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T.Y.B.Com Semester VI (CBCS) Ordinance
EXAMINATION MAY 2023
Accounting Major VIII - Corporate Accounting And Tax Planning

[Time: 2 Hours]

[Max. Marks:80]

- Instructions:**
1. Question No. 1 is Compulsory.
 2. Answer any **three questions** from Question No. 2 to Question No. 6.
 3. Figures to the right indicate maximum marks to the question.

Q1 The following are the Balance Sheets of Hemant Limited and Sushant Limited as on 31st December, 2022. (20)

Balance Sheets of Hemant Limited and Sushant Limited as on 31.12.2022

Particulars	Note No.	Hemant Ltd (Rs)	Sushant Ltd (Rs)
1. Equity & Liabilities			
(1) Shareholders' Funds		15,00,000	6,00,000
a) Share Capital - equity shares of Rs 100 each			
b) Reserves & Surplus:		3,00,000	1,80,000
General Reserve			
Profit & Loss Account		4,20,000	2,70,000
(2) Share Application Money Pending Allotment		--	--
(3) Non-Current Liabilities		--	--
(4) Current Liabilities		--	--
(a) Short term borrowings			
(b) Trade Payables – Creditors		2,31,000	1,50,000
-- Bills Payable		--	1,20,000
(c) Due to Sushant Ltd		9,000	--
Total		24,60,000	13,20,000
II. Assets			
(1) Non-Current Assets:			
(a) Property, Plant & Equipment & Intangibles			
(i) Land & Building		6,00,000	3,90,000
(ii) Plant & Machinery		4,80,000	2,70,000
(iii) Goodwill		1,20,000	90,000
(b) Non-current Investments: 4,500 equity shares of Sushant Ltd		7,20,000	--
(2) Current Assets:			
(a) Current Investments		--	--
(b) Inventories		3,00,000	2,70,000
(c) Trade Receivables		60,000	2,25,000
(d) Cash & Cash Equivalent		1,80,000	60,000

(e) Due from Hemant Ltd		--	15,000
Total		24,60,000	13,20,000

Additional Information:

- The Profit & Loss Account of Sushant Limited showed a balance of Rs 1,65,000 on 1st January, 2022. The Shares were acquired by Hemant Limited on 1st July 2022.
 - The Creditors of Sushant Limited included Rs 60,000 for goods supplied by Hemant Limited.
 - Included in the stock of Sushant Limited are goods to the value of Rs 24,000 which were supplied by Hemant Limited at a profit of 33.33% on cost.
 - On the date of acquisition of shares, Plant & Machinery standing at Rs 3,00,000 in Sushant Limited's books were revalued at Rs 4,50,000 but no adjustment was made in the books.
 - Hemant Limited remitted Rs 6,000 on 30th December, 2022 but it was received by Sushant Limited on 4th January, 2023.
- Prepare a Consolidated Balance Sheet as on 31.12.2022.

- Q2.** Mr. Akash formed a private limited company under the name and style of Akash Private Limited to take over his existing business from 1.4.2021 but the company was not incorporated until 1.7.2021. No entries relating to transfer of the business were entered in the books which were carried on till 31.3.2022. (20)

The following balances were extracted from the books on 31.3.2022.

Particulars	Dr. (Rs)	Cr. (Rs)
Opening Stock	43,000	
Purchases	1,89,000	
Carriage outwards	3,300	
Travelling Salesmen's commission	7,500	
Office Salaries	21,000	
Administration expenses	19,900	
Rent and Rates	12,000	
Director's fee	18,000	
Fixed Assets	1,00,000	
Current Assets excluding stock	34,000	
Preliminary expenses	5,200	
Sales		2,78,000
Mr. Akash's Capital Account on 1.4.2021		2,30,000
Current Liabilities		37,000

Additional Information:

- Stock on 31st March 2022 was Rs 44,000.
- The Gross Profit ratio is constant. Monthly sales in April 2021, February 2022 and March 2022 were double the average monthly sales of the remaining months of the year.

- c) The purchase consideration was agreed to be satisfied by the issue of 3000 equity shares of Rs 100 each.
- d) Depreciation is to be provided at 25% p.a. on Fixed Assets.
- Prepare a Statement showing apportionment of profit/loss before and after incorporation showing the basis of apportionment.

Q3 Everest Limited granted 1,00,000 employee stock options on 1st April 2019 at Rs 40, when the market price was Rs 60. The vesting period was for 3 years and the maximum exercise period being one year. 6000 unvested options lapsed on 31.3.2020; 6500 unvested options lapsed on 31.3.2021 and 2000 unvested options lapsed on 31.3.2022. **(20)**

Employees exercised their options for 85,000 stock options and the remaining stock options lapsed at the end of the exercise period.

Pass Journal entries to record the above transactions in the books of Everest Limited.

Q4 When Orange Limited purchased 24,000 equity shares in Purple Limited, it had Rs 22,500 in General Reserve and Rs 37,500 (Dr.) in Profit & Loss Account. The Balance Sheets on 31.12.2022 is given below: **(20)**

Balance Sheets of Orange Limited and Purple Limited as on 31.12.2022

Particulars	Note No.	Orange Ltd (Rs)	Purple Ltd (Rs)
1. Equity & Liabilities			
(1) Shareholders' Funds			
a) Share Capital - equity shares of Rs 10 each		7,50,000	3,00,000
(b) Reserves & Surplus:			
General Reserve		90,000	7,500
Profit & Loss Account		60,000	(67,500)
(2) Share Application Money Pending Allotment		--	--
(3) Non-Current Liabilities		--	--
(4) Current Liabilities:		--	--
(a) Short term borrowings			
(b) Trade Payables – Creditors		1,05,000	31,500
Total		10,05,000	2,71,500
II. Assets			
(1) Non-Current Assets:			
(a) Property, Plant & Equipment & Intangibles			
(i) Fixed Assets		6,75,000	1,50,000
(b) Non-Current Investments:		2,10,000	--
24,000 equity shares in Purple Ltd			
(2) Current Assets			
(a) Other current assets		1,20,000	1,21,500
Total		10,05,000	2,71,500

Additional Information:

- Fixed Assets standing in the books of Purple Limited of Rs 90,000 was considered worth Rs 75,000 on the date of purchase of control.
 - For the purpose of determining value of shares, 20% depreciation has been written off since acquisition.
 - Stock of Orange Limited includes Rs 30,000 on which Purple Limited made a profit of Rs 7,500.
- Prepare a Consolidated Balance Sheet as on 31.12.2022.

- Q5** Axis Limited wants to acquire an asset costing Rs.1,00,000 and a residual value of Rs 20,000 at the end of 5 years. The Company has two alternatives that are currently available. The first alternative is to buy the asset by taking a loan of Rs 1,00,000 repayable in five equal instalments at an interest of 10%p.a. The second alternative is to lease the asset at a rent of Rs 30,000 upto 5 years. The Company earns a profit of Rs 1,00,000 before depreciation, interest and tax/before lease rent and tax. Rate of depreciation of the asset is 15% p.a. and income tax rate is 26%. (20)

The Present Value factors at 10% are as follows:

Years	1	2	3	4	5
	0.909	0.826	0.751	0.683	0.621

Determine whether the Company should purchase the asset or take the asset on lease.

- Q6** Write Short Notes on the following: (5x4=20)
- Objectives of Corporate Tax Planning.
 - Employee Stock Option Plan.
 - Minority Interest.
 - Profit prior to incorporation.