

**MCOM DEGREE END SEMESTER EXAMINATION – OCTOBER 2015**

SEMESTER: 1, SUBJECT – COMMERCE

COURSE: P1COMT01 - ADVANCED FINANCIAL ACCOUNTING

*(Regular, Supplementary / Improvement)*

Time: Three Hours

Max. Marks: 75

**SECTION-A**

Answer all questions. Each question carries 2 marks

1. What is Sliding-scale valuation of super profit method?
2. What do you mean by consolidation of shares?
3. What is the definition for consideration according to Accounting standard 14 while calculating purchase consideration?
4. Explain the term dissenting shareholders.
5. Define Human Resources Accounting as given by American Accounting Association.
6. Expand and explain IASB.
7. What is Deficiency account?
8. Explain the term intercompany holdings.
9. Explain the term inferred Goodwill. State whether inferred goodwill is relevant in connection with the accounting process of Absorption of Company.
10. What do you mean by Hostile takeover? Give one recent example of hostile take over.

(2 x 10 = 20)

**SECTION-B**

Answer any 5 out 8 questions. Each question carries 5 marks

11. Explain the need and importance of valuation of Goodwill.
12. State the meaning of Internal reconstruction. What are the different form of internal reconstruction which do not require prior court approval?
13. What is Pooling of interest method in Amalgamation? Explain its features.
14. From the following information, compute the value of goodwill as per annuity method.

Average capital employed Rs.1000000

Normal rate of profit 10%

Profits:

1991-Rs.140000

1992-Rs.122000

1993-Rs.170000

Profits for 1992 have been arrived at after writing off abnormal loss of Rs.10000 and

profits of 1993 include a non-recurring income of Rs.22000. Goodwill is to be calculated on the basis of annuity of 3 years purchase of super profits. The present value of annuity of Re.1 for 3 years at 10% is Rs.2.4868.

15. Distinguish among Amalgamation, Absorption and External Reconstruction.

16. What are the different method for calculating purchase consideration? Explain

17. Following is the balance sheet of AX Ltd. as on 31/03/2004

Liabilities	Rs	Assets	Rs
Share capital:-		Fixed assets	1625000
8% preference shares of Rs.100 each	375000	Investments	300000
Equity shares of Rs.10 each	750000	Current assets	250000
General reserve	450000		
7% Debentures	350000		
Current liabilities	250000		
	2175000		2175000

RX ltd. agreed to takeover the business of AX ltd.

Calculate purchase consideration under Net Assets method on the basis of the following:

- RX Ltd. agreed to discharge 7% debentures at a premium of 10% by issuing 9% Debentures of RX ltd.
- Fixed assets are to be valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

18. Following is the balance sheet of HIL Ltd. as on 31/12/1980

Liabilities	Rs	Assets	Rs
2000 shares of Rs.10 each fully paid up	20000	Goodwill	4000
Profit and Loss Account	7000	Fixed Assets	16500
Debentures	10000	Current Assets	19500
	3000		

Creditors			
	40000		40000

RIL Ltd. agreed to take over the assets HIL Ltd. (exclusive of one fixed assets Rs.4000 and cash Rs.1000 included in current assets) at 10% more than the book value. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2000 shares of Rs.10 each at the market value of Rs.15 each and the balance in cash. Liquidation expenses came to Rs.400.

HIL Ltd. Sold the fixed assets of Rs.4000 and realized the book value. It paid off its debentures and liquidation expenses.

You are required to give journal entries in the books of RIL Ltd.

(5 x 5 = 25)

### Section-C

**Answer any 2 questions. Each question carries 15 marks**

19. The following are the Balance sheet of X Ltd. And Y Ltd. as on 31.03.2004

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
5000 8% Pref shares of Rs.100 each	500000		Goodwill		15000
150000 equity shares of Rs.10 each	1500000		Buildings	740000	
40000 equity shares of Rs.10 each			Machinery	1638000	
Capital reserve		400000	Furniture	27000	50000
General reserve	460000		Patents	60000	
P&L A/c	350000	100000	Motor vehicles		70500
Creditors	80000	15000	Stock	405000	260000
	70000	25000	Debtors	80000	129000
			Bank	10000	15500
	2960000	540000		2960000	540000

A New company Z Ltd. Was formed to take over the business of X Ltd and Y Ltd. On the following terms:-

- Z Ltd. to allot 5000 10% fully paid preference shares of Rs.100 each and 200000 fully paid equity shares of Rs.10 each to satisfy the claims of Preference and equity share holders of X Ltd. Respectively.
- Z Ltd to allot 44000 fully paid equity shares of Rs.10 each to be distributed to Y Ltd. Share holders.
- Mr.Z who mooted the scheme of amalgamation is to be allotted 500 fully paid equity shares of Rs.10 each in consideration of his services.
- Expenses of Liquidation of Y Ltd. Rs.3000 to be borne by Z Ltd.
- Z Ltd. Made a public issue of 20000 equity shares of Rs.10 each for cash at 20% premium. Preliminary expenses of Z Ltd. amounted to Rs.8500.

Assuming that the Amalgamation is in the nature of merger, You are required to show (1) Computation of Purchase consideration; (2) Ledger Accounts to close the books of X Ltd. and (3) Journal and Balance sheet in the books of Z Ltd.

20. The following is the balance sheet of GMT Ltd. On 31-12-2003

Liabilities	Rs	Assets	Rs
Share capital:		Goodwill	45000
6000 6% Preference shares of Rs.100 each	600000	Land and Building	600000
12000 equity shares of Rs.100 each	1200000	Plant and Machinery	900000
8% Debentures	300000	Stock	130000
Bank overdraft	300000	Debtors	140000
Sundry creditors	150000	Cash	15000
	2550000	Profit and Loss A/c	700000
		Preliminary expenses	20000
			2550000

On the above date, the company adopted the following scheme of reconstruction:

- The equity shares are to be reduced to shares of Rs.40 each fully paid and preference shares are to be reduced to fully paid shares of Rs.75 each.
- The debenture holders took over stock and debtors in full settlement of their claims.
- The land and buildings to be appreciated by 30% and Plant and Machinery to be depreciated by 30%
- The fictitious and intangible assets are to be eliminated.

- Expenses of reconstruction amounted to Rs.5000

Give Journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance sheet.

21. What do you mean Human resources accounting? Explain briefly the objectives,

Importance and Limitation of Human Resources Accounting.

22. Expand and Explain IFRS. Give a short history of emerging IFRS.

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