MAR IVANIOS COLLEGE (AUTONOMOUS)
THIRUVANANTHAPURAM

Reg. No. :………………… **Name :…………………..**

Fourth Semester B.Com. Degree Examination, June 2016
First Degree Programme under CBCSS
Core Course: Commerce – X
AUCO443: Corporate Accounting

Time: **3** Hours Max. Marks: **80**

SECTION – A

*Answer **ALL** questions each in a word or in a sentence.*

1. What do you mean by sub division of shares ?
2. What is diluted EPS ?
3. What is IFRS ?
4. What is profit prior to incorporation ?
5. What do you mean by intrinsic value of shares ?
6. What is potential equity share ?
7. Define accounting standard.
8. What is purchase consideration ?
9. What is interim dividend ?
10. What is a share warrant ?

(10 × 1 = 10 Marks)

SECTION – B

*Answer any **EIGHT** questions, each question carries **2** marks.*

11. Distinguish between basic EPS and diluted EPS.
12. What do you mean by Level I Enterprises ?
13. Calculate the weighted time ratio for pre and post incorporation period and share the salaries accordingly with the following information:-

1. Accounting Period –1st January to 31 December 2000
2. Date of incorporation –1st May 2000
3. Total salaries of the year – Rs.1400000
4. Total number of workers: Pre incorporation period – 5

   Post incorporation period –15

14. Rs.1,00,000, 6% debenture issue was sold on April 1,2010, convertible into 10,000 equity shares. Assuming that net income is Rs.2,00,000, weighted average of equity shares is 1,00,000 and the effective tax rate is 40%, calculate basic EPS and diluted EPS.
15. Distinguish between amalgamation and external reconstruction.
16. State the objectives of Accounting Standards Board ?
17. Explain the procedure for Internal Reconstruction.
18. What is the impact of bonus element in right issue in the calculation of weighted average number of shares ?
19. What are the items to be included under "miscellaneous expenditure" ?
20. What do you mean by Capital Redemption Reserve ?
21. On 1st January, 2013 M Ltd and N Ltd agreed to amalgamate by transferring their undertaking to a new company MN Ltd with a capital of Rs.10,00,000 divided into shares of Rs.10 each. The following information is given:-

	M Ltd	N Ltd
Share capital	5,00,000	3,00,000
Shares of Rs.5 each		

The purchase consideration is to be paid in the following manner:-

i). Discharge of debentures of N Ltd by the issue of an equivalent amount of 12% debentures of MN Ltd.

ii). A cash payment of 50 paise per share of M Ltd and N Ltd

iii). Exchange of one share of Rs.10 each at agreed value of Rs.14 per share of MN Ltd for every 2 shares held in M Ltd and N Ltd.

Calculate purchase consideration of M Ltd and N Ltd

22. What are defined benefit schemes ?

(8 × 2 = 16 Marks)

SECTION – C

*Answer any **SIX** questions, each question carries **4** marks.*

23. Explain the Accounting Standard as regards inventories.
24. What are the advantages and limitations of Accounting Standards ?
25. A Ltd was incorporated on 1st April2012 to acquire the business of XY Ltd as a going concern with effect from 1st January, 2012. The total sales for the year ended 31st December 2012 amounted to Rs.3,00,000 of which Rs.1,00,000 related to the first three months. The Profit and Loss account of the company for the year stood as follows:-

Profit and Loss account

To salaries	8000	By gross profit b/d	60000
To rent	2000		
To sales commission	6000		
To discount	3000		
To director's fees	4200		
To audit fee	1800		
To debenture interest	1000		
To bad debts	1500		
To net profit	32500		
	60000		60000

Prepare a profit and loss account showing the profit earned during pre incorporation and post incorporation period

26. Rs.2,00,000, 10% debenture issue is convertible into 8,000 equity shares. Assuming net income of Rs.1,00,000, Weighted Average Equity Shares outstanding 50,000 and a tax of 40%, calculate basic EPS and Diluted EPS.
27. What are the conditions to be fulfilled to consider an amalgamation as in the nature of merger ?
28. Sunrise Ltd. Supplied the following information. You are required to compute the basic earnings per share.

(Accounting Period 1-1-2009 to 31-03-2009)

Net profit Year 2009 – 20,00,000

Year 2010 – 30,00,000

No. of shares outstanding prior to

Right issue 10,00,000 shares

Right issue one new share for each four outstanding i.e, 2,50,000 shares

Right issue price – Rs.20

Last date of exercise of rights – 31-3-2010

Fair rate of one equity share immediately prior to exercise right on 31-3-2010 Rs.25

29. Explain the various methods of calculating Purchase Consideration.

30. A Ltd has equity share capital of Rs.100,00,000 consisting of 100,000 shares of Rs 100 each. It is resolved to :

    a). Sub-divide the equity shares into fully paid equity shares of Rs.10 each. b). 80% of the shares to be surrendered to the company. c). 4,00,000 of the surrendered shares to be issued to 15% debenture holders of Rs.50,00,000 in full settlement of their claims. d). 2,00,000 of the surrendered shares to be issued as fully paid to creditors of Rs.25,00,000. e). the balance of surrendered shares to be cancelled. f). to write off debit balance in profit and loss account Rs.32,00,000; Goodwill Rs.38,00,000; preliminary expenses Rs.15,00,000 and balance to be transferred to capital reserve.

    Give entries to implement the scheme

31. What are the disclosures as per AS20 ?

(6 × 4 = 24 Marks)

SECTION – D

*Answer any **TWO** questions, each question carries **15** marks.*

32. Explain the functioning of Accounting Standards Board and the various Accounting Standards applicable to Corporate sector.

33. Bosco Ltd is registered with a capital of Rs.5,00,000 divided into 50,000 equity shares of Rs.10 each. On 31st December, 2009, 25,000 shares were fully called up. The following are the balance extracted from the ledger of the company as on 31st December, 2009.

Stock	50000	Debtors	38,700
Sales	4,25,000	Creditors	35,200
Purchases	3,00,000	Plant and machinery	80,500
Discount allowed	4,200	Furniture	17,100

Wages	70,000	Cash at bank	1,34,700
Discount received	3,150	Reserve	25,000
Insurance upto 31st March, 2010	6,720	Loan from M D	15,700
Salaries	18,500	Bad debts	3,200
Rent	6,000	Calls in arrear	5,000
General expenses	8,950	Printing and stationery	2,400
Profit and Loss account	6,220		
Bonus	14,300		

Prepare trading and Profit and Loss account for the year ended 31st December, 2009 and balance sheet as on that date. The following further information is given:-

1. Closing stock Rs.91500
2. Depreciation to be charged on plant and furniture at 15% and10% respectively.
3. Outstanding liabilities: wages Rs.5200, salary Rs.1200 and rent Rs.600
4. Dividend @5% on paid up capital is to be provided
5. Provide corporate dividend tax@10% on proposed dividend.

34. Bright Ltd agreed to acquire the business of Dim Ltd as on December 31, 2013. The summarized balance sheet of Dim Ltd on that date was as follows:-

Liabilities	Amount	Assets	Amount
Share capital in fully paid share of Rs.10 each	6,00,000	Goodwill	1,00,000
General Reserve	1,70,000	Land, building and plant	6,40,000
Profit and Loss a/c	1,10,000	Stock in trade	1,68,000
6% Debentures	1,00,000	Debtors	36,000
Creditors	20,000	Cash	56,000
	10,00,000		10,00,000

The consideration payable by Bright Ltd was agreed as follows:-

i). A cash payment equivalent to Rs.2.50 for every Rs.10 share in Dim Ltd.

ii). The issue of 90000 shares of Rs.10 fully paid, in Bright Ltd having an agreed value of Rs.15 per share.

iii). The issue of such an amount of fully paid 5% debentures of Bright Ltd at 96% as is sufficient to discharge the 6% debentures of Dim Ltd at a premium of 20%.

When computing the agreed consideration, the Directors of Bright Ltd valued the land, building and plant at Rs.12,00,000, the stock in trade Rs.1,42,000 and the debtors at their face value subject to an allowance of 5% to cover doubtful debts. The cost of liquidation of Dim Ltd came to Rs.5000.

Draft journal entries required in the books of Bright Ltd and show entries and ledger accounts in the books of Dim Ltd.

35. The following is the Balance Sheet of Thomas Cook Ltd. as at 31st Dec.2010

Liabilities	Amount	Assets	Amount
Issued and fully paid equity shares of Rs.10 each	500000	Fixed assets	233500
10% Preference Shares of Rs.100 each	200000	Current assets	
Reserve	226750	Debtors	233750
11% Debentures of Rs.100 each	100000	Stock	406700
Creditors	137250	Cash	12300
		Profit and loss account	278250
	1164000		1164000

The company after the approval of the Court puts the following scheme of reconstruction:-

i). Each existing preference shares to be reduced to Rs.35 of which Rs.20 will be represented by new 12% preference shares and Rs.15 by new equity shares

ii). Each debentures of Rs.100 is to be exchanged for Rs.50 of new 13% debentures , one new 12% preference shares of Rs.25 each and four new equity shares of Rs.2.50 each

iii). Each existing equity share is to be reduced to Rs.2.50

The reduction of capital and reserves are utilized for writing off losses, 50% stock and debtors and balance if any is used for writing down fixed assets. Show the necessary journal entries and draw up the revised balance sheet.

(2 × 15 = 30 Marks)

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