



Institute of Management
JK Lakshmipat University
Jaipur

END TERM EXAMINATION 2018

Programme: B.Com Sem- II

Course: Accounting Standards and Practice

MM: 50 Marks

Time: 3 Hours

Subject code: AC12

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A

Q1. a) Define Deferred Tax. Why difference arises between accounting profit and tax profit? Which accounting standard prescribes the accounting treatment of taxes on income? Mention the disclosures under this accounting standard. (2+2+1+2)

b) What do you mean by Government Grants? What are the different kinds of Government Grants as per AS 12? (1+2)

Q2. a) State the objective/s of preparing Consolidated Financial Statements and circumstances (or exceptions) when consolidation of subsidiary is not done. (1+2)

b) H Ltd. acquires 3/4 of the share capital of S Ltd. on 31-12-2016 whose extract Balance Sheets are as follows:

	H Ltd.	S Ltd.		H Ltd.	S Ltd.
Share Capital @ Rs.10 each	20000	10000	Fixed Assets (Tangible)	20000	10000
General Reserves	5000	3000	Current Assets	13000	12000
P&L Account	3000	2000	Current Assets	13000	12000
10% Debentures	10000	5000	Shares in S Ltd.(3/4)	10000	
	43000	22000		43000	22000

You are required to compile consolidated Balance Sheet as on 31-12-2016. (7)

Q3. a) What is the scope of AS-13? (2)

b) On 1-4-2017 Mahendra had 25000 Equity shares of NDA Ltd. at a book value of Rs. 15 per share (Face value of Rs. 10). On 20-06-2017, he purchased another 5000 shares of the company at Rs. 16 per share. The director of NDA Ltd. announced a bonus and right issue. No dividend was payable on these issues. The term of the issue are as follows:

Bonus basis 1:6 (dated 16-08-2017), Right basis 3:7 (dated 31-08-2017) price Rs. 15 per share, Due date for payment 30-09-2017
Shareholders can transfer their rights in full or in part. Accordingly, Mahendra sold 33.33% of his entitlement to Shekhar for consideration of Rs. 2 per share. Dividends for the year ended 31-3-2017 at the rate of 20% were declared by NDA Ltd. and received by Mahendra on 31-10-2017. On 15-11-2009, Mahendra sold 25000 equity shares at premium of Rs. 5 per share.

You are required to prepare in the books of Mahendra :

1) Investment Account and 2) Profit and Loss Account

Assume that books are closed on 31-12-2017 and market price of shares on that date is Rs. 13 per share. (5+3)

Q4. The Balance Sheets of A Ltd. and B Ltd. as on 31 March 2010 are given below:

(Rs. '000)					
Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Share Capital (Rs. 10 per share)	50,00	30,00	Land and Buildings	25,00	15,50
14% Preference Share Capital (Rs. 100 each)	22,00	17,00	Plant and Machinery	32,50	17,00
General Reserve	5,00	2,50	Furniture and Fittings	5,75	3,50
Export Profit Reserve	3,00	2,00	Investments	7,00	5,00
Investment Allowance Reserve	—	100	Stock	12,50	9,50
Profit and Loss Account	7,50	5,00	Debtors	9,00	10,30
13% Debentures (Rs. 100 each)	5,00	3,50	Cash & Bank	7,25	5,20
Trade Creditors	4,50	3,50			
Other Current Liabilities	2,00	1,50			
	99,00	66,00		99,00	66,00

A Ltd. takes over B Ltd. on 10 April, 2010. The purchase consideration is discharged as follows :

- Issued 3,50,000 equity shares of Rs. 10 each at par with the equity shareholders of B Ltd.
- Issued 15% preference shares of Rs. 100 each to discharge the preference shareholders of B Ltd. at 10% premium.
- The debenture holders of B Ltd. will be converted into equivalent number of debentures of A Ltd.
- The statutory reserves of B Ltd. are to be maintained for two more years.

Prepare the Balance Sheet of A Ltd. after amalgamation on the assumption the amalgamation is in the nature of merger.

(10)

Q5. a) Mention the minimum contents of a condensed Interim Financial Statements.

b) ABC LTD. had 200000 equity shares outstanding on 1-1-2017. On 01-10-2017, it issued 2 equity shares bonus for each share outstanding on 30-09-2017. Net Profit for 2016 was Rs. 18 lacs, net Profit for 2017 was Rs. 60 lacs. Calculate Basic EPS for 2017.

c) Explain the reporting and recognition requirement in case of Jointly Controlled Entities.

(3+3+4)

Section B

Q6. a) Quick Ltd. is in the business of manufacturer of Passenger Cars and commercial vehicles. The company is working on a strategic plan to shift from the passenger car segment over the coming 5 years. However no specific plans have been drawn up for sale of neither the division nor its assets. As part of its plan, it will reduce the production of passenger cars by 20% annually. It also plans to commence another new factory for the manufacture of commercial vehicles plus transfer of employees in a phased manner.

- 1) If the company passes a resolution to sell some of the assets in the passenger car division and also to transfer few other assets of the passenger car division to the new factory, does this trigger the application of AS-24?
- 2) Would your answer to the above be different if the company resolves to sell the assets of the Passenger Car Division in a phased but time bound manner?

b) 1) Write two objectives of AS-26.

2) On 1st January 2016, XYZ Ltd. incurred organization costs/preliminary expenses of Rs.24000. What portion of the organization costs will XYZ Ltd. defer to years subsequent to 2016 as per AS-26?

c) Board of Directors approved the financial accounts of year 2016-17 on 31 July 2017. The following event occurred before the approval of financial account by Board of Directors. State how would you deal with the following situation as per AS-29:

“The wages of employees are revised retrospectively from 1Jan 2017, the agreement is signed on 1 July 2017. The negotiations have been going on since 1 Feb 2017. Due to this revision extra wages payable from 1 Jan 2017 to 31 March 2017 was Rs. 500000.”

d) AD Ltd. has taken the assets on lease from ACS Ltd. The following information is given below:

Lease term : 4 years, Fair Value at inception of lease : Rs. 1600000,

Lease rent : Rs. 500000 p.a. at the end of the year,

Guaranteed Residual Value : Rs. 100000, Expected Residual Value : Rs. 300000,

Implicit Interest Rate : 14.97%

Do the accounting treatment in the book of lessee?

(4+4+2+10)