

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

Semester: I**Date: 05.12.2017****Subject Code: 16201101****Time: 10:30am To 1:00pm****Subject Name: Advanced Accounting****Total Marks: 60****Instructions:**

1. Attempt all questions as directed.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.

Q.1 (A) Do as directed (MCQ, True or False) (1 mark each. All Compulsory) (12)

1. The accounting treatment for contingencies and events occurring after the balance sheet date are covered by:
 - a. AS-12
 - b. AS-29
 - c. AS-20
 - d. AS-4
2. The extraordinary items should be disclosed in the statement of profit and loss as a part of net profit or loss for the period.
 - a. True
 - b. False
3. A _____ is a liability which can be measured only by using a substantial degree of estimation.
 - a. Liability
 - b. Provision
 - c. Contingent Liability
 - d. Contingent Asset
4. Internally generated goodwill should be recognised as an asset.
 - a. True
 - b. False
5. Minimum Lease Payment = _____
 - a. Lease rentals + Unguaranteed Residual Value
 - b. Guaranteed Residual Value + Unguaranteed Residual Value
 - c. Lease Rentals + Guaranteed Residual Value
 - d. Expected Residual Value
6. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
 - a. True
 - b. False

(B) Do as directed (Definitions / One-liners / Terms) (1 mark each. All Compulsory)

1. What do you mean by Qualifying Asset?
2. What do you understand by the term "Accounting Standards"?
3. Explain the term "Monetary Items".
4. Explain the term "Finance Lease".
5. What is the meaning of obligating event?
6. Under what conditions, an intangible asset should be derecognized?

Q.2 Answer the following. (4 mark each. All Compulsory) (12)

- A.** A Company entered into an agreement to sell its immovable property to another company for ` 35 lakhs. The property was shown in the Balance Sheet at ` 7 lakhs. The agreement to sell was concluded on 15th February, 2011 and sale deed was registered on 30th April, 2011.

You are required to state, with reasons, how this event would be dealt with in the financial statements for the year ended 31st March, 2011.

- B.** Write down the advantages of Inflation Accounting.

C. Compute adjusted earnings per share and basic EPS based on the following information:

Net profit 2009-10	₹ 7,20,000
Net profit 2010-11	₹ 24,00,000
No. of equity shares outstanding until 31 st December, 2010	8,00,000

Bonus issue on 1st January, 2011, 2 equity shares for each equity share outstanding at 31st December, 2010.

Q.3 Answer the following. (6 mark each. Any Three out of Four)

(18)

A. On the basis of the following Profit and Loss Account of Zed Limited and the supplementary information provided thereafter, prepare Gross Value Added Statement of the company for the year ended 31st March, 2017.

Profit and Loss Account of Zed Limited for the year ended 31st March, 2017.

	Amount (₹ in lakhs)	Amount (₹ in lakhs)
Income		
Sales		5,010
Other Income		<u>130</u>
		5,140
Expenditure		
Production and Operational Expenses	3,550	
Administrative Expenses	185	
Interest	235	
Depreciation	<u>370</u>	<u>(4,340)</u>
Profit before Taxation		800
Provision for Taxation		<u>(280)</u>
Profit after Taxation		520
Credit Balance as per last Balance Sheet		<u>40</u>
		<u>560</u>
Appropriations		
Transfer to General Reserve		100
Preference Dividend paid		100
Equity Dividend		300
Balance carried to Balance Sheet		<u>60</u>
		<u>560</u>
Supplementary Information		
Production and Operational Expenses consist of:		
Raw Materials and Stores consumed		1,900
Wages, Salaries and Bonus		610
Local Taxes including Cess		220

- B. A business having the Head Office in Kolkata has a branch in UK. The following is the trial balance of Head Office and Branch as at 31.03.2013:

Account Name	Amount in £	
	Dr.	Cr.
Fixed Assets (Purchased on 01.04.2010)	5,000	
Debtors	1,600	
Opening Stock	400	
Goods received from Head Office Account (Recorded in HO books as ` 4,02,000)	6,100	
Sales		20,000
Purchases	10,000	
Wages	1,000	
Salaries	1,200	
Cash	3,200	
Remittances to Head Office (Recorded in HO books as ` 1,91,000)	2,900	
Head Office Account (Recorded in HO books as ` 4,90,000)		7,400
Creditors		4,000

- Closing stock at branch is £ 700 on 31.03.2013.
- Depreciation @ 10% p.a. is to be charged on fixed assets.
- Prepare the trial balance after been converted in Indian Rupees.
- Exchange rates of Pounds on different dates are as follow: 01.04.2010– ` 61; 01.04.2012– ` 63 & 31.03.2013 – ` 67

- C. Prakash Limited leased a machine to Badal Limited on the following terms:

		(` In lakhs)
(i)	Fair value of the machine	48.00
(ii)	Lease term	5 years
(iii)	Lease rental per annum	8.00
(iv)	Guaranteed residual value	1.60
(v)	Expected residual value	3.00
(vi)	Internal rate of return	15%

Discounted rates for 1st year to 5th year are 0.8696, 0.7561, 0.6575, 0.5718, and 0.4972 respectively.

Ascertain Unearned Finance Income.

- D. An industry borrowed ` 40,00,000 for purchase of machinery on 1.6.2011. Interest on loan is 9% per annum. The machinery was put to use from 1.1.2012. Pass journal entries for the year ended 31.3.2012 to record the borrowing cost of loan, as per AS 16.

Q.4 Answer the following. (9 mark each. Any Two out of Three)

(18)

(A) Following are the summarized Balance Sheets of Mumbai Limited, Delhi Limited, Amritsar Limited and Kanpur Limited as at 31st March, 2015:

Liabilities	Mumbai Ltd.	Delhi Ltd.	Amritsar Ltd.	Kanpur Ltd.
Share Capital (` 100 face value)	50,00,000	40,00,000	20,00,000	60,00,000
General Reserve	20,00,000	4,00,000	2,50,000	10,00,000
Profit & Loss Account	10,00,000	4,00,000	2,50,000	3,20,000

Trade payables	3,00,000	1,00,000	50,000	80,000
	83,00,000	49,00,000	25,50,000	74,00,000
Assets				
Investments:				
30,000 shares in Delhi Ltd.	35,00,000	—	—	—
10,000 shares in Amritsar Ltd	11,00,000	—	—	—
5,000 shares in Amritsar Ltd.	—	5,00,000	—	—
Shares in Kanpur Ltd. @ ` 120	36,00,000	18,00,000	6,00,000	—
Fixed Assets	—	20,00,000	15,00,000	70,00,000
Current Assets	1,00,000	6,00,000	4,50,000	4,00,000
	83,00,000	49,00,000	25,50,000	74,00,000

Balance in General Reserve Account and Profit & Loss Account, when shares were purchased in different companies were:

	Mumbai Ltd.	Delhi Ltd.	Amritsar Ltd.	Kanpur Ltd.
General Reserve Account	10,00,000	2,00,000	1,00,000	6,00,000
Profit & Loss Account	6,00,000	2,00,000	50,000	60,000

Compute the Analysis of Profit and Goodwill (Calculations may be rounded off to the nearest rupee).

- (B) A fixed asset is purchased for ` 20 lakhs. Government grant received towards it is ` 8 lakhs. Residual Value is ` 4 lakhs and useful life is 4 years. Assume depreciation on the basis of Straight Line method. Asset is shown in the balance sheet net of grant. After 1 year, grant becomes refundable to the extent of ` 5 lakhs due to non compliance with certain conditions. Pass journal entries for first two years.
- (C) X Ltd. began construction of a new building on 1st January, 2012. It obtained ` 1 lakh special loan to finance the construction of the building on 1st January, 2012 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

Amount	Rate of Interest
` 5,00,000	11%
` 9,00,000	13%

The expenditures that were made on the building project were as follows:

	`
January 2012	2,00,000
April 2012	2,50,000
July 2012	4,50,000
December 2012	1,20,000

Building was completed by 31st December, 2012. Following the principles prescribed in AS 16 'Borrowing Cost,' calculate the amount of interest to be capitalized and pass one Journal Entry for capitalizing the cost and borrowing cost in respect of the building.