2021

TWO YEAR M. COM. SEMESTER 3 EXAMINATION

(*New Syllabus under CBCS*)

Instructions for Examinees from Affiliated Colleges

The students are required to strictly adhere to the following instructions:

1. Use A4 size paper for giving the examination.

2. Write the following on the top of the first sheet:

   i) Roll Number: **(as per the Admit Card)**

   ii) Registration Number: **(as per the Admit Card)**

   iii) Paper Code and Name of the Paper

   iv) Date of the Examination

   v) Duration of Examination **(12 Noon to 2 P.M.)**

3. Put Page number on the top right of each page (including the first page).

4. Only one side of the paper should be used for examination.

5. Put your **full signature with date**, at the bottom right of every page used.

6. Before sending your answer scripts, arrange the pages sequentially. Scan them in the order of page number and convert them into a single **PDF File.**

7. Pdf. file name should be your **Full Roll Number <underscore> paper code**. While submitting the answer scripts, the subject of the mail will be exactly the same with the file name. [e.g., if the roll no of a student is **017/MCM/123456** for fifth paper **(Paper Code DSE305A)** the file name will be: **017-MCM-123456_DSE305A.**

8. Submit your answer scripts in **PDF Format** within the stipulated time through designated email id given to you.

9. Preserve your answer scripts in soft as well as hard-copy form of all the papers of your examination.

2021

TWO YEAR M. COM. SEMESTER 3 EXAMINATION

Paper: DSE-305A

(Corporate Financial Accounting and Reporting)

Full Marks: 40

The figures in the margin indicate full marks

Candidates are required to give their answers in their own words as far as practicable

Time: 2 Hours **Duration of Examination: 12noon to 2pm**

Module - I

Answer ***any two*** questions**.**

1. (a) Discuss the features of Intangible assets.

(b) An enterprise operates through six segments, namely, O, P, Q, R, S and T. The relevant information about these segments is given in the following table (amounts in Rs.'000):

Segments	External Sales	Inter Segment Sales	Other Income	Segment Results: Profit/(Loss)	Segment Assets	Segment Liabilities
O	275	125	75	40	500	400
P	375	175	50	-15	600	450
Q	125	100	60	30	450	150
R	250	75	50	5	350	200
S	75	-	25	-10	250	150
T	80	50	20	-5	200	175

Identify the reportable segments as per Ind AS 108. [4 + 6]

2. (a) XYZ Ltd. has two CGUs - A and B. Carrying amount of CGU A and B are Rs.1500 and Rs.500 lakhs respectively on 31.03.2020. The company has an administrative building of Rs.600 lakhs and a R & D center of Rs.450 lakhs. Administrative building can be allocated but R & D center cannot be allocated to the CGUs. Due to the spread of corona virus and lockdown, impairment tests have been done on 31.03.2020. Remaining useful life of A is 10 years and of B 5 years. Fair value less cost of disposal is not realizable. Future expected cash flows from CGU A are Rs. 300 lakhs (5 years) and Rs.150 lakhs (5 years), from B is Rs. 175 lakhs (5 years). Future expected cash flows from XYZ Ltd. as a whole is Rs. 475 lakhs (5 years) and Rs.200 lakhs (5 years).

Discounting rate is 12% p.a. Annuity of 12%: 1-5 = 3.6048, 6-10 = 2.0454.

Calculate impairment loss to be recognized in the financial statement and allocation of impairment loss. Calculate revised carrying amount of all CGUs.

(b) What are the external indicators of impairment of assets? [8 + 2]

3. Following is the extracted Balance Sheet of P Ltd. as at 31st March, 2021:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital (Rs. 10)	10,00,000	Plant & Machinery	12,30,000
8%, Preference Share Capital (Rs. 100)	4,00,000	Goodwill at cost	1,00,000
		Investments (at face value)	2,00,000
General Reserve	3,60,000	Stock	4,20,000
Balance of Profit & Loss	2,50,000	Sundry Debtors	1,00,000
Short- term bank loan	2,00,000	Cash at Bank	7,00,000
Sundry Creditors	5,40,000		
	27,50,000		**27,50,000**

Additional information:

a. Plant and Machinery are worth 25% more than their actual book value.

b. 70% of the Investments are non-trading and the balance is trading. All investments are to be valued at 20% above cost. Dividend at uniform rate of 20% is earned on all investments.

c. For the purpose of valuation of shares, goodwill is to be valued on the basis of 3 years purchase of super profits based on average trading profits of the last three years. Net profits (after tax) are as follows-

Year	Rs.
2018-2019	1,00,000
2019-2020	95,000
2020-2021	1,05,000

d. Depreciation on appreciated value of Plant & Machinery is not to be considered for valuation of goodwill.

e. In 2018-2019, a new machinery costing Rs.40000 was purchased but wrongly charged as revenue and no effect has been given yet to rectify the same.

f. Depreciation is charged on Plant & Machinery @ 15% p.a. under Straight Line Method.

g. The return on capital employed is 15%. Tax rate is 40%.

Find out the value of each fully paid equity share under Net Asset Backing Method.

[10]

4. (a) On 1st April, 2019 the Balance Sheet of XYZ Chemicals Ltd. included the following amounts:

Assets	**Cost (Rs.)**	**Accumulated Depreciation (Rs.)**
Land	25,00,000	Nil
Building	17,50,000	4,25,000
Plant and Machinery	13,90,000	6,30,000
Total	56,40,000	10,55,000

The directors had decided previously to revalue land and buildings. Accordingly, on 31st March, 2020, the directors estimated that the value of land increased by Rs. 2,50,000 and the value of buildings increased by Rs. 1,00,000. They also estimated that the remaining useful life of the buildings is 40 years.

Buildings are depreciated on straight line basis; Plant and Machinery is depreciated at a rate of 25% p.a. on reducing balance basis.

During the year ended on 31st March, 2020, a machinery was purchased for Rs. 3,52,500 and additional buildings were purchased at a cost of Rs. 6,70,000. The useful life of the additional building is estimated to be 40 years. It is the policy of the company to charge full year's depreciation on PPEs purchased during the year.

You are required to

i. Calculate the total charge for depreciation for the year ended 31st March, 2020; and

ii. Calculate total value of the PPE showing gross block, depreciation and net block which should be represented in the Notes to Accounts section of the Balance Sheet as at 31st March, 2020.

(b) While preparing the Balance Sheet as on 31.03.2021, information regarding the following trade payables has been obtained:

Sl. No.	**Amount due (Rs.)**	**Due from**	**To be settled on**
1	1,10,000	01.04.2020	18.05.2021
2	2,40,000	01.06.2020	15.08.2022
3	1,15,000	15.03.2021	31.12.2021

The normal operating cycle of the company is 14 months. Advice the Accountant on classification of the account payables into current and non-current liabilities with reason.

[7 + 3]

Module - II

Answer ***any two*** questions.

5. Unfortunate Ltd. went into voluntary liquidation on June 30, 2019. Its liabilities on that date were as below:

	Rs.
6% Debenture with floating charge on all assets of the company	21,00,000
Interest outstanding on Debentures	1,26,000
Sundry Creditors	25,30,500

The Capital of the company consisted of:

6% Preference Share Capital of Rs. 10 each, fully paid	10,50,000
Equity Share of Rs. 100 each, Rs.90 paid	12,90,000
Equity Share of Rs. 100 each, Rs.50 paid	14,70,000

The asses realized as follows:

Date	**Stock (Rs.)**	**Other Asset (Rs.)**
July 15, 2019	2,10,000	15,75,000
Aug 14, 2019	2,10,000	14,70,000
Sept 15, 2019	4,20,000	15,75,000

The break-up of Sundry Creditors is as follows:

	Rs.
Bank Overdraft (with lien on stock)	5,25,000
Trade Creditors	15,75,000
Outstanding wages	1,05,000
PF dues to employees	3,15,000
ESI Premium due	10,500

The liquidator is entitled to 2% on amount realized from assets and to 2% on the amount distributed among unsecured creditors excluding preferential creditors. The debenture holders as well as the bank waived interest after 30^{th} June, 2019.

After reserving Rs.30,000 for liquidation expenses (which ultimately amounted Rs.16,446 and paid on Sept. 30, 2019) the liquidator distributed the cash among various parties according to their rights.

You are required to prepare Liquidator's Final Statement of Accounts. [10]

6. The balance sheets of H Ltd. and S Ltd. as on 31.03.2021 were as follows:

Particulars	H Ltd. Carrying Amount (Rs. in lakh)	S Ltd. Carrying Amount (Rs. in lakh)
Assets		
Non-current Assets		
PPE	14,800	6,000
Investment in S Ltd.	5,800	--
Current Assets		
Inventories	2,600	2,000
Trade Receivables (due from S Ltd. Rs.160 lakh)	4,000	2,000
Dividend Receivable	320	---
Total	27,520	10,000
Equity and Liabilities		
Equity		
Share Capital (Rs. 10)	10,000	4,000
Other Equity (Retained Earnings)	16,320	5,000
Non-current Liabilities	--	--
Current Liabilities		
Trade Payables (due to H Ltd. Rs.120 lakh)	1,200	600
Dividend Payable	---	400
Total	**27,520**	**10,000**

Additional Information:

a) On 01.04.2020, S Ltd. had 400 lakh shares of Rs.10 each and Rs.3,000 lakh in its Retained Earnings in Other Equity. H Ltd. acquired 80% share of S Ltd. on 01.04.2020 at a consideration of Rs.5,800 lakh payable in cash.

b) The aggregate identifiable net assets of S Ltd. as on 01.04.2020 included PPE and inventory standing in the books of S Ltd. at Rs.2,500 lakh and Rs.500 lakh having fair value of Rs.2,800 lakh and Rs.200 lakh respectively. The rate of depreciation on PPE is 10% p.a.

c) NCI was to be measured at fair value based on the purchase consideration.

d) Goodwill was impaired by Rs.100 lakh.

e) H Ltd. sold goods worth Rs.200 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold.

f) S Ltd. issued a cheque of Rs. 40 lakhs in favour of H Ltd. as a part payment of the goods purchased from it in March, 2021. The cheque is yet to be received by H Ltd.

g) Dividend payable represents the dividend declared out of pre-acquisition profit. H Ltd. credited its share of dividend from S Ltd. to its profits.

Prepare the Consolidated Balance Sheet of the Group on 31.03.2021. [10]

7. (a) A company issued a debt security of face value Rs. 1,00,000 at Rs.91,000 on 01.04.2016. This will be repaid after 5 years at par. The rate of interest was 9% p.a. payable at the year end and the effective or implicit rate of interest was 11.46%. Pass necessary journal entries in the books of the issuer over the five-year tenure of the security (working should form part of your answer).

(b) How will you account for a financial liability measured at amortized cost and a financial liability measured at FVTPL on initial recognition and on subsequent reporting dates?

[7 + 3]

8. (a) Discuss the role of BODs in the context of corporate social responsibility as per the provisions of Companies Act 2013.

(b) State the accounting treatment for carry forward of excess amount spent on CSR. What journal entry will you pass for the same.

[6 + (3 + 1)]