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**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**M.Com – III SEMESTER**

SEMESTER EXAMINATION: OCTOBER 2022

(Examination conducted in December 2022)

MCODEA9320: INTERNATIONAL ACCOUNTING AND ANALYSIS

Time-2 ½ hrs Max Marks-70

**This paper contains 5 (FIVE) printed pages and four parts**

**SECTION A**

**Answer any TEN (10) of the following (10 \* 2 Marks = 20 Marks)**

1. What is the purpose of Indian Accounting Standard 24?
2. What is expected EPS and DEPS?
3. Sony Corporation has 1,000,000 Rs 1 per equity share and earnings for the period is Rs 50,000. The average share price for the period is Rs 10. ABC Plc has 50 employees each of whom has 1,000 unvested share options in a share option scheme. The exercise of the option is Rs 5 and fair value of the service to be rendered by each of the employee calculated to Rs 1,200.

Calculate EPS and Diluted EPS

1. What is the meaning of operating segments as per accounting Standard as 108?
2. Mr. Andrew started a company which was registered as per legal requirements as on 1st Jan 2022. He purchased assets and acquired employees to start production and sales from 15 February 2022. Production and sales are not being performed and Mr. Andrew has no intention to peruse the plan to produce outputs in future. He decided to sell his company to Mr. Bonney before March 2022.

Whether this acquisition represents a business combination?

1. What is Contingent consideration?
2. Define Control as per Indian Accounting Standard 110.
3. What is Joint arrangement and Joint control?
4. What happens if a Parent company losses control over subsidiary?
5. What is exchange difference and exchange rate as per Indian Accounting Standard 21?
6. What is Functional Currency?
7. Write any two uses of Ratio analysis.

**SECTION B**

**Answer any THREE (3) of the following (3 \* 5 Marks = 15 Marks)**

1. How a business combination can be structured as per Indian Accounting standard 103?
2. What is Share-based payment? State the recognition criterion for share-based payment as per Ind AS 102.
3. Explain the timeline of a share option award as per Indian accounting standard.
4. Explain the following situations

**Situation 1**

Arun Limited has an 60% interest in  Albert Limited. Arun Limited holds a direct interest of 25% in Akbar Limited. Albert Limited also holds a 40% interest in Akbar Limited. The decisions concerning relevant activities of Akbar Limited require a simple majority of votes. How should Arun Limited account for its investment in Akbar Limited in its consolidated financial statements?  ​

Situation 2

Arun Limited has an 90% interest in Albert Limited and in trun Albert Limited holds a direct interest of 75% in Akbar Limited. The decisions concerning relevant activities of Akbar Limited require a simple majority of votes. How should Arun Limited account for its investment in Akbar Limited in its consolidated financial statements?  ​

You are required to calculate

1. Parent company holding in both subsidiaries and sub subsidiaries
2. Calculate effective interest rate in both the situations.
3. Calculate Goodwill and net assets for the consolidated Balance sheet of a parent company

On 1 January 20X0 Parent plc acquired 100% of the 10,000 $1 common shares in Son plc for $1.50 per share in cash and gained control.

|  |  |  |
| --- | --- | --- |
|  | Parent Plc | Son Plc |
| Assets  |  |  |
| Non-current assets  | 40,000 | 22,000 |
| Investment in Son Plc | 30,000 | --- |
| Net current assets | 16,000 | 6,000 |
| Total assets | 86,000 | 28,000 |
|  |  |  |
| Capital and Liabilities |  |  |
| Share capital  | 32,000 | 20,000 |
| Retained earnings  | 54,000 | 8,000 |
|  | 86,000 | 28,000 |

**SECTION C**

**Answer any TWO (2) of the following (2 \* 10 Marks = 20 Marks)**

1. Discuss the three elements of a business as per Indian Accounting standard 103.
2. Prepare consolidated Balance sheet from the following

Statement of financial position of P, Q and R as on 31 March 2022. The retained earnings on the acquisition date were as follows

Accumulated retained earnings on acquisition date

P in Q Rs 10,000

P in R Rs 12,000

 Q in R Rs 8,000

P acquired 12,000 shares from Q limited. P also acquired 4,000 equity shares from R limited and Q limited acquired 4,800 shares from R limited.

|  |  |  |  |
| --- | --- | --- | --- |
|  | P | Q | R |
| Invest in Q | 25,200 |  |  |
| Investment in R |  | 10,000 | 10,600 |
| Property plant and equipment | 53,800 | 53,400 | 49,000 |
| Current assets | 24,000 | 21,000 | 15,000 |
|  | 113,000 | 85,000 | 64,000 |
| Inssued capital Rs 1 per share | 30,000 | 20,000 | 16,000 |
| Share premium | 20,000 | 10,000 | 8,000 |
| Retained earnings | 35,000 | 30,000 | 20,000 |
| Loans | 20,000 | 18,000 | 15,000 |
| Current liabilities | 8,000 | 7,000 | 5,000 |
|  | 113,000 | 85,000 | 64,000 |

1. Brill plc had acquired 80% of Bream plc’s common shares in 20X0. At date of acquisition of shares in associate on 1 January 20X0:
* Brill acquired 20% of the common shares in Cod for £20,000, i.e. Brill was assumed to have significant influence.
* The retained earnings of Cod were £22,500 and the general reserve was £6,000. These are pre-acquisition items. The group share will be deducted from the cost of the investment to calculate the goodwill figure.

Set out below are the consolidated accounts of Brill and its subsidiary Bream and the individual accounts of the associated company, Cod, together with the consolidated group accounts.

Balance sheets of the Brill Group (parent plus subsidiaries already consolidated) and Cod (an associate company) as at 31 December 20X2:

Brill

and subsidiary Cod

£ £

Non-current assets

Tangible fixed assets 172,500 59,250

Goodwill on consolidation 13,400

Investment in Cod 20,000

Current assets

Inventories 132,440 27,000

Trade receivables 151,050 27,000

Current account – Cod 2,250

Bank 36,200 4,500

527,840 117,750

Current liabilities

Trade payables 110,250 25,500

Taxation 27,750 6,000

Current account – Brill 2,250

138,000 33,750

Total net assets 389,840 84,000

EQUITY

£1 common shares 187,500 37,500

General reserve 24,900 9,000

Retained earnings 145,940 37,500

 358,340 84,000

Minority interest 31,500 \_\_\_\_\_\_

389,840 84,000

Calculate:

1. Investment in Cod Plc for consolidated balance sheet
2. Treatment of current account
3. Consolidated general reserve
4. Consolidated retained earnings

**SECTION D**

**Compulsory Question (15 Marks)**

1. Steel Company which is listed in BSE provides the details for foreign currency transactions. Prepare journal entries.

|  |  |  |
| --- | --- | --- |
| Company name | Customer name | Country base |
| ABC Company |  | United states |
| XYZ company |  | United States |
|  | Golden Corporation | United Kingdom |
|  | Lifeline Plc | United Kingdom |

* 1. 1st Jan 2022 Credit purchase worth $ 5,000 from ABC Company
	2. 5th Jan 2022 Credit sales to Golden corporation for £300
	3. 18th Jan 2022 pays $4,000 to ABC company
	4. 18th Jan 2022 credit purchase from XYZ Company $3,000
	5. 21st Jan 2022 Credit sales to Lifeline plc £100
	6. 28th Jan 2022 received 50% of cash from Golden corporation and Lifeline plc

The exchange rates at the relevant rates were:

|  |  |  |
| --- | --- | --- |
| 1st Jan 2022 | $ 1 | Rs 78 |
| 5th Jan 2022 | £ 1 | Rs 80 |
| 18th Jan 2022 | $ 1 | Rs 79 |
| 21st Jan 2022 | $ 1 | Rs 80 |
| 28th Jan 2022 | £ 1 | Rs 82 |

**--- END OF THE QUESTION PAPER ---**