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Reg. No.................................

Name....................................

M.Com. DEGREE (C.S.S.) EXAMINATION, MARCH 2022

First Semester

Faculty of Commerce

AF 01 C01—ADVANCED FINANCIAL ACCOUNTING

(2012–18 Admissions—Supplementary/Mercy Chance)

Time : Three Hours | Maximum Weight : 30

Section A

Answer any **five** *questions.*

Each question carries a weight of 1.

1. What do you mean by cost of control ?
2. What is a deficiency account ?
3. Distinguish between intrinsic value and market value of shares.
4. Who are Dissenting Shareholders ?
5. Write short note on IFRS.
6. Who is a contributor and briefly discuss his liability.
7. Differentiate between Liquidation and Insolvency.
8. Who are preferential creditors ?

(5 × 1 = 5)

Section B

Answer any **five** *questions.*

Each question carries a weight of 2.

9. How would you calculate purchase consideration ? What journal entries would you pass in the books of vendor company and purchasing company ?
10. What are the steps to be followed at the time of formulating a scheme of capital reduction?

Turn over

11. What do you understand by goodwill ? Under what circumstances does it arise ? Explain and Illustrate the different methods of calculating goodwill.

12. Explain the meaning of reconstruction of a company. Differentiate between Absorption and Reconstruction of Companies.

13. The net profit of the business after tax, for the past five years are : Rs. 2,00,000, Rs. 2,12,500, Rs. 2,30,000, Rs. 2,62,500 and Rs. 2,95,000. The capital employed in the business is Rs. 20,00,000. The normal rate of return expected in this type of business is 10 %. It is expected that the company will be able to maintain its super profit for the next 5 years. Calculate the value of the goodwill on the basis of capitalisation of super profit method.

14. From the following information, calculate the value of an equity share by Dividend Yield Method :

    (i) The paid-up share capital of a company consists of 1,000, 15 % Preference shares of Rs. 100 each and 20,000 Equity shares of Rs.10 each.

    (ii) The average annual profits of the company, after providing for depreciation and taxation amounted to Rs. 75,000.It is considered necessary to transfer Rs.10,000 to General Reserve before declaring any dividend.

    (iii) The normal return expected by investors on equity shares from the type of business carried on by the company is 10 %.

15.

		A Ltd.	B Ltd.
Equity share capital (Rs. 10)	...	20,00,000	5,00,000
General Reserve	...	70,000	1,20,000
Profit and Loss Account		25,000	-

A Ltd. takes over the business of B Ltd. and issues 60,000 shares of Rs. 10 each as purchase consideration. How reserves will be treated if it is a case of merger ?

16. From the following information, calculate the value per equity share :

		Rs.
2000, 9 % Preference Shares of Rs. 100 each	...	2,00,000
50,000 Equity shares of Rs.10 each, Rs. 8 per share paid up	...	4,00,000
Expected profits per year before tax	...	2,18,000
Rate of tax	...	50 %
Transfer to General Reserve	...	20 % of the profit
Normal rate of earning	...	15 %

(5 × 2 = 10)

Section C

Answer any **three** *questions.*
Each question carries a weight of 5.

17. The total absence of information about the value of human capital in the conventional accounting system is serious handicap to decision-making by managers using quantitative means for quantitative goals.

In this context, outline the benefits of providing Human Resource Accounting data to management and problems involved in accounting for human resources.

18. Centurion Bank has issued Capital of 5,00,000 shares of Rs. 10 each. Rs.6 paid as on 30^{th} September 2015. Its Reserves are Rs. 2,00,000. HDFC Bank takes over the business of Centurion Bank on this date and issues one share for every three share in Centurion Bank. Share capital of HDFC Bank consist of 10,00,000 shares of Rs.10 each, Rs.7 paid up and its market value is Rs. 45. Reserves of HDFC Bank are Rs. 25,00,000.

Journalise the entries in the books of HDFC Bank and prepare Balance Sheet after absorption.

Turn over

19. Kaurva Ltd. is absorbed by Pandva Ltd. and their balance sheets are as under as on 31st March 2016 :

Equity and Liabilities :		*Kaurva* (Rs.)	*Pandva* (Rs.)
Paid up capital :			
10,000 shares of Rs. 100 each	...	10,00,000	
80,000 shares of Rs. 10 each	...		8,00,000
Reserves	...	2,70,000	8,00,000
7 % Debentures	...	2,00,000	5,00,000
Sundry Creditors	...	3,30,000	4,00,000
	...	18,00,000	25,00,000
Assets :		*Kaurva* (Rs.)	*Pandva* (Rs.)
Goodwill	...	1,00,000	-
Fixed Assets	...	8,00,000	16,00,000
Debtors	...	9,00,000	7,00,000
Bank	...	-	2,00,000

Assets of Kaurva Ltd. were taken at following figures :

Goodwill - Nil Fixed Assets - Rs. 7,80,000.

Remaining assets and liabilities were taken at Book Value. Holders of every 2 shares in Kaurva Ltd. is to receive 10 shares in Pandva Ltd. as fully paid at intrinsic value and so much cash as necessary to adjust the rights of shareholders of both companies in accordance with intrinsic value. Pass necessary journal entries in the books of Pandva Ltd. and Balance sheet after absorption.

20. The following particulars were extracted from the books of X Ltd. on 31^{st} March, 2016 on which date a winding up order was made :

		Rs.
Equity share capital : 40,000 shares of Rs.10 each, Rs. 5 paid up	...	2,00,000
6 % Preference share capital : 40,000 shares of Rs. 10 each fully paid up	...	4,00,000
6 % Mortgage debentures	...	3,00,000
Fully secured creditors (value of security Rs. 70,000)	...	60,000
Partly secured creditors (value of security Rs. 20,000)	...	40,000
Preferential creditors for rates, taxes and wages etc.	...	12,000
Bills payable	...	2,00,000
Unsecured creditors	...	1,40,000
Bank overdraft	...	20,000
Bills receivable in hand	...	30,000
Bills discounted (one bill for Rs. 20,000 is known to be bad)	...	80,000

Book debts :

- Good	...	20,000
- Doubtful (estimated to produce 50 %)	...	14,000
- Bad	...	12,000
Land and Building (estimated to produce Rs. 2,00,000)	...	3,00,000
Stock in trade (estimated to produce Rs. 80,000)	...	1,00,000
Machinery (estimated to produce Rs. 4,000)	...	10,000
Cash in hand	...	200

Prepare statement of affairs and deficiency account. The estimated cost of winding up Rs. 4,800.

21. ABC and Co. Ltd. had on 31st December, 2015, Rs. 4,00,000 authorised capital divided into 40,000 Equity shares of Rs. 10 each. All these shares were issued and fully paid-up. In June 2016, the company decided to pay-off Rs. 2 per share to make the share of Rs. 8 fully paid-up. Pass necessary Journal Entries and show how the share capital will appear in the Balance Sheet as on 31st December, 2015 and 2016.

22. Liabilities and Assets of A Ltd. and B Ltd. as on 31st March, 2014 were as follows :

(Rs. *In thousands*)

Liabilities	A Ltd.	B Ltd.	*Assets*	A Ltd.	B Ltd.
Share capital :			Goodwill	-	700
50,000 preference			Patent	2,000	-
shares of Rs.100 each	5,000	-	Land and Building	6,000	-
15,00,000 equity shares			Plant and Machinery	15,500	-
of Rs. 10 each	15,000	-	Motor Vehicles	-	400
4,00,000 equity shares			Furniture	-	250
of Rs. 10 each	-	4,000	Investments	1,150	-
	20,000	4,000	Stocks	3,500	2,390
			Debtors	800	620
General Reserve	8,000	-	Cash at bank	450	170
Surplus	900	320			
Creditors	500	210			
	29,400	4,530		29,400	4,530

Turn over

A new company C Ltd. was formed to acquire the assets and liabilities of A Ltd. and B Ltd. The terms of acquisition of business were as under :

(i) C Ltd. to have an authorised capital of Rs. 3,50,00,000, divided into 50,000 13 % preference shares of Rs. 100 each and 30,00,000 equity shares of Rs. 10 each.

(ii) Business of A Ltd. valued at Rs. 3,00,00,000, settlement being Rs. 60,00,000 cash and balance by issue of fully-paid equity shares at Rs. 12.

(iii) Business of B Ltd. valued at Rs. 48,00,000, to be satisfied by issue of fully-paid equity shares at Rs. 12.

(iv) Preference shares of A Ltd. were redeemed.

(v) C Ltd. made a public issue of 30,000 preference shares at par and 3,00,000 equity shares at Rs.12. The whole issue was fully subscribed and fully paid up.

(vi) D, who mooted the scheme, was allotted 40,000 equity shares(fully-paid) at Rs. 12 in consideration of his services.

Pass Journal Entries in the books of A Ltd. and B Ltd. (to close their books of accounts) and C Ltd. Prepare the Balance Sheet of C Ltd. on the assumption that amalgamation is in the nature of purchase.

(3 × 5 = 15)