



23003268

QP CODE: 23003268

Reg No : .....

Name : .....

**M COM DEGREE (CSS) EXAMINATION, APRIL 2023****First Semester****CORE - CM010101 - SPECIALISED ACCOUNTING**

M.COM FINANCE AND TAXATION, M.COM FINANCE AND TAXATION (SF), M.COM MARKETING AND INTERNATIONAL BUSINESS (SF), M.COM MANAGEMENT AND INFORMATION TECHNOLOGY (SF)

2019 ADMISSION ONWARDS

C383818D

Time: 3 Hours

Weightage: 30

**Part A (Short Answer Questions)***Answer any **eight** questions.**Weight **1** each.*

1. Entity A, a supermarket chain, is renovating one of its major stores. The store will have more available space for in store promotion outlets after the renovation and will include a restaurant. Management is preparing the budgets for the year after the store reopens, which include the cost of remodeling and the expectation of a 15% increase in sales resulting from the store renovations, which will attract new customers. State whether the remodeling cost will be capitalised or not.
2. State the objective and scope of AS-26: Intangible Assets.
3. From the following information calculate value of goodwill on the basis of 3 years' purchase of super profit calculated on the average profit of last 3 years.
  - (i) Sundry assets of the firm are Rs 22,50,800 and current liabilities are Rs 93,625.
  - (ii) Average capital employed in the business is Rs 18,00,000.
  - (iii) Rate of interest expected from capital having regard to the risk involved is 10%.
  - (iv) Net trading profits of the firm for the past three years were Rs 3,22,800 Rs 2,72,100 and Rs 37,500.
  - (v) Fair remuneration to the partners for their services is Rs 36,000 per annum.
4. Write a short note on the net worth method of calculating purchase consideration.
5. What do you mean by inter-company owings?
6. What do you mean by inter-company holdings?
7. Is there a ceiling on the interest rates charged by NBFCs?



8. What do you mean by Equity Fund?
9. What do you mean by NAV of Mutual Funds?
10. What is Lean Accounting?

(8×1=8 weightage)

**Part B (Short Essay/Problems)**

Answer any **six** questions.

Weight **2** each.

11. Answer the following : M/s. Moon Ltd. sold goods worth Rs. 6,50,000/- to Mr. Star, Mr. Star asked for a trade discount amounting to Rs. 53,000/- and same was agreed to by M/s Moon Ltd. The sales was affected and goods were dispatched. On receipt of goods, Mr. Star has found that goods worth Rs. 67,000/- are defective. Mr. Star returned defective goods to M/s. Moon Ltd. and made payment due amounting to Rs. 5,30,000/-. The accountant of M/s. Moon Ltd. booked the sale for Rs. 5,30,000/-. Discuss the contention of the accountant with reference to AS -9.
12. Omega Limited is working on different projects which are likely to be completed within 3 years period. It recognises revenue from these contracts on percentage of completion method for financial statements during 2014-2015, 2015-2016 and 2016-2017 for Rs. 11,00,000/-, Rs. 16,00,000/- and Rs. 21,00,000/- respectively. However, for Income-tax purpose, it has adopted the completed contract method under which it has recognised revenue of Rs. 7,00,000/-, Rs. 18,00,000/- and Rs. 23,00,000/- for the years 2014-2015, 2015-2016 and 2016-2017 respectively. Income-tax rate is 35%. Compute the amount of deferred tax asset/ liability for the years 2014-2015, 2015-2016 and 2016-2017.
13. From the following information relating to business of Somu and Addu Enterprises Calculate value of goodwill at four years' purchase of super profit and by capitalization of average profits.

(i) Average Capital employed	7,00,000
(ii) Expected Rate of Return	8%
(iii) Sundry Assets (Excluding goodwill)	7,54,760
(iv) Sundry liabilities	29,205
(v) Fair Remuneration to partners	12,000
(vi) Net trading profits for the last 3 years:	
	Rs. 1,47,000;
	Rs. 1,48,000;
	Rs. 1,49,000





14. Liabilities and Assets of Dena Ltd. as on 31-03-2019 stood as under:

Liabilities	₹ in Lakhs	Assets	₹ in Lakhs
Share Capital	30		
10% Preference shares of ₹100 each		Fixed Assets	130
Equity shares of ₹10 each	60	Investments	24
General Reserve	36	Current Assets	20
12% Debentures	28		
Current Liabilities	20		
Total	174	Total	174

Axis Ltd agrees to take over the assets and liabilities of Dena Ltd as per the following terms and conditions:

1. Fixed Assets 90% of the book value.
2. Investment at 10% above the par value.
3. Current assets and liabilities at book value except that stock in trade at cost amounting to ₹ 10 lakh was agreed to be taken over at a discount of 20%.
4. 12% debentures are to be discharged at a premium of 15% by issuing 12% debentures of Axis Ltd.
5. Preference shareholders are to be discharged at a premium of 15% by issuing 10% preference shares of ₹100 each.
6. Equity shares in Dena Ltd. are to be issued 5 equity shares of ₹ 10 each in Axis Ltd. for every 3 shares held by them.

Calculate the Purchase Consideration under Net Asset Method and Net Payment Method.

15. X Ltd. is to absorb Y Ltd. by issuing 5 shares of ₹10 each at a premium of 10% for every 4 shares held in Y Ltd. On the date of absorption the Balance Sheet were as under:

	X Ltd ₹	Y Ltd. ₹
<b>I. Equity and Liabilities</b>		
<i>(1) Shareholder's Funds</i>		
<b>a. Share Capital:</b>		
<i>Equity shares of ₹10 each.</i>	10,00,000	6,00,000
<b>b. Reserves and Surplus:</b>		
<i>General Reserves</i>	1,00,000	80,000



<i>(2) Current Liabilities</i>		
<i>Creditors</i>	<i>2,00,000</i>	<i>1,25,000</i>
<b><i>Total Equity and Liabilities</i></b>	<b><i>13,00,000</i></b>	<b><i>8,00,000</i></b>
<b><i>II.Assets</i></b>		
<b><i>1. Non-current Assets</i></b>		
<i>Fixed Assets</i>	<i>8,00,000</i>	<i>4,00,000</i>
<i>Investments:</i>		
<i>12,000 shares in Y Ltd.</i>	<i>1,60,000</i>	
<i>10,000 shares in X Ltd.</i>		<i>1,20,000</i>
<b><i>2. Current Assets</i></b>	<b><i>3,40,000</i></b>	<b><i>2,80,000</i></b>
<b><i>Total Assets</i></b>	<b><i>13,00,000</i></b>	<b><i>8,00,000</i></b>

You are required to show (a) important ledger in the books of Y Ltd., and (b) the acquisition entries in the books of X Ltd. Fixed assets of Y Ltd. are taken at ₹ 4,50,000 in the books of X Ltd.

16. Explain the role of NBFCs.

17. While closing its books of accounts on 31st March, 2017 a Non-Banking Finance Company has its advances classified as follows:

	Rs. in lakhs
Standard assets	17,000
Sub-standard assets	1,350
Secured portions of doubtful debts:	
• upto one year	350
• one year to three years	90
• more than three years	30
Unsecured portions of doubtful debts	95
Loss assets	50



Calculate the amount of provision, which must be made against the Advances as per the Non-Banking Financial Company – Non-Systemically Important Non- Deposit taking Company (Reserve Bank) Directions, 2016.

18. What are the benefits of blockchain technology?

(6×2=12 weightage)

### Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.

19. Write an essay on 'Accounting Standard Setting Process' and explain any five Accounting Standards.

20. On 31st March, 2012, Balance Sheet of Menon Ltd. was as follows:

Net profits of the company, after deducting all working charges and providing for depreciation and taxation, were as under:

Liabilities	Rs	Assets	Rs
Share Capital: Authorised & Issued: 5,000 Equity Shares of Rs 100 each fully paid	5,00,000		
Profit and Loss Account	1,03,000		
Bank Overdraft	20,000	Land and Buildings	2,20,000
Creditors	77,000	Plant and Machinery	95,000
Provision for Taxation	45,000	Stock	3,50,000
Proposed Dividend	75,000	Sundry Debtors	1,55,000
	8,20,000		8,20,000

Year ended 31st March

2008	85,000
2009	96,000
2010	90,000
2011	1,00,000
2012	95,000

On 31st March, 2012, Land and Buildings were valued at Rs 2,50,000 and Plant and Machinery at Rs 1,50,000.

In view of the nature of the business, it is considered that 10% is a reasonable return on tangible capital.

Prepare a valuation of the company's shares after taking into account the revised values of fixed assets and your own valuation of goodwill based on five years' purchase of the super profits based on the average profit of the last five years.

21. Genesis Ltd. agreed to acquire the business of Oasis Ltd. as on 31st December 2018. Following is the ledger balance of Oasis Ltd.





<i>Cr. Balances</i>	₹	<i>Dr. Balances</i>	₹
<i>Shares capital in fully paid shares of ₹ 10 each</i>	3,00,000	<i>Goodwill</i>	50,000
<i>General Reserve</i>	80,000	<i>Land, Buildings and Machinery</i>	3,20,000
<i>Workmen Compensation fund</i>	5,000	<i>Stocks- in-trade</i>	84,000
<i>Profit and Loss Account</i>	55,000	<i>Debtors</i>	18,000
<i>6% Debentures</i>	50,000	<i>Cash and Bank balance</i>	28,000
<i>Creditors</i>	10,000		
	5,00,000		5,00,000

The consideration payable by Genesis Ltd. was agreed as under:

- Cash payment equivalent to ₹ 2.50 for every share of ₹ 10 in Oasis Ltd.
- Issue of 45,000 ₹ 10 shares fully paid, in Genesis Ltd. having an agreed value of ₹ 15 per share.
- Issue of such an amount of fully paid 5% Debentures of Genesis Ltd. at 96 percent as is sufficient to discharge the 6% Debentures of Oasis Ltd. at a premium of 20 %.

While arriving at the agreed consideration, the Directors of Genesis Ltd. valued Land, Building and Machinery at ₹ 6,00,000, the stock-in-trade T ₹ 71,000 and the Debtors at their book value subject to an allowance of 5 % to cover doubtful debts.

The cost of liquidation of Oasis Ltd. was ₹ 2,500. On the date of acquisition, Oasis Ltd. had a liability towards a workman for compensation against an injury. The amount was ascertained at ₹ 3,000. The company paid compensation in cash to the worker.

Genesis Ltd. also issued to the public 5,000 shares of ₹10 each at ₹ 15 per share. The shares were fully subscribed and paid for.

You are required to prepare ledger accounts in the books of Oasis Ltd. Also pass opening journal entries in the books of Genesis Ltd. and prepare its Balance Sheet.

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)