

PARUL UNIVERSITY
FACULTY OF COMMERCE
M.Com.(Hons) Summer 2017 – 18 Examination

Semester: 1

Date: 25/05/2018

Subject Code: 16201101

Time: 10.30 am to 1.00 pm

Subject Name: Advanced Accounting

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. The conventional VA statement is divided into ____ part/s.

a) 1	b) 2
c) 3	d) 4
2. $NVA = GVA - \underline{\hspace{2cm}}$.

a) Depreciation	b) Taxes
c) Profit	d) Sales
3. A _____ is an enterprise that is controlled by another enterprise known as parent.

a) Investor	b) Associate
c) Subsidiary	d) Joint Venture
4. Consolidated Financial Statements is governed by _____.

a) AS- 19	b) AS-23
c) AS- 20	d) AS- 21
5. The effects of Changes in Foreign Exchange Rates are governed by _____.

a) AS- 11	b) AS-10
c) AS- 12	d) AS- 9
6. The provisions of 'Contingencies and Events Occurring after the Balance Sheet Date' are contained in _____.

a) AS 4	b) AS 5
c) AS 9	d) AS 6

B) Definitions / One-liners / Terms. (Each of one mark)**(06)**

1. What do you mean by Accounting Standards?
2. What do you mean by "Contingency"?
3. What is the meaning of "Prior Period Items"?
4. What do you mean by Fair Value?
5. What do you mean by "Reporting Currency"?
6. What do you mean by "A Qualifying Asset"?

Q.2 Numerical / Short Note Questions. (Each of 04 mark)**(12)**

1. During the year 2012-2013, Raj Ltd. was sued by a competitor for ` 15 lakhs for infringement of a trademark. Based on the advice of the company's legal counsel, Raj Ltd. provided for a sum of ` 10 lakhs in its financial statements for the year ended 31st March, 2013. On 18th May, 2013, the Court decided in favour of the party alleging infringement of the trademark and ordered Raj Ltd. to pay the aggrieved party a sum of ` 14 lakhs. The financial statements were prepared by the company's management on 30th April, 2013, and approved by the board on 30th May, 2013. Whether any adjustment would have been required in the financial statements of 2012-13?
2. Kalim Ltd. borrowed US\$ 4,50,000 on 01/01/2012, which will be repaid as on 31/07/2012. X Ltd. prepares financial statement ending on 31/03/2012. Rate of exchange between reporting currency (INR) and foreign currency (USD) on different dates are as under:

01/01/2012	1 US\$ = ` 48.00
31/03/2012	1 US\$ = ` 49.00
31/07/2012	1 US\$ = ` 49.50

3. Take Ltd. has borrowed ₹ 30 lakhs from State Bank of India during the financial year 2013-14. The borrowings are used to invest in shares of Give Ltd., a subsidiary company of Take Ltd., which is implementing a new project, estimated to cost ₹ 50 lakhs. As on 31st March, 2014, since the said project was not complete, the directors of Take Ltd. resolved to capitalize the interest accruing on borrowings amounting to ₹ 4 lakhs and add it to the cost of investments.
Comment.

Q.3 Answer the following. (Any Three)

(18)

1. What are the advantages of Value Added Statement?
2. AS 5 puts items recognized in statements of profit and loss in six broad groups. Name those groups.
3. An extract from the statement profit and loss of a company for 2012-13 is given below:

	₹ 000	₹ 000
Sales		3,000
Opening stock	500	
Production cost	2,800	
	3,300	
Less: Closing Stock	(600)	(2,700)
Gross Profit		300
Expenses		(250)
Profit before tax		50
Tax		20
Profit after tax		30

The closing stock includes stock damaged in a fire in 2011-12. On 31/03/12, the estimated net realisable value of this stock was ₹ 15,000. The revised estimate of net realisable value of the damaged stock included in closing stock of 2012-13 is ₹ 5,000.

Rewrite the statement of profit and loss if necessary to comply with requirements of AS 5.

4. Z Ltd. purchased a fixed asset for ₹ 50 lakhs, which has the estimated useful life of 5 years with the salvage value of ₹ 5,00,000. On purchase of the assets government granted it a grant for ₹ 10 lakhs. Pass the necessary journal entries in the books of the company for first two years if the grant amount is deducted from the value of fixed asset.

Q.4 Answer the following. (Any two)

(18)

1. Given below is the summarised Profit and Loss Account of Creamco Ltd.:

Summarised Profit and Loss Account for the year ended 31st March, 2017

	Notes	Amount (₹ '000)
Income		
Sales	1	28,525
Other Income		<u>756</u>
		<u>29,281</u>
Expenditure		
Operating cost	2	25,658
Excise duty		1,718
Interest on Bank overdraft	3	93
Interest on 10% Debentures		<u>1,157</u>
		<u>28,626</u>
Profit before Depreciation		655
Less: Depreciation		<u>(255)</u>
Profit before tax		400
Provision for tax	4	<u>(275)</u>
Profit after tax		125
Less: Transfer to Fixed Asset Replacement Reserve		<u>(25)</u>
		100

Less: Dividend paid and payable		<u>(45)</u>
Retained profit		<u>55</u>

Notes:

This represents the invoice value of goods supplied after deducting discounts, returns and sales tax.

1. Operating cost includes ` ('000) 10,247 as wages, salaries and other benefits to employees.
2. The bank overdraft is treated as a temporary source of finance.
3. The charge for taxation includes a transfer of ` ('000) 45 to the credit of deferred tax account.

You are required to Prepare a value added statement for the year ended 31st March, 2017.

2. A Ltd. acquired 70% of equity shares of B Ltd. on 1.4.2010 at cost of ` 10,00,000 when B Ltd. had an equity share capital of ` 10,00,000 and reserves and surplus of ` 80,000. In the four consecutive years, B Ltd. fared badly and suffered losses of ` 2,50,000, ` 4,00,000, ` 5,00,000 and ` 1,20,000 respectively. Thereafter in 2014-13, B Ltd. experienced turnaround and registered an annual profit of ` 50,000. In the next two years i.e. 2015-16 and 2016-17, B Ltd. recorded annual profits of ` 1,00,000 and ` 1,50,000 respectively. Show the minority interests and cost of control at the end of each year for the purpose of consolidation.
3. What are the indications that a foreign operation is a non- integral foreign operation rather than an integral foreign operation?