

**CARMEL COLLEGE OF ARTS, SCIENCE & COMMERCE FOR WOMEN  
SEMESTER EXAMINATION, JULY 2021**

**Semester : VI**

**Subject : Commerce**

**Paper name and code : UCOD129 - Corporate Accounting and Tax Planning (DSE 8)**

**Duration : 2 Hours**

**Date : 19<sup>th</sup> July, 2021**

**Total marks : 30 Marks**

*Instructions:*

1. All questions carry equal marks of 10.
2. Attempt **ANY THREE** questions from Q1 to Q5
3. Prepare working notes wherever necessary

**(10 Marks)**

**Q.1.** Following is an abstract of the Balance Sheet of A Ltd. and B Ltd. as on 31<sup>st</sup> March 2021.

Particulars	A Ltd	B Ltd	Particulars	A Ltd	B Ltd
Share Capital (Rs. 1 per share)	20,000	12,000	Sundry Assets	25,000	24,000
Reserve	5,000	2,000	Investment (12,000 shares in B Ltd.)	15,000	
Profit & Loss A/c	3,000	2,000			
Sundry Creditors	12,000	8,000			
	40,000	24,000		40,000	24,000

B Ltd. has acquired shares of A Ltd. on 31<sup>st</sup> March 2021. **Prepare a consolidated Balance Sheet as on 31<sup>st</sup> March 2021 and the necessary working notes.**

**(10 Marks)**

**Q.2.** Following is an abstract of the Balance Sheet of H Ltd. and S Ltd as on 31<sup>st</sup> March 2021.

Particulars	H Ltd	S Ltd	Particulars	H Ltd	S Ltd
Share Capital (Rs. 1 per share)	40,000	20,000	Sundry Assets	58,000	42,000
Reserve	10,000	6,000	Investment (Shares in S Ltd)	20,000	
Profit & Loss A/c	6,000	4,000			
Sundry Creditors	22,000	12,000			
	78,000	42,000		78,000	42,000

H Ltd. acquired  $\frac{3}{4}$  share capital of S Ltd. on 31<sup>st</sup> March 2021. **Prepare a consolidated Balance Sheet as on 31<sup>st</sup> March 2021 and the necessary working notes.**

(10 Marks)

**Q.3.** ABC Ltd. purchased a running business from Mr. Tej on 1 January, 2020. ABC Ltd. was incorporated on 30<sup>th</sup> April, 2020. The combined Profit and Loss account prior to and post the date of incorporation is as follows:

Particulars	Amount	Particulars	Amount
Rent	36,000	Gross Profit	2,20,000
Electricity	12,000		
Director Fees	18,000		
Preliminary Exp	22,000		
Selling Exp	36,000		
Carriage Outward	16,000		
Profit	80,000		
	2,20,000		2,20,000

Additional information:

- 1) Sales upto 30<sup>th</sup> April, 2020 was Rs. 5,00,000/- out of the total sales of 20,00,000/- for the entire year.
- 2) Purchases upto 30<sup>th</sup> April 2020 was Rs. 2,40,000/- and for the remaining months was 6,60,000/-.

**Prepare Profit & Loss Account for the year ended 31<sup>st</sup> December 2020 showing the profits earned prior and post incorporation.**

(10 Marks)

**Q.4.** XYZ Ltd. grants options to its employees on 1<sup>st</sup> April 2017 for a vesting period of 3 years at an exercise price of Rs. 100/- each. Number of options granted is 3000 shares. Market price of each shares is Rs. 250/-. The exercise period is one year from the grant of option and the nominal value of the shares is Rs. 10/- each.

**Pass journal entries assuming that there was no change in the number of employees during the vesting period.**

(10 Marks)

**Q.5.** ABC Ltd. is a large corporate which has to make a decision whether it should buy an asset (on loan) or should it lease the same. Following are the particulars available to make a decision.

Cost of Asset Rs. 2,50,000/-, Rate of Depreciation at Written Down Value Method (WDV) 15% , Loan repayment Rs. 50,000 per annum (Principal amount), Rate of Interest on Loan 10% , Rate of Tax 15% , Residual value of asset after 5 years Rs. 45,000, Lease Rent Rs. 65,000/- per month.

**Assumption:**

Assume that the profit before depreciation interest and tax is Rs. 4,00,000 per year for 5 years consecutively.

**Prepare necessary working notes and state whether ABC Ltd. should buy the asset by taking a loan or should it lease the asset.**