

(105MCOM17)

M.Com./M.Com. (B & F)/M.Com. (FM) DEGREE EXAMINATION, NOVEMBER 2017

FIRST SEMESTER

Branch - Commerce

Paper V (A) — CORPORATE FINANCIAL ACCOUNTING

(New Syllabus)

Time : 3 Hours

Max. Marks : 70

SECTION - A

Answer any FIVE of the following questions.

(Marks : 5 × 4 marks = 20 marks)

1. (a) What is GAAP?
- (b) What is Financial Accounting?
- (c) What factors affect goodwill?
- (d) What are the major types of goodwill?
- (e) Explain the importance of inflation Accounting.
- (f) What is current cost?
- (g) What is a holding company?
- (h) What do you know by cross holdings?
- (i) What are the features of financial lease?
- (j) What is operating lease?

SECTION - B

Answer FIVE of the following questions. Choosing ONE from each Unit.

(Marks : 5 × 10 marks = 50 marks)

2. (a) Explain the importance of Accounting concepts and conventions?

Or

- (b) Explain the role of computers in Accounting?

3. (a) Explain and highlight the importance of goodwill valuation?

Or

- (b) From the following information calculate value of goodwill:

- (i) Average capital employed in the business - Rs. 6,00,000
- (ii) Net trading profits of the firm for the past three years were - Rs. 1,07,600, Rs. 90,700 and Rs. 1,12,500.
- (iii) Rate of interest expected from capital having regard to the risk involved 12 per cent.
- (iv) Fair remuneration to the partners for their services- Rs. 12,000 per annum.
- (v) Sundry assets of the firm- Rs. 7,54,762; Current liabilities Rs. 31,329.

[P.T.O.]

4. (a) Explain the objections to traditional Financial Accounting.

Or

(b) The following figures have been taken from the published accounts of Exe. Ltd for the year ended June 2015, 2016:

| | |
|--|-----------|
| | Rs. |
| Materials consumed | 25,00,000 |
| Wages and other manufacturing expenses | 20,00,000 |
| Inventories (1 st July, 2015) at cost: | |
| Raw materials | 2,00,000 |
| Finished goods | 5,00,000 |
| Inventories (30 th June, 2016) at cost: | |
| Raw materials | 3,00,000 |
| Finished goods | 4,50,000 |

The value to the business of the inventories was ascertained at:

| | | |
|----------------|----------|-----------|
| | 1/7/2015 | 30/6/2016 |
| | Rs. | Rs. |
| Raw materials | 2,40,000 | 3,50,000 |
| Finished goods | 5,50,000 | 5,00,000 |

Price of materials rose during the year steadily by 20% and wages and other manufacturing expenses by 16%. Ascertain the adjustments that would be required in respect of the above under the CCA.

5. (a) Distinguish between Pre acquisition and Post acquisition of profits.

Or

(b) The Balance Sheets of H. Ltd and S. Ltd. on 31st December, 2016 were as under:

| | H. Ltd | S. Ltd | | H. Ltd. | S. Ltd |
|---|-----------------|-----------------|-------------------------------|-----------------|-----------------|
| | Rs. | Rs. | | Rs. | Rs. |
| Share Capital: | | | Land and Buildings | 60,000 | - |
| Shares of Rs. 100 each | 2,00,000 | 50,000 | Plant and Machinery | 2,00,000 | - |
| General Reserve | 30,000 | 10,000 | Stock | 40,000 | 85,000 |
| Profit and Loss account | | | Sundry debtors | 10,000 | 30,000 |
| Balance on 1 st January 2016 | 40,000 | 20,000 | Cash and bank balances | 10,000 | 10,000 |
| Profit for 2016 | 50,000 | 25,000 | 300 shares in S. Ltd. at cost | 65,000 | - |
| Creditors | 30,000 | 30,000 | Bill receivable | - | 10,000 |
| Bank Overdraft | 20,000 | - | | | |
| Bills payable | 15,000 | - | | | |
| | <u>3,85,000</u> | <u>1,35,000</u> | | <u>3,85,000</u> | <u>1,35,000</u> |

Shares were acquired by H. Ltd. on 1st July, 2016. Bills receivable held by S. Ltd. are all accepted by H. Ltd. Included in the debtors of S. Ltd. is Rs. 6,000 owing by H. Ltd. in respect of goods supplied. Prepare the consolidated Balance Sheet.

6. (a) Distinguish lease from other modes of acquisition.

Or

(b) Discuss the accounting treatment for financial lease in the books of lesser.