**ST JOSEPH’S UNIVERSITY, BENGALURU -27**

**B.COM– II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in MAY 2023)**

**BC2121/BPS2121 – CORPORATE ACCOUNTING 1**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 60**

**This paper contains five printed pages and four parts**

**Section A**

I. Answer any **five** of the following.  **(5 X 3 = 15marks)**

1. Differentiate between pre-incorporation profits and pre-incorporation Loss.
2. Company XYZ plans to construct a hotel on a site which is currently occupied by the residents of a small town. The Company XYZ agrees to pay the cost of relocating the residents to another site. Whether the cost of relocating should be capitalised as part of the cost of land for the hotel? Justify your answer.
3. State any 3 circumstances for valuation of shares.
4. What is Statement of Changes In Equity?
5. List out the components of the complete set of financial statements as per Ind AS 1.
6. What are potential ordinary shares?

**Section B**

II. Answer any **two** of the following. **(2 x 5 = 10 marks)**

1. Classify the following items into appropriate headings and sub-headings for the preparation of financial statements:
   1. Investments (Long-Term)
   2. Bills Payable
   3. Unclaimed Dividends
   4. General Reserve
   5. Bonus to employees
2. ABC Ltd On 1st Jan 2022 had 20,00,000 shares and 8% Convertible bonds Rs 200,000 (terms of conversion 120 ordinary shares for Rs 100)

Profit for the year ended 31st December Rs 400,000.

Tax rate 30%

Calculate basic and diluted EPS. Ignore the need to split the convertible bonds into liability and equity elements. (Give your answer up to 4 decimal places)

1. Prepare Statement of Changes in Equity from the following particulars:
   1. Profit for the year before tax Rs.16,75,000
   2. Tax @33.5%
   3. Transfer to Reserve Fund 20% of profit after tax
   4. Equity Share capital 30,000 shares of Rs.100 each, Rs.75 paid up
   5. Preference Share capital 15% 30,000 preference shares of Rs.100 each
   6. Proposed dividend to equity shareholders 20 %
   7. Profit brought forward Rs. 2,00,000

**Section C**

III. Answer any **two** of the following. **(2 x 10 = 20 marks)**

1. Cinematic Limited was incorporated on 1st July 2021 to acquire a running business of Rex Sons with effect from 1st April 2021. During the year 2021-22 the total sales were Rs.24,00,000 of which 20% were for the first six months. The gross profit of the company was Rs.6,50,000. Expenses debited to the Profit and Loss Account included:

* Director’s Fees Rs. 52,000
* Bad debt Rs. 12,400
* Advertising Rs.30,000 (under a contract of Rs. 2,500 per month)
* Salaries and general expenses Rs. 1,88,000
* Underwriting commission Rs. 10,000
* Interest on debentures Rs.18000
* Donation given to a political party by the company Rs. 12,000
* Rent of office building was Rs.2,000 per month up to September 2021 and thereafter it was increased by Rs.400 per month

Prepare statement showing pre and post incorporation profit for year ended 2021-22.

1. A. Mercury Ltd is preparing its accounts for the year ended 31 March 20X2 and is unsure about how to treat the following items.

* The company completed a grand marketing and advertising campaign costing Rs.4.8 Lakh. The finance director had authorised this campaign on the basis that it would create Rs.8 lakh of additional profits over the next three years.
* A new product was developed during the year. The total expenditure was Rs.3 lakh of which Rs.1.5 lakh was incurred prior to 30 September 20X1, the date on which it became clear that the product was technically viable. The new product was completed by 30th November 20X1 and will be launched one month thereafter and has a useful life of 3 years.
* Staff participated in a training programme which cost the company Rs.5 lakh. The training organisation had made a presentation to the directors of the company outlining that incremental profits to the business over the next twelve months would be Rs.7 lakh.

What will be the treatment in each case in accordance with Ind AS 38 as on 31 March 20X2? (1+3+1) marks

B. Inventory at 30 June 20X2 had been valued at cost at ₹ 94,50,000. However, upon further investigation, information relation to three specific items was established as follows:

| Product | Quantity | Cost per unit | Selling price per unit | Selling expenses |
| --- | --- | --- | --- | --- |
| Alpha | 700 | 1,000 | 1,500 | 200 |
| Beta | 500 | 1,500 | 1,800 | 350 |
| Gama | 400 | 2,000 | 2,500 | 650 |

Calculate the correct total value of each product that should be included in the inventory valuation at 30th June 20X2 in accordance with Ind AS 2 Inventories. (5 marks)

1. On 31st March 2022, the balance sheet of Zion Ltd, discloses the following position:

| Particulars | Rs. |
| --- | --- |
| I. Equities and Liabilities |  |
| a. Equity shares of ₹ 100 each, fully paid | 80,00,000 |
| b. Other Equity | 40,00,000 |
| Current liabilities |  |
| Creditors | 16,00,000 |
| Bills payable | 4,00,000 |
| **Total** | **1,40,00,000** |
| II. Assets |  |
| Non-current Assets |  |
| Goodwill | 4,00,000 |
| PPE | 30,00,000 |
| Other non-current assets | 35,00,000 |
| Investments | 31,00,000 |
| Current Assets |  |
| Debtors | 32,50,000 |
| Bills Receivable | 1,50,000 |
| Cash and cash equivalent | 6,00,000 |
| **Total** | **1,40,00,000** |

* Other Equity consists of Retained earnings Rs.30,00,000 and Securities premium Rs.10,00,000.
* On 31st March 2021 the PPE were valued at Rs. 36,00,000.
* Create provision for taxation Rs. 9,36,000

Compute the value of the company’s shares by Net Assets Method.

**Section D**

IV **Answer the following. (1 X 15 = 15 marks)**

1. From the following balances of Splitsvilla Limited as on 31/3/23, prepare statement of Profit and Loss for the year ended 31/3/23 and Balance Sheet as on 31/3/23 after taking into consideration the additional information provided.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| --- | --- | --- | --- |
| Premises | 30,72,000 | Share capital | 40,00,000 |
| Plant | 33,00,000 | 12% Debentures | 30,00,000 |
| Stock | 7,50,000 | P/L Account (opening) | 2,62,500 |
| Debtors | 8,70,000 | Creditors | 7,70,000 |
| Cash and Bank | 2,26,500 | Sales | 41,50,000 |
| Calls in arrear | 75,000 | Reserve for bad debt | 35,000 |
| Proposed dividend | 3,92,500 |  |  |
| Purchases | 18,50,000 |  |  |
| Patents | 50,000 |  |  |
| Debenture interest paid | 3,60,000 |  |  |
| General expenses | 68,350 |  |  |
| Salaries | 11,82,050 |  |  |
| Bad debts | 21,100 |  |  |
| TOTAL | **1,22,17,500** | TOTAL | **1,22,17,500** |

Additional information:

* + - 1. Closing stock is valued at Rs. 10,50,000
      2. Depreciate Plant @15%
      3. Amortize patents by Rs.5,000
      4. Write off further bad debt Rs. 20,000.

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**Format for Financial Statement**

| **Particulars** | **Note No.** | **Amount** |
| --- | --- | --- |
| **1** | **2** | **3** |
| **(1) ASSETS** |  |  |
| **Non-current assets** |  |  |
| (a) Property, Plant and Equipment |  |  |
| (b) Capital work-in-progress |  |  |
| (c) Investment Property |  |  |
| (d) Goodwill |  |  |
| (e) Other Intangible assets |  |  |
| (f) Intangible assets under development |  |  |
| (g) Biological Assets other than bearer plants |  |  |
| (h) Financial Assets |  |  |
| (i) Investments |  |  |
| (ii) Trade receivables |  |  |
| (iii) Loans |  |  |
| (iv) Others (to be specified) |  |  |
| (i) Deferred tax assets (net) |  |  |
| (j) Other non-current assets |  |  |
| **(2) Current assets** |  |  |
| (a) Inventories |  |  |
| (b) Financial Assets |  |  |
| (i) Investments |  |  |
| (ii) Trade receivables |  |  |
| (iii) Cash and cash equivalents |  |  |
| (iv) Bank balances other than (iii) above |  |  |
| (v) Loans |  |  |
| (vi) Others (to be specified) |  |  |
| (c) Current Tax Assets (Net) |  |  |
| (d) Other current assets |  |  |
| **Total Assets** |  |  |
| **EQUITY AND LIABILITIES** |  |  |
| **Equity** |  |  |
| (a) Equity Share capital |  |  |
| (b) Other Equity |  |  |
| **LIABILITIES** |  |  |
| **Non-current liabilities** |  |  |
| (a) Financial Liabilities |  |  |
| (i) Borrowings |  |  |
| (ii) Trade payables |  |  |
| (iii) Other financial liabilities (other than those specified in item (b), to be specified) |  |  |
| (b) Provisions |  |  |
| (c) Deferred tax liabilities (Net) |  |  |
| (d) Other non-current liabilities |  |  |
| **Current liabilities** |  |  |
| (a) Financial Liabilities |  |  |
| (i) Borrowings |  |  |
| (ii) Trade payables |  |  |
| (iii) Other financial liabilities (other than those specified in item (c) |  |  |
| (b) Other current liabilities |  |  |
| (c) Provisions |  |  |
| (d) Current Tax Liabilities (Net) |  |  |
| **Total Equity and Liabilities** |  |  |
|  |  |  |