

M.Com Sem-IV

Sub : Corporate Financial Accounting (Set B)

Paper code: 67501

May 2022

SECTION A

Q.1 Choose the correct alternate and rewrite the sentence (30)

1] A Ltd with 60% Shares in Subsidiary B Ltd, supplied goods to B Ltd for Rs 60,000 [Cost plus 25%], all goods are held in stock, the unrealized profit in stock is

- a. Rs 9,000
- b. Rs 12,000
- c. Rs 15,000
- d. Rs 7,200

2] Any extra amount over and above the saleable values of the identifiable assets that could be fetched by selling an existing firm as a going concern is _____.

- a. Super profit
- b. Bonus
- c. Goodwill
- d. Revaluation surplus

3] Minority Interest consists of

- a. Face Value of Shares, Proportional Revenue and Capital Profits
- b. Proportional Revenue Profit only
- c. Proportional Capital Profit only
- d. Face value of Shares only

4] _____ are those accounting principles which are recommended by authority or enforced by law.

- a. Accounting Standards
- b. Auditing Standards
- c. Accounting Rules
- d. Financial Reporting Standards

5] Yield value per share = Expected Rate of Dividend/Normal Rate of Dividend x _____ of share.

- a. Face value
- b. Agree value
- c. Called up
- d. Paid up value

6] SK Ltd acquired 70,000 Shares of Rs 10 each of DK Ltd [Total shares 1,00,000] on 1st April 2022 at a cost of Rs 9,25,000, the share of Capital and Revenue profit are ascertained at Rs 1,90,000 and 2,70,000 respectively. The minority interest is amounted to

- a. Rs 4,60,000
- b. Rs 6,22,000
- c. Rs 4,38,000
- d. Rs 1,38,000

7] Accounting standards are _____.

- a. Recommendatory
- b. Optional
- c. Profit oriented
- d. Mandatory

8] Principles regarding _____, are included in Indian Accounting Standard 33.

- a. Income Taxes
- b. Property and Plant
- c. Borrowing Cost
- d. Earning per Share

9] Company's taxable income for the year 2020 is Rs. 8,00,000. The tax rate applicable to the company is 30%. For 2020, the company has provided Rs.2,00,000 for income tax. The actual liability for 2020 was decided at Rs.2,15,000. What is paid in 2021?

- a. Rs. 2,55,000
- b. Rs. 2,15,000
- c. Rs.2,40,000
- d. Nil

10] In which of the following enterprise, not mandated to apply accounting standards by Law?

- a. Corporate
- b. Co-operative
- c. Partnership Firm
- d. Government

11] Pre acquisition profit and reserve is

- a. Revenue Profit
- b. Capital Profit
- c. Goodwill
- d. Capital Redemption Reserve

12] MKS Ltd acquired 60% shares in KMS Ltd on 1st October 2021 at a price of Rs 18,00,000, the profit and Loss account of KMS Ltd showed a credit balance of Rs 1,00,000 on 1st April 2021 and Credit balance of Rs 3,00,000 on 31st March 2022. the Capital profit is

- a. Rs 2,00,000
- b. Rs 3,00,000
- c. Rs 1,00,000
- d. Rs 1,80,000

13] If the amount of investment of holding company in subsidiary company is less than the nominal value of share capital acquired by the holding company, the difference represents,

- a. General Reserve
- b. Capital Reserve
- c. Goodwill
- d. Securities Premium

14] Consider the following information relating to PMC Ltd. Profit available for dividend Rs.6,56,000, Share capital Rs.1,00,000 shares @Rs.100per share, Normal rate of return – 10%, The share value of the company is

- a. Rs. 60
- b. Rs. 656.60
- c. Rs. 6,566.00
- d. Rs. 65.60

15] Intrinsic value = _____

- a. Equity share capital / No of equity share
- b. Capital employed / No of equity share
- c. Asset available to equity shareholder / No of equity share
- d. Fixed Assets / Equity share capital

SECTION B

Q.2 The Balance Sheet of MTech Ltd. as on 31st March, 2021 was as follow: (10)

Liabilities	Rs.	Assets	Rs.
Equity Shares Capital of Rs. 10 each	10,00,000	Building	4,40,000
Profit and Loss A/c	2,06,000	Furniture	1,90,000
Bank overdraft	40,000	Stocks	7,00,000
Creditors	1,54,000	Debtors	3,10,000
Provision for Tax	90,000		
Proposed Dividend	1,50,000		
Total	16,40,000		16,40,000

The net profit of the company after deducting all working charges and providing depreciation and taxation were as under:

Year Ending	Rs.
31/03/2017	1,70,000
31/03/2018	1,92,000
31/03/2019	1,80,000
31/03/2020	2,00,000
31/03/2021	1,90,000

On 31st March, 2021 Building was valued at Rs.5,00,000 and Furniture at Rs.3,00,000. The other assets and liabilities have been correctly valued. In view of the nature of business, it is assumed that 10% is a reasonable return on tangible capital. Consider closing capital as average capital employed and simple average for computing average profit.

You are required to determine the value of Goodwill on the basis of 5 years' purchase of super profits.

OR

Q.2 The following is the Balance Sheet of M/s. Telsa Ltd. as at 31-3-2021. (10)

Liabilities	Rs.	Assets	Rs.
Issued and Fully paid-up:		Fixed Assets :	
1,60,000 8% Cumulative Preference Shares of Rs.10 each	16,00,000	Land and Building	8,80,000
1,20,000 Equity Shares of Rs.10 each	12,00,000	Plant and Machinery	17,60,000
General Reserve	4,40,000	Furniture	3,20,000
Profit and Loss A/c	4,00,000	Current Assets:	
Current Liabilities and Provisions :		Stock in Trade	12,40,000
Current Liabilities	4,00,000	Debtors	14,00,000
Provision for Depreciation	18,20,000	Cash and Bank Balance	6,80,000
		Miscellaneous Expenses:	

Provision for Taxation	3,60,000	Deferred Advertising	2,80,000
Proposed Dividend	3,40,000	Expenses	
Total	65,60,000		65,60,000

The Net Profit after Tax for the last 3 years ended 31st March, 2021 is as given below:

Year	Net Profit (Rs)
2018-2019	12,20,000
2019-2020	18,00,000
2020-2021	22,40,000

Calculate the Intrinsic Value and Yield Value of Equity Share of the Company, assuming that the fair return on investment in the company doing similar business is 12%.

Q.3 Following are the Profit & Loss Account of Hindustan Ltd and its subsidiary company Sony Ltd. For the year ended 31st March, 2022: (10)

Particulars	Hindustan Ltd (₹in lakhs)	Sony Ltd (₹in lakhs)
Income:		
Sale or other Income	10000	2000
Increase in Stock	2000	400
	12000	2400
Expenses:		
Raw Material Consumed	2000	600
Wages and Salaries	1600	300
Administrative Expenses	400	200
Selling and Distribution Expenses	400	100
Interest	200	100
Depreciation	200	100
	4800	1400
Profit before Tax	7200	1000
Provision for Tax	2400	400
Profit after Tax	4800	600
Proposed Dividend	2400	300
Balance of Profit	2400	300

Other Information:

Hindustan Ltd. sold goods to Sony Ltd. of ₹ 240 lakhs at cost plus 20%. Stock of Sony Ltd. includes such goods valuing ₹ 48 lakhs. Administrative Expenses of Sony Ltd. include ₹ 10 lakhs paid to Hindustan Ltd. as consultancy fees. Selling and Distribution expenses of Hindustan Ltd. includes ₹ 20 lakhs paid to Sony Ltd. as commission.

Hindustan Ltd. holds 80% of equity shares capital of ₹ 2000 lakhs in Sony Ltd. Hindustan Ltd. took credit to its Profit and Loss Account, the proportionate amount of dividend declared and paid by Sony Ltd. for the year 2020-2021.

Prepare the consolidated Profit & Loss Statement in the books of Hindustan Ltd. for the year ended 31st March, 2022.

OR

Q.3 Sun Ltd acquired 7,500 shares in Moon Ltd for Rs.77,500 on 1st July, 2021. The Balance sheets of the two companies as on 31st March, 2022 were as follows: (10)

Liabilities	Sun Ltd	Moon Ltd	Assets	Sun Ltd	Moon Ltd
Equity Share Capital (of Rs.10 each)	450,000	125,000	Fixed Assets	400,000	110,000
General Reserve	80,000	20,000	Investment(7,500 equity shares in Moon Ltd)	77,500	
Profit & Loss A/c	40,000	12,500	Current Assets	137,500	72,500
Trade Payables	45,000	25,000			
	615,000	182,500		615,000	182,500

The following additional information is provided to you:

1. Profit earned by Moon Ltd for the year ended 31st March, 2022 amounted to Rs.10,000
2. General reserve balance appearing in the balance sheet of Moon Ltd has remained unchanged since 1st April, 2021.

Calculate following data required to prepare consolidated Balance sheet

1. Working of Capital Profit and Revenue profit of Moon ltd
2. Goodwill or Capital reserve
3. Non-controlling Interest (minority interest)
4. Notes to accounts of Share Capital and Reserve & Surplus

Q.4. A) Calculate basic EPS as per IND AS 33 from the following information: (5)
Share Capital as on 1/4/2020, 1 lakh Equity Shares of Rs. 10 each .

Issue of right shares for cash on 1/7/2020 in the ratio of one share for every 5 shares held.

Issue of Bonus shares (excluding right shares) in the ratio of one share for every five shares held on 1/10/2020.

Net Profit (before tax) for 2020-21, Rs. 4,00,000. Income tax rate is 40%.

B) State whether IND AS 16 is applicable to the following assets: (5)

1. Equipment held for sale
2. Bearer plant
3. Biological assets
4. Mineral rights
5. Property

OR

Q.4 Write Short Notes on any two (10)

- a. Financial Reporting
- b. Objectives of IND AS 33
- c. Intrinsic Value method of Valuation of Shares
- d. Treatment of Pre and Post acquisition profits in Consolidated statements