Reg. No………………………… Name: ……………………… **Q. Code:** P108

M COM DEGREE END SEMESTER EXAMINATION 2014 -15

SEMESTER -1: COMMERCE

COURSE CODE: P1COMT01 – TITLE: ADVANCED FINANCIAL ACCOUNTING - 1

Time: Three Hours Max Marks:75

Section- A

Answer **all questions**. Each question carries 2 marks

1. What do you mean by amalgamation in the nature of merger?
2. Why companies resort to internal reconstruction?
3. What do you mean by alteration of share capital?
4. Briefly explain 'Deficiency Account?
5. Name any four 'Accounting Standards' mentioned in the 'IFRS'
6. Define 'Goodwill'
7. What do you mean by cross holdings?
8. Explain Human Resource Accounting
9. When will you say that a man insolvent?
10. What do you mean by 'intrinsic value' of shares?

(10 x 2 = 20 Marks)

Section- B

Answer **any five** questions. Each question carries five marks

11. Briefly explain external reconstruction of companies and also mention the provisions Contained in the relevant Accounting Standards.
12. Who are dissenting shareholders? How are they treated on reconstruction?
13. What do you mean by Statement of Affairs and state the various lists attached to it.
14. Explain Valuation of Shares, state its objectives and methods
15. What do you mean by alteration of share capital? What are the methods of altering Share Capital? And give journal entries.
16. The following is the Balance Sheet of J Engineering Ltd as on 31st March 2010:

Liabilities	Rs.		Assets	Rs.
1,50,000 Equity	15,00,0		Land and Buildings	23,00,000

Shares of Rs. 10 each, fully paid up	00		Furniture, Fixtures and Fittings	3,90,000
			Stock	8,30,000
2,00,000 Equity Shares of Rs 10 each Rs. 6 paid up	12,00,000		Debtors	4,10,000
			Cash and Bank	1,20,000
			Profit and Loss A/c	13,00,000
60,000 12% Cumulative Preference Shares of Rs. 10 each, fully paid up	6,00,000			
Long term secured loan	14,00,000			
Sundry Creditors	6,50,000			
Total	**53,50,000**		**Total**	**53,50,000**

The current value of land and buildings is Rs. 30, 00,000 and that of furniture, fixtures and fittings is Rs. 2, 50,000. Stock is valued at Rs. 9, 11,000. Debtors are expected to realise only 90% of their book value. You are informed that preference dividend has not been paid for the last five years. Calculate the intrinsic value per equity share by the net assets method.

17. The following particulars are available in respect of the business of Lucky Ltd**:**

i) Profits earned for the years: 2007-2008:Rs.5, 00,000, 2008-2009: Rs.6, 00,000 and 2009-2010: Rs.5, 50,000.

ii) Normal rate of return - 10%

iii) Capital employed - Rs. 30, 00,000

iv) Present value of an annuity of one rupee for five years at 10% is 3.78

v) The profits included non-recurring profit on an average basis of Rs. 30,000 a year.

You are required to calculate the value of goodwill of the company:

a) As per five years purchase of super profits

b) As per capitalisation of super profits method and (c) As per annuity method.

18. The Balance sheet of A ltd is as follows:

Liabilities	**Rs.**		**Assets**	**Rs.**
Share Capital (6000 shares @ Rs.100 each fully paid)	6,00,000		Goodwill	70,000
General Reserve	2,50,000		Plant and Machinery	4,60,000
P&L Appropriation A/c	80,000		Furniture and Fittings	1,02,000
Bills Payable	70,000		Stock	4,36,000
Sundry Creditors	2,45,000		Debtors	1,34,000
			Cash and Bank	23,000
			Preliminary Expenses	20,000
Total	**12,45,000**		**Total**	**12,45,000**

B Ltd purchases the business of A Ltd. Goodwill is valued at Rs 2, 00,000, Stock is valued at Rs.4, 16,000 and other assets are considered worth their book values. B Ltd does not take over Cash and bank balances. The consideration is to be discharged in the form of 90000 fully paid equity shares of Rs. 10 each valued at par and the balance in cash. Calculate the amount of Purchase consideration and its break up.

(5 x 5 = 25 Marks)

Section- C

Answer **any two** questions. Each question carries fifteen marks

19. Briefly Explain ‘Human Resource Accounting’, its objectives, methods of valuation, advantages, disadvantages and also comment upon its applicability in India.

20. 'A Ltd' agreed to acquire the business of 'E Ltd' as on 31st March 2011. The Balance Sheet of 'E ltd' as on that date was as follows.

Liabilities	Rs.		Assets	Rs.
Paid up capital:	1,00,000		Fixed Assets:	
10000 6% preference Shares of Rs.10 each			Land and Building	2,00,000
			Machineries	1,00,000
20000 Equity Shares Rs.10 each	2,00,000		Current Assets:	
			Stock	2,00,000
			Debtors	50,000
			Cash and Bank Balances	35,000
Reserve	20,000			
Profit and Loss Account	30,000		Miscellaneous Expenditures:	
7% Debentures	1,00,000		Preliminary Expenses	10,000
Sundry Creditors	1,50,000		Debentures Discount	5,000
Total	**6,00,000**		**Total**	**6,00,000**

The consideration payable by 'A Ltd' was agreed as under:

a) The preference Shareholders of 'E Ltd' were to be allotted 8% Preference Shares of Rs. 1,10,000/-

b) Equity Shareholders to be allotted six equity shares of Rs.10 each issued at a premium of 10% and Rs.3 cash against every five shares held.

c) 7% Debentures of 'E Ltd' to be taken over by the transferee company.

While arriving at the agreed consideration the directors of 'A Ltd' value Land and Buildings at Rs. 2, 50,000; Stock at Rs. 2, 20,000 and debtors at their book value subject to an allowance of 4% to cover doubtful debts.

Debtors of 'E Ltd' included Rs. 10,000 due from 'A Ltd'. The Stocks of 'E Ltd' include item valued at Rs, 60,000 purchased from 'A Ltd' (Cost to 'A Ltd' Rs. 45,000). The machineries were valued at book value.

It was agreed that before acquisition 'E Ltd' will pay dividend at 10% on Equity Shares and will retain Rs. 5000 for liquidation expenses.

a) Draft journal entries and prepare necessary accounts to close the books of 'E Ltd' and
b) Make journal entries and prepare Balance Sheet in the books of A Ltd to record acquisition.

21. The Balance Sheet of A Co. Ltd as on 31.03.2011 is as follows:

Liabilities	**Rs.**		**Assets**	**Rs.**
Share Capital: 2000 6% Cumulative Preference Shares of Rs. 100 each fully paid up.	2,00,000		Freehold property Plant Trade Investments (At cost)	350000 50000 60000
75,000 Equity Shares of Rs, 10 each fully paid up	7,50,000		Stock Debtors	200,000 4.00,000
6% Debentures (Secured by Freehold property) 375000 Accrued Interest 22500	397500		Deferred advertising expenses Profit and loss Account	1,50,000 3,50,000
Directors Loan Sundry Creditors	200000 12500			
Total	**15,60,000**		**Total**	**15,60,000**

The court approved a scheme of reorganisation to take effect on 01.04.2011 whereby:

i) Preference Shares to be written down to Rs. 75 each and Equity Shares to Rs. 2 each.
ii) Preference dividends in arrears for four years, 75% to be waived and equity shares of Rs. 2 each to be allotted for the remaining quarter.
iii) Accrued interest on debentures is to be paid in cash

iv) Debentures holders agreed to take over Freehold Property (Book Value Rs. 1, 50,000) at a valuation of Rs. 1, 50,000 in part repayment of their holdings and to provide additional Cash of Rs. 1, 30,000 secured by a floating charge on the Company’s Assets at an interest rate of 10% pa.

v) Deferred advertising expenses are to be written off

vi) Stock to be written off fully

vii) Rs. 2, 33,000 to be provided as bad debts

viii) Remaining Freehold Property to be revalued at Rs.4, 00,000

ix) Investments sold out for Rs. 1, 50,000

x) In settlement of their loans, Directors are to accept Equity Shares of Rs. 2 each for 90% of their loans, waiving 10% of the balance of their loan amount.

xi) Capital commitments contracts totalling Rs. 3, 00,000 are to be cancelled by payment of penalty @5% of contract value.

xii) Taxation and Cost of Schemes are to be ignored

Show journal entries reflecting the effect of the above transactions (including cash transactions) and draw up the Balance Sheet after effecting the scheme.

22. A filed his petition on 31st March 2010 and his statement of affairs was composed of the following figures:

Creditors for goods	70000		Consignments s Considered good	5000
Loan from Mrs. A	5000		Shares (estimated to realise Rs.16000)	15000
Bills Payable	5000		Stock (estimated to realise Rs.40000)	60000
Creditors secured by a lien on shares	40000		Cash at Bankers	100
Creditors secured by a lien on stock	15000		Bills of Exchange	1400
Liability on Bills Discounted (estimated to rank Rs. 3000)	7000		Mill (Estimated to realise Rs. 11,000)	20000
Mortgage on Mill	10000		Machinery (Estimated to realise Rs. 12000)	15000

Creditors Payable in full	3000		Fixtures (estimated to realise Rs.1500)	3000
Book Debts - Good	20000		Cottages (estimated to realise Rs.3000)	6800
Book Debts doubtful and bad (estimated to produce Rs. 2000)	10000			

On 1st April, six years ago, he had a capital of Rs. 50,000. Profits were made totalling Rs. 45,500 in the first four years and losses were incurred totalling Rs. 25000 in the last two years after allowing Rs. 2500 per year interest on capital. Withdrawals amounted to Rs. 77,200. Prepare Statement of Affairs and Deficiency Account.

(2 x 15 = 30 Marks)

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