Will declare dividend @ 15%

Calculate the Goodwill or Capital Reserve of A Ltd. in Consolidated Financial Statement.



- 6. Explain the classification of movements in regulatory deferral account balances.
- 7. Briefly explain the process of setting IFRS and practical challenges in implementation of IFRS.

SECTION – C

Answer **any three** of the following questions. **Each** question carries **twelve** marks. (3×12=36)

8. P Limited is a holding company and Q Ltd. and R Ltd. are subsidiaries of P Ltd. The summarized Balance Sheets of all the companies as on 31-03-2020 are given below.

	P Ltd.	Q Ltd.	R Ltd.		P Ltd.	Q Ltd.	R Ltd.
Share capital	2,00,000	2,00,000	1,20,000	Fixed Assets	40,000	1,20,000	86,000
Reserves	96,000	20,000	18,000	Investments :			
Profit and Loss				Shares in Q Ltd.	1,90,000	-	-
Account	32,000	24,000	18,000	Shares in R Ltd.	26,000	1,06,000	-
Trade payable	14,000	10,000	-	Inventory in trade	24,000	-	-
P Ltd. balance	-	14,000	-	Q Ltd. balance	16,000	-	-
R Ltd. balance	6,000	-	-	Trade receivables	52,000	42,000	64,000
				P Ltd. balance	-	-	6,000
	<b>3,48,000</b>	<b>2,68,000</b>	<b>1,56,000</b>		<b>3,48,000</b>	<b>2,68,000</b>	<b>1,56,000</b>

**Additional information :**

- 1) Share Capital of all companies is divided into shares of Rs. 10 each.
- 2) P Ltd. held 16000 shares of Q Ltd. and 2000 shares of R Ltd.
- 3) Q Ltd. held 8000 shares of R Ltd.
- 4) All the investments were made on 30-09-2019.



5) The position on 31-03-2019 was as under :

Particulars	Q Ltd.	R Ltd.
Reserves	16,000	15,000
Profit and Loss account	8,000	6,000
Trade payables	10,000	2,000
Fixed assets	1,20,000	86,000
Inventory in trade	8,000	71,000
Trade receivables	96,000	66,000

6) The whole of inventory in trade of Q Ltd. as on 30-09-2019 (Rs. 8,000) was later sold to P Ltd. for Rs. 8,800 and remained unsold by P Ltd. as on 31-03-2020.

7) Cash in transit from Q Ltd. to P Ltd. was Rs. 2,000 as at the close of business.

8) 10 % dividend proposed by each company.

Prepare the Consolidated Balance Sheet of the group as on 31-03-2020.

9. Ind AS 101 provides that an entity should apply the voluntary Exemptions at the time of preparing the opening Balance Sheet as per Ind AS 101. Discuss.

10. X Ltd. agreed to takeover Y Ltd. as on 1 October, 2019. No Balance Sheet of Y Ltd. was prepared on that date : Summarised Balance Sheets of X Ltd. and Y Ltd. as at 31<sup>st</sup> March, 2019 were as follows :

Liabilities	X Ltd. (Rs.)	Y Ltd. (Rs.)	Assets	X Ltd. (Rs.)	Y Ltd. (Rs.)
Equity of Rs. 10 each fully paid	20,00,000	15,00,000	Fixed assets	15,50,000	12,60,000



Reserves and surplus :			Current Assets :		
Reserve	3,90,000	3,40,000	Stock	5,35,500	3,81,500
Profit and Loss A/c	3,30,000	1,60,000	Debtors	3,49,500	2,31,000
Creditors	85,000	75,000	Bank	3,40,000	1,80,000
			Miscellaneous Exp :		
			Preliminary expenses		
				30,000	22,500
<b>Total</b>	<b>28,05,000</b>	<b>20,75,000</b>	<b>Total</b>	<b>28,05,000</b>	<b>20,75,000</b>

**Additional information available :**

- i) For the six months period from 1<sup>st</sup> April 2019, X Ltd. and Y Ltd. made profits of Rs. 5,40,000 and Rs. 3,60,000 respectively, after writing off depreciation @ 10% per annum on their fixed assets.
- ii) Both the companies paid on 1 August 2019, equity dividends of 10%. Dividend tax at 15% was paid, by each of them on such payments.
- iii) Goodwill of Y Ltd. was valued at Rs. 1,68,900 on the date of takeover. Stock of Y Ltd., subject to an abnormal item of Rs. 8,500 to be fully written off, would be appreciated by 20% for purpose of takeover.
- iv) X Ltd. would issue to Y Ltd.'s shareholders fully paid equity shares of Rs. 10 each, on the basis of the comparative intrinsic values of the shares on the date of takeover.

You are required to :

- 1) Calculate consideration to be transferred by X Ltd.
- 2) Calculate Number of shares to be issued by X Ltd. to Y Ltd.
- 3) Ascertain closing bank balance which will appear in the Balance Sheet of X Ltd. (After absorption of Y Ltd.).



11. Discuss the concept of biological assets and the accounting requirements, including fair valuation, for Ind AS compliant financial statements.
12. From the following Balance Sheet of KLN Ltd., for 2018 and 2019, prepare Cash Flow Statement.

**Balance Sheet of KLN Ltd.**

	2018	2019		2018	2019
Equity Share Capital	2,00,000	3,00,000	Goodwill	50,000	40,000
8% Redeemable Preference Share			Land and building	1,00,000	75,000
Capital	1,00,000	50,000	Plant and machinery	90,000	1,91,000
General Reserve	20,000	30,000	Trade Investments	10,000	35,000
Capital Reserve	–	25,000	Sundry debtors	60,000	90,000
Profit and Loss account	18,000	27,000	Stock	85,000	78,000
Proposed Dividend	28,000	39,000	Bills receivables	15,000	18,000
Sundry Creditors	25,000	47,000	Cash in hand	7,000	6,000
Bills Payable	10,000	6,000	Cash at Bank	10,000	22,000
Liabilities for expenses	8,000	6,000	Preliminary expenses	10,000	7,000
Provision for taxation	28,000	32,000			
	<b>4,37,000</b>	<b>5,62,000</b>		<b>4,37,000</b>	<b>5,62,000</b>



- 1) In 2019, Rs. 18,000 depreciation has been written off to plant account and no depreciation has been charged on Land and Building.
  - 2) A piece of land has been sold out and the balance has been revalued, profit on revaluation and sale being transferred to capital reserve. There is no other entry in capital reserve account.
  - 3) A plant was sold for Rs. 12,000 (WDV Rs. 15,000)
  - 4) Rs. 2,100 dividend has been received, but it includes Rs. 600 per-acquisition dividend.
  - 5) An interim dividend of Rs. 10,000 has been paid in 2019.
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