



III Semester M.Com. Degree Examination, December 2015
(2007-08 Scheme) (NS)

COMMERCE

Paper-A.2 : Accounting Standards and Corporate Reporting

Time : 3 Hours

Max. Marks : 80

SECTION – A

1. Answer **any ten** of the following sub-questions in about **3-4** lines **each**. (10×2=20)

- a) Define 'Accounting Standard'.
- b) Define fair market value.
- c) What is Amortisation ?
- d) Define 'GAAP'.
- e) State the objectives of the International Accounting Standards Committee.
- f) Define 'Human Resource Accounting'.
- g) State some of the accounting software packages.
- h) What is Social Reporting ?
- i) State the factors for determination of "Reportable Segments" as per AS 17.
- j) State the objectives of Corporate Reporting.
- k) What is diluted EPS ?
- l) What is DuPont Control Chart ?



SECTION – B

Answer **any three** of the following in about **one** page. **Each** question carries **5** marks.

(3×5=15)

2. Write a brief note on general purpose reporting and specific purpose reporting.
3. Briefly describe the disclosure requirements for “Deferred Tax Assets” and “Deferred Tax Liabilities” as per Accounting Standard 22.
4. Write a short note on events occurring after the Balance Sheet Date and their disclosure requirements.
5. A plant was depreciated under two different methods as under :

Year	SLM (Rs. in lakhs)	W.D.V. (Rs. in lakhs)
1	7.80	21.38
2	7.80	15.80
3	7.80	11.68
4	7.80	8.64
	31.20	57.50
5	7.80	6.38

What should be the amount of resultant surplus/deficiency, if the company decides to switch over from W.D.V. method to SLM method for first four years ? Also state, how will you treat the same in accounts.



6. X Ltd., has advanced a loan of US \$ 50,000 to its subsidiary on 01/07/2004 when the exchange rate is 1 US \$ = Rs. 45, the repayment of which is not planned in the foreseeable future. The US subsidiary falls under the definition of a non-integral foreign operation.

The exchange rate as on 31-03-2005 is 1 US \$ = Rs. 44. How should X Ltd., account for the exchange rate difference in its books as per revised AS-11 ?

SECTION - C

Answer any three of the following. Each question carries 15 marks. (3×15=45)

7. The following are the Balance Sheets of Signed Ltd. and Unsigned Ltd. as on 31st August, 2010.

Liabilities	Signed	Unsigned	Assets	Signed	Unsigned
	Ltd.	Ltd.		Ltd.	Ltd.
	Rs.	Rs.		Rs.	Rs.
Share capital			Fixed Assets		
Equity shares of			Investment :	7,00,000	2,50,000
Rs. 10 each	6,00,000	3,00,000	6,000 shares of Us Ltd.	80,000	-
10% Preference shares			5,000 shares of S Ltd.	-	80,000
of Rs. 10 each	2,00,000	1,00,000	Current Assets :		
Reserves and surplus	3,00,000	2,00,000	Stock	2,40,000	3,20,000
Secured loans :			Debtors	3,60,000	1,90,000
12% debentures	2,00,000	1,50,000	Bills receivable	60,000	20,000
Current liabilities			Cash at bank	1,10,000	40,000
Sundry creditors	2,20,000	1,25,000			
Bills payable	30,000	25,000			
	15,50,000	9,00,000		15,50,000	9,00,000



Fixed assets of both the companies are to be revalued at 15% above book value. Stock in-trade and debtors are taken over at 5% lesser than their book value. Both the companies are to pay 10% equity dividend. Preference dividend having been already paid.

After the above transactions are given effect to, Signed Ltd. will absorb Unsigned Ltd. on the following terms.

- i) 8 equity shares of Rs. 10 each will be issued by Signed Ltd. at par against 6 shares of Unsigned Ltd.
- ii) 10% Preference shareholders of Unsigned Ltd. will be paid at 10% discount by issue of 10% Preference. Shares of Rs. 100 each at par in Signed Ltd.
- iii) 12% Debenture holders of Unsigned Ltd. are to be paid at 8% premium by 12% debentures in Signed Ltd. issued at a discount of 10%.
- iv) Rs. 30,000 is to be paid by Signed Ltd. to Unsigned Ltd. for Liquidation expenses. Sundry creditors of Unsigned Ltd. include Rs. 10,000 due to Signed Ltd.

Prepare :

- a) Absorption entries in the books of Signed Ltd.
 - b) Statement of consideration payable by Unsigned Ltd.
8. The following are the changes in the account balances taken from the Balance Sheets of PQ Ltd. as at the beginning and end of the year :

	Changes in Rupees in debt or (Credit)
Equity share capital	
30,000 shares of Rs. 10 each	
issued and fully paid	0
Capital reserve	49,200
8% debentures	50,000
Debenture discount	1,000



Freehold property at cost/revaluation	43,000
Plant and machinery at cost	60,000
Depreciation on plant and machinery	14,400
Debtors	50,000
Stock and work-in-progress	38,500
Creditors	11,800
Net profit for the year	76,500
Dividend paid in respect of earlier year	30,000
Provision for doubtful debts	3,300
Trade investments at cost	47,000
	64,300
Bank	0

You are informed that :

- a) Capital reserve as at the end of the year represented realized profits on sale of one freehold property together with surplus arising on the revaluation of balance of freehold properties.
- b) During the year plant costing Rs. 18,000 against which depreciation provision of Rs. 13,500 was lying, was sold for Rs. 7,000.
- c) During the middle of the year Rs. 50,000 debentures were issued for cash at a discount of Rs. 1,000.
- d) The net profit for the year was after crediting the profit on sale of plant and charging debenture interest.

You are required to prepare a statement which will explain why bank borrowing has increased by Rs. 64,300 during the year end. Ignore taxation.



9. The following information relates to the financial statement of Sunrise Ltd., for the year ending Dec. 31, 2013 :

Working capital	Rs. 45,000
Working capital (current) ratio	2.5 to 1
Acid test ratio	1.4 to 1
Inventory turnover ratio (based on average cost of opening and closing inventory)	5 times
Gross profit ratio	40%
Earnings per share	Rs. 1
Earning for the year as percentage of share capital	25%
Debt collection period	36 days
Creditors' velocity	54 days
Number of shares allotted (Nominal value of Rs. 5 per share)	25,000
Fixed assets : Shareholders equity	0.7
Operating ratio (Operating cost : sales)	90%

There are no differed expenses, prepaid expenses, long-term liabilities and intangible assets. Opening stock was less by Rs. 4,000 than closing stock.



Prepare company's Profit and Loss Account for the year ended 31st Dec. 2014 and Balance Sheet on that date with as many details as possible. Take 360 days in a year.

10. Explain the advantages and disadvantages of setting of accounting standards and briefly indicate the items, which are included in the expression "borrowing cost" as explained in AS 16.
 11. What is Human Resource Accounting ? State its advantages and describe the progress made by India so far in the field of human resource accounting.
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