

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 : 19th 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 31st 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 31st March 2021. **Prepare a consolidated Balance Sheet as on 31st 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 31st 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 31st March 2021. **Prepare a consolidated Balance Sheet as on 31st 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 30th 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 30th April, 2020 was Rs. 5,00,000/- out of the total sales of 20,00,000/- for the entire year.
- 2) Purchases upto 30th April 2020 was Rs. 2,40,000/- and for the remaining months was 6,60,000/-.

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

(10 Marks)

Q.4. XYZ Ltd. grants options to its employees on 1st 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 anum (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.