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IV Semester M.Com. Degree Examination, September - 2021

COMMERCE

Corporate Reporting Practices & Ind As

(CBCS Scheme)

Paper - AT 4.2

Time : 3 Hours

Maximum Marks : 70

*Instructions to Candidates:**Answer all the Sub Sections.*

SECTION - A

Answer any SEVEN questions. Each Sub - questions carries TWO Marks. (7×2=14)

1.
 - a) State the meaning of convergence.
 - b) State the phases of adoption of Ind AS in India.
 - c) What do you mean by internal reconstruction?
 - d) Define resulting company.
 - e) What do you mean by cross holdings?
 - f) What do you mean by minority interest?
 - g) Give the meaning of cash and cash equivalent.
 - h) What do you mean by joint arrangements?
 - i) What do you mean by barer plants as per Ind AS 41?
 - j) Give the meaning of cash generating unit?

SECTION - B

Answer any FOUR questions. Each question carries 5 Marks. (4×5=20)

2. Briefly explain the procedure for formulating accounting standard in India.
3. Briefly explain the Ind AS 103: Business combination in providing reliable information about business combination and its effect.

[P.T.O.]



4. Explain the recognition and measurement of biological asses under Ind AS 41:
5. A Ltd., and B Ltd., agreed to amalgamate and form a new company called AB Ltd., with an authorized capital of Rs.25,00,000 consisting of 2,50,000 equity shares of Rs.10 each. The purchase consideration is agreed at Rs.5,50,000 for A Ltd., and Rs.6,60,000 for B Ltd., to be settled by the issue of equity shares at a premium of 10%. The agreed value of assets and liabilities taken over by AB Ltd., is as under:

Particulars	A Ltd. Amount (Rs.)	B Ltd. Amount (Rs.)
Land & Buildings	4,00,000	3,00,000
Plant & Machinery	2,50,000	2,75,000
Furniture & Fixtures	1,50,000	2,50,000
Stock & Debtors	1,00,000	1,25,000
Cash & Bank	50,000	75,000
Creditors	75,000	1,50,000
Bank Overdraft	25,000	50,000
Bank Loan	75,000	75,000
12% Debentures	2,00,000	1,50,000

You are required to show in the books of AB Ltd.,:

- i) Journal entries for (a) business purchase, (b) incorporation of assets and liabilities and (c) discharge purchase consideration and
- ii) The Balance sheet in the books of AB Ltd.



6. From the following Balance sheets of H Ltd., and S Ltd., find out minority interest and cost of control

	H Ltd., Rs.	S Ltd. Rs.
Liabilities		
Share Capital: Shares of Rs.10	4,00,000	1,00,000
General Reserve	75,000	35,000
Profit & Loss A/c	45,000	27,500
Sundry Creditors	60,000	40,000
Total	5,80,000	2,02,500
Assets		
Fixed Assets	2,75,000	50,000
Investment:75% shares in S Ltd.,	1,00,000	-
Stock	92,500	88,500
Other Current Assets	1,12,500	64,000
Total	5,80,000	2,02,500

Note:

- i) H Ltd., acquired the shares in S Ltd., on 1-04-14.
- ii) Profits earned by S Ltd., for the year ending 31-03-15 amounted to Rs.22,500.

[P.T.O.]



7. Profit and Loss Account of ABC Ltd. for the year ended 31-03-2017
(in lakhs)

Revenue	
Sales	4150
Interest and dividend	100
Stock adjustment	20
Total	4270
Expenditure	
Purchases	2400
Wages and salaries	800
Other expenses	200
Interest	60
Depreciation	100
Total	3560
Profit before tax	710
Tax provision	200
Profit after tax	510
Balance of profit and loss account	50
Profit available for distribution	560
Appropriation	
Transfer to general reserve	200
Proposed dividend	300
Distribution tax	30
Total	530
Balance	30

Relevant Balance Sheet information	31-03-2017 (Rs in Lakhs)	31-03-2016 (Rs in Lakhs)
Debtors	400	250
Inventories	200	180
Creditors	250	230
Outstanding wages	50	40
Outstanding expenses	20	10
Advance tax	195	180
Tax provision	200	180
Assessed tax liability	—	180



Calculate cash flow from operating activities using indirect method.

SECTION - C

Answer any **THREE** questions. Each question carries 12 Marks. (3×12=36)

8. Explain the key benefits and challenges in converging IFRS into Indian accounting Standard.
9. Briefly explain the recognition, measurement and disclosure criteria for exploration and evaluation of mineral resources as per Ind AS 106.
10. The summarized Balance Sheets of A Ltd. and B Ltd. as on 31st March, 2017 are given below. B Ltd. was merged with A Ltd. with effect from 31st March, 2017.

Summarized Balance Sheets as on 31.03.2017.

Liabilities	A Ltd	B Ltd	Asset	A Ltd	B Ltd
Share Capital			Fixed assets	10,00,000	4,50,000
Equity Shares of Rs.10 each	8,00,000	3,00,000	Investments		
			(Non-trade)	1,50,000	50,000
General Reserve	3,00,000	2,00,000	Stock	1,60,000	50,000
Profit & Loss A/c	2,50,000	80,000	Debtors	80,000	90,000
12% Debentures	2,00,000	1,00,000	Advance Tax	60,000	30,000
Sundry Creditors	60,000	50,000	Cash and Bank		
			Balance	2,30,000	1,10,000
Provision for Taxation	90,000	50,000	Preliminary		
			Expenses	20,000	-
Total	17,00,000	7,80,000		17,00,000	7,80,000

A Ltd. would issue 12% Debentures to discharge the claims of the debenture holders of B Ltd. at par. Non-trade investments of A Ltd. fetched @ 20% while those of B Ltd. fetched @ 12% Profit (Pre-tax) by A Ltd. and B Ltd. during 2014-15, 2015-16 and 2016-17 were as follows:

Year	A Ltd	B Ltd
2014-15	6,00,000	2,00,000
2015-16	7,00,000	2,50,000
2016-17	5,00,000	1,50,000

[P.T.O.]



Goodwill may be calculated on the basis of capitalisation method taking 20% as the pre-tax normal rate of return. Purchase consideration is discharged by A Ltd. on the basis of intrinsic value per share. Prepare the Balance Sheet of A Ltd after merger.

11. AB Ltd. has 2 divisions-A and B. Division A has been making constant profit, while Division B has been suffering losses. The Division wise Balance Sheet as on 31 March, 2017 are as follows:

(Rs. in Lakhs)

	Division A	Division B	Division C
Fixed assets: cost (Tangible)	500	1,000	1,500
Less: Depreciation	450	800	1,250
Written Down Value (i)	50	200	250
Current Assets:	400	1,000	1,400
Less: Current Liabilities	50	800	850
Net Current Assets (ii)	350	200	550
Total (i)+(ii)	400	400	800
Financed by:			
Loan	-	600	600
Capital: Equity Shares of 10 each	50	-	50
Other Equity	350	(200)	150
Total	400	400	800

Division B along with its assets and liabilities was sold for 50 lakhs to X Ltd., a new company which issued 2 lakhs equity shares of Rs.10 each at a premium of Rs.15 per share to the members of B Division in full settlement of the consideration in proportion to their shareholding in the company. Assuming that there are no other transactions, You are required to:

- Show journal entries in the books of AB Ltd.
- Prepare the Balance Sheet of AB Ltd. after the entries made in i) above.



iii) Show journal entries in the books of X Ltd. iv) Prepare the Balance Sheet of X Ltd. In both the cases, should be prepared.

12. The summarized balance sheet of Bhadresh Ltd as on 31.12.2015 and 31.12.2016 are as follows:

Liabilities	2015 Rs.	2016 Rs.	Asset	2015 Rs.	2016 Rs.
Share capital	4,50,000	4,50,000	Fixed asset	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Investment	50,000	60,000
P&L A/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtor	2,10,000	4,55,000
Tax provision	75,000	10,000	Bank	1,49,000	1,97,000
Mortgage loan	-	2,70,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional Details:

1. Investment costing Rs.8,000 were sold for Rs.8,500
2. Tax provision made during the year was Rs.9,000
3. During the year part of fixed assets costing Rs.10,000 was sold for Rs.12,000 and the profit was included in P & L A/c. You are required to prepare cash flow statement for 2016.