PG – 507

IV Semester M.Com. Degree Examination, June/July 2018
(CBCS)
COMMERCE
AT4.2 : Corporate Reporting Practices and IND AS

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any seven** questions. **Each** sub-question carries **two** marks. **(7×2=14)**

1. a) What do you mean by convergence with IFRS ?
   b) X Ltd. is required to adopt Ind AS from April 1, 2016, with comparatives for one year, i.e., for 2015 – 16. What will be its date of transition ?
   c) What do you mean by Deemed Cost ?
   d) What do you mean by Reverse Merger ?
   e) What do you mean by Inter Company Holdings ?
   f) Give the meaning of Corporate Restructuring.
   g) What do you mean by Bearer Plant as per Ind AS 41 ?
   h) What is Reinsurance Contract ?
   i) What do you mean by discontinued operation as per Ind AS 105 ?
   j) What do you mean by Cash Generating Unit ?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. **(4×5=20)**

2. State the objective of Ind AS 101. While preparing an opening balance sheet on the date of transition, an entity is required to
   a) recognize all assets and liabilities whose recognition is required by Ind ASs;
   b) not recognize items as assets or liabilities if Ind ASs do not permit such recognition;
   c) reclassify items that are recognized in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind ASs; and
   d) Apply Ind ASs in measuring all recognized assets and liabilities.

   Give any two examples for each of the above 4 categories.
3. Briefly explain the key business issues that will lead to be addressed for successful implementation of IFRS.
4. The following is the Balance Sheet of Alpha Ltd.

Liabilities	**Amount in Rs.**
Share capital	2,00,000
Reserves and Surplus	4,00,000
Secured Loans	2,00,000
Unsecured Loans	6,00,000
Total	**14,00,000**

P.T.O.

Assets	Amount in Rs.
Fixed Assets	7,00,000
Investments (Market value Rs. 9,00,000)	4,00,000
Current Assets	4,00,000
Less : Current Liabilities	(1,00,000)
Total	**14,00,000**

The company consists of three divisions. The scheme was agreed upon, according which a new company Beta Ltd. is to be formed. It will take over investments at Rs. 9,00,000 and unsecured loans at balance sheet value. It is to allot equity shares of Rs. 10 each at par to the members of Alpha Ltd. in satisfaction of the amount due under the arrangement. The scheme was duly approved by the High Court.

Pass journal entries in the books of Alpha Ltd.

5. Explain the classification of movements in regulatory deferral Account balances.

6. A Ltd. acquired 70% of equity shares of B Ltd. as on 1st January 2009 at a cost of Rs. 10,00,000 when B Ltd. had equity share capital of Rs. 10,00,000 and reserves and surplus of Rs. 80,000. Both the companies follow calendar year as the accounting year. In the four consecutive years B Ltd. suffered losses of Rs. 2,50,000, Rs. 4,00,000, Rs. 5,00,000 and Rs. 1,20,000 respectively. Thereafter in 2013, B Ltd. experienced turnaround and an annual profit of Rs. 50,000. In the next two years i.e. 2014 and 2015, B Ltd. recorded annual profits of Rs. 1,00,000 and Rs. 1,50,000 respectively.
Show the minority interest and cost of control at the end of each year for the purpose of consolidation.

7. The following are the summarized Balance Sheet of A Ltd. and B Ltd.

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity Share Capital A/c	32,000	28,000	Sundry assets	42,000	33,000
Profit and Loss A/c	5,000	–	Shares in B Ltd.	20,000	–
Creditors	15,000	6,000	Profit and Loss A/c	–	1,000
Loan C Ltd.	10,000	–			
	62,000	**34,000**		**62,000**	**34,000**

Note : Loan from C Ltd. assumed to be of less than 12 months, hence treated as short terms borrowings (Ignoring interest).

The whole of the shares of A Ltd. are held by C Ltd. and the entire Share capital of B Ltd. is held by A Ltd. A new company Z Ltd. is formed to acquire the sundry assets and liabilities of A Ltd and B Ltd. For the purpose, the sundry assets of A Ltd. are revalued at Rs. 30,000 and those of B Ltd at Rs. 20,000.
Calculate the Purchase Consideration and Show the necessary journal entries to close the books of A Ltd.

SECTION – C

Answer **any three** of the following. **Each** question carries **12** marks. **(3×12=36)**

8. Ind AS 101 provides that an entity should apply the voluntary Exemptions at the time of preparing the opening Balance Sheet as per Ind AS 101. Discuss

9. Briefly explain the recognition, measurement and disclosure criteria for exploration and evaluation of mineral resources as per Ind AS 106.

10. Akbar Ltd.agreed to take over Basha Ltd. as on 1st October 2015. No Balance Sheet of Basha Ltd. was prepared on that date.
Summarized Balance Sheets of Akbar Ltd. and Basha Ltd. as at 31st March 2015 were as follows:

Liabilities	**Akbar Ltd. (Rs.)**	**Basha Ltd. (Rs.)**
Share capital		
In equity share of		
Rs. 10 each fully paid up	15,00,000	10,00,000
Reserve	4,15,000	2,56,000
Profit and Loss Account	1,87,000	1,50,000
Creditors	93,750	75,000
Total	**21,95,750**	**14,81,000**
Assets	**Akbar Ltd. (Rs.)**	**Basha Ltd. (Rs.)**
Fixed Assets	12,50,000	8,75,000
Stock	2,37,500	1,87,500
Debtors	3,90,000	2,56,000
Bank	2,93,250	1,50,000
Preliminary expenses	25,000	12,500
Total	**21,95,750**	**14,81,000**

Additional information available :

a) For the six months period from 1st April 2015, Akbar Ltd. made a profit of Rs. 4,20,000 after writing off depreciation at 10% per annum on its Fixed Assets.

b) For the same period, Basha Ltd. made a net profit of Rs. 2,04,000 after writing off depreciation at 10% p.a. on its Fixed Assets.

c) Both the companies paid equity dividends of 15% on 1st August, 2015. Tax at 10% on such payments was also paid by each of them.

d) Goodwill of Basha Ltd. was valued at Rs. 1,20,000, on the date of take-over, stock of Basha Ltd., subject to an abnormal item of Rs. 7,500 to be fully written off, would be appreciated by 25% (or purpose of take-over).

e) Akbar Ltd. to issue to Basha Ltd.'s shareholders fully paid equity share of Rs. 10 each, on the basis of the comparative intrinsic value of the shares on the take-over date.

Draft the Blance Sheet of Akbar Ltd. after absorption of Basha Ltd.

11. On 01.04.2012, H Ltd. acquired 800 shares of Rs. 100 each of G Ltd. at Rs. 90,000. The Balance Sheet of H Ltd., and G Ltd., as at 31.03.2015 are given below:

Liabilities	**H Ltd. (Rs.)**	**G Ltd. (Rs.)**	**Assets**	**H Ltd. (Rs.)**	**G Ltd. (Rs.)**
Equity Share Capital	1,00,000	1,00,000	Fixed assets	60,000	1,10,000
General reserve	40,000	26,000	Investments	1,00,000	15,000
Profit and Loss Account	36,000	35,000	Debtors	25,000	20,000
Creditors	71,000	48,000	Stock	30,000	40,000
			Bank	32,000	24,000
Total	2,47,000	2,09,000	Total	2,47,000	2,09,000

a) At the time of acquiring shares, G Ltd. had Rs. 24,000 in General Reserve and Rs. 15,000 in P and L account (Cr.)

b) G Ltd. paid 10% dividends in 2012 – 13, 12% in 2013 – 14, 15% in 2014 – 15 for 2011 – 12, 2012 – 13 and 2013 – 14 respectively. All dividends received have been credited to the Profit and Loss Account of H Ltd.

c) Proposed dividend for both the Companies for 2014 – 15 is 10%.

d) One bonus share for five fully paid shares held has been declared by G Ltd. out of pre-acquisition reserve on 31.03.2015. No effect has been given to that in the above accounts.

e) On 31.03.2012, Building of G Ltd. which stood at Rs. 50,000 was revalued at Rs. 60,000 but no adjustment has been made in the books. Depreciation has been charged at 10% p.a. on reducing balance method.

f) In 2014 – 15, H Ltd. purchased from G Ltd., goods for Rs. 10,000 on which G Ltd. made a profit of 25% on Sales. 20% of such goods are lying unsold on 31.03.2015.

Prepare the Consolidated Balance Sheet as at 31.03.2015.

12. Given below are the Balance Sheets of Andra Jute Co. as at 31-03-2015 and 31-3-2014. You are required to prepare cash flow statement for the year 2014 – 15. (Rs. in 000's)

Liabilities	31-3-2015	31-3-2014	Assets	31-3-2015	31-3-2014
Equity Share Capital	5,500	4,000	Fixed assets	15,000	12,000
General reserve	5,100	4,200	Less : Depreciation	(1,800)	(1,300)
Profit and Loss account	450	400	Net Block	13,200	10,700
Share premium account	1,500	–	Capital work in Progress	1,200	700
Secured Loans	1,800	3,400	Investments	1,700	1,400
Unsecured Loans	2,300	1,200	Inventories	2,510	2,600
Creditors	1,050	1,200	Debtors	1,090	1,200
Outstanding expenses	2,100	1,540	Cash and bank balances	240	340
Tax Provision	850	700	Loans	1,700	200
Proposed Dividend	2,200	1,600	Advance Tax	850	700
			Miscellaneous Expenditure	360	400
Total	**22,850**	**18,240**	**Total**	**22,850**	**18,240**

Other information :

a) Fixed assets costing Rs. 1,20,000, Accumulated depreciation Rs. 60,000 were sold for Rs. 70,000

b) Actual tax liability for 2014 – 15 was Rs. 7,00,000.

c) Loans represent long term loans given to group companies.

d) Interest on loan funds for 2014 – 15 was Rs. 5,94,000 and interest and dividend income were Rs. 4,42,000.

e) Investment costing Rs. 6,00,000 were sold for Rs. 7,00,000.