Sree Chaitanya Mahavidyalaya

M.Com. (Semester-3) Examination-2022
Corporate Financial Accounting and Reporting
Paper- COMPDSE01T

Full Marks-40 **Time-2 Hours**

Group-A

1. **Answer any five questions** **5x2=10**

(a) What do you mean by Value Added?

(b) What do you mean by Triple Bottom Line Reporting?

(c) What is Cost of Conversion of Inventories as per IND AS 2?

(d) How does intangible asset differ from fictitious asset?

(e) What do you mean by Impairment Loss?

(f) What is Cash Generating Unit?

(g) What do you mean by Fair Value?

(h) What do you mean by Directly Attributable Cost?

Group-B

Answer any two questions **2x5 =10**

2. (a) What is ‘true and fair view’ in financial reporting?

(b) What purposes the accounting standards are expected to serve?

2½ + 2½

3. Good Luck is preparing its accounts for the year ended 31st March 2021 and is unsure how to treat the following items:

a. Company has completed a big marketing and advertising campaign costing Rs. 2,40,000. The finance director had authorised this campaign on the basis that it would create Rs. 5,00,000 of additional profits over the next three years.

b. A new product was developed during the year. The expenditure aggregated Rs. 1,50,000 of which Rs. 1,00,000 was incurred prior to 30th September, 2020, the date on which it became clear that the product was technically viable. The new product will be launched in the next four months and its recoverable amount is estimated at Rs. 70,000.

c. Staff participated in a training programme which cost the company Rs. 3,00,000. The training organisation had made a presentation to the directors of Good Luck outlining that incremental profits to the business over the next twelve months would be Rs. 5,00,000.

What amounts should appear as assets in the Balance Sheet of Good Luck Ltd. as at 31st March 2021?

4. Discuss the benefits of Triple Bottom Line Reporting.

5. The Company incurred Rs. 20,00,000 as fixed production overhead per year. It normally produces 1,00,000 units in a year. In 2020-21 however its production has been only 40,000 units. At the year-end 31. 03.2021 the closing stock was 10,000 units.

The cost of unit is below:

Material	Rs.500 per unit
Labour	Rs.250 per unit
Fixed Production Overheads	Rs.20,00,000 p.a.
Fixed Administration Overhead	Rs.10,00,000 p.a.

Calculate the value of closing stock.

Group-C

Answer any two questions **2x10=20**

6. AB Ltd. bought 80% share of SK Ltd. on 31/12/2019. Balance Sheet of AB Ltd. or SK Ltd. is as under:

Assets	As on 31/12/2021	
	AB Ltd.	SK Ltd.
Non-current assets		
Tangibles	1800	1000
Cost of investment in SK Ltd.	1000	
Current assets	400	300
	3200	**1300**

Liabilities	As on 31/12/2021	
	AB Ltd.	SK Ltd.
Issued capital	100	100
Retained earnings	2900	1000
Current liabilities	200	200
	3200	**1300**

At the date of acquisition SK Ltd.'s retained earnings stood at Rs. 600 lakhs and the fair value of its net assets were Rs 1000 lakhs. The revaluation was due to an asset that had a remaining useful economic life of 10 years as at the date of acquisition. Goodwill has been impaired by Rs. 40 lakhs since acquisition. Non-controlling interest is to be valued at its proportionate share of the identifiable net assets.
Prepare the Consolidated Balance Sheet of AB Ltd. as on 31/12/2021.

7. Zenith Ltd. purchased raw material of 20,000 units at Rs.10 per kilogram during the year 2020-21. They provide you with the following other information for the year ended 31st March, 2021:

Particulars	**Units**	Rs.
Opening inventory:		
Finished goods	2,000	50,000
Raw materials	2,200	22,000
Labour		1,53,000
Fixed overhead		1,50,000
Sales	20,000	5,60,000
Closing inventory :		
Finished goods	2,400	
Raw materials	1,800	

The expected production of the finished product for the year was 30,000 units. Due to a fall in the market demand, the price of the finished goods in which the raw material is incorporated is, expected to be sold at Rs.20 per unit. The replacement cost of raw material was Rs.9.50 per unit on the closing day of the accounting period.

You are required to value the closing inventory as on 31^{st} March, 2021 with reference to Ind AS 2.

8. Sun Ltd acquired 100% of Moon Ltd for Rs. 8,00,000 on 1st April 2016. The fair value of the net identifiable assets of Moon Ltd was Rs. 6,40,000 and goodwill was Rs. 1,60,000. Moon Ltd is in coal mining business. On 31st March, 2013, the government has cancelled licenses given to it in few states.
   As a result Moon's Ltd revenue is estimated to get reduce by 30%. The adverse change in market place and regulatory conditions is an indicator of impairment. As a result, Sun Ltd has to estimate the recoverable amount of goodwill and net assets of Moon Ltd on 31st March, 2018.
   Sun Ltd uses straight line depreciation. The useful life of Moon's Ltd assets is estimated to be 20 years with no residual value. No independent cash inflows can be identified to any individual assets. So the entire operation of Moon Ltd is to be treated as a CGU. Due to the regulatory entangle it is not possible to determine the selling price of Moon Ltd as a CGU. Its value in use is estimated by the management at Rs. 4,24,000.
   Suppose by 31st March, 2020 the government reinstates the licenses of Moon Ltd. The management expects a favourable change in net cash flows. This is an indicator that an impairment loss may have reversed. The recoverable amount of Moon's Ltd net asset is re- estimated. The value in use is expected to be Rs. 6,08,000 and fair value less cost to disposal is expected to be Rs. 5,80,000.
   Calculate the impairment loss, if any. Also show the accounting treatment for reversal of impairment loss and the subsequent depreciation thereon.

9. (a) On December 1, 2021 Rawat & Co. purchased Rs. 4,00,000 worth of land for a factory site. Rawat & Co. *razed* an old building on the property and sold the materials it salvaged from the demolition. Rawat & Co. incurred additional costs and realized salvage proceeds during December 2021 as follows:

Demolition of old building	Rs. 50,000
Legal fees for purchase contract and recording ownership	Rs. 10,000
Title guarantee insurance	Rs. 12,000
Proceeds from sale of salvaged materials	Rs. 8,000

   In its December 31, 2021 Balance Sheet, what balance Rawat & Co. should report in the land account?

   (b) B Ltd. owns an asset with an original cost of Rs. 2,00,000. On acquisition, management determined that the useful life was 10 years and the residual value would be Rs. 20,000. The asset is now 8 years old, and during this time there have been no revisions to the assessed residual value.
   At the end of year 8, management has reviewed the useful life and residual value and has determined that the useful life can be extended to 12 years in view of the maintenance programme adopted by the company. As a result, the residual value will reduce to Rs. 10,000.
   How will the above changes in estimates be accounted by B Ltd.? 5+5

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