

Reg. No

Name

22P1009

M. COM DEGREE END SEMESTER EXAMINATION : OCTOBER 2022

SEMESTER 1 : COMMERCE

COURSE : 21P1COMT01: ADVANCED FINANCIAL ACCOUNTING

(For Regular - 2022 Admission and Supplementary - 2021 Admission)

Duration : Three Hours

Max. Weights: 30

PART A

Answer any 8 questions

Weight: 1

1. The profits for last five years are 8,500, 9,600, 9,000, 10,000, 9,500. The Net tangible assets and NRR are 68,800 and 10% respectively. Calculate Goodwill under 5 years purchase of Super Profit Method? (A, CO 1)
2. What is the difference between Intrinsic value and Market value of Shares? (U)
3. How will you calculate purchase consideration when purchasing company holding shares in vendor company? (U, CO 2)
4. What is the treatment of reserves and accumulated surplus in case of Amalgamation in the nature of merger? (U, CO 2)
5. Give entries in the reconstruction for settlement of creditors of Rs. 1000 agreed to accept cash at 10% discount and payment of reconstruction expense Rs. 1000 (A)
6. Write down the entry for following in a scheme of reconstruction
 - a) Goodwill reduced from 10,000 to 3,000, furniture from 40,000 to 25,000 and Machinery from 30,000 to 12,000 (A, CO 3)
 - b) Investment valued 12,000 takenover by bank for settlement of loan amount 10,000 and balance refunded to Company
7. What do you mean by doctrine of Reputed ownership? (U, CO 3)
8. From the following information calculate the creditors under List A and D
 - Unsecured Creditors 55,000
 - Bill Receivable Discounted (Expected to rank 3,000) 9,000
 - Creditors having a lien on stock 8,000
 - Income tax Payable 550
 - Bill of Exchange 4,000
 - Stock Estimated to produce 6,000
 - Salaries and wages (Preferential 600) 2,200(A, CO 3)
9. Why there arise a need for Human Resource Accounting? (U, CO 4)
10. Expand IASB and IASC (U, CO 5)
(1 x 8 = 8)

PART B

Answer any 6 questions

Weights: 2

11. The following particulars are available in relation to X Ltd:
 - a. Capital 450, 6 % preference shares of Rs. 100 each fully paid and 4500 equity shares of Rs. 10 each fully paid. (A, CO 1)
 - b. External liabilities Rs. 7,500

- c. Reserve and surplus Rs. 3,500
- d. The average expected profit (after taxation) earned by the company Rs. 8,500
- e. The normal profit earned on the market value of equity shares (fully paid) of the same type of companies is 9%
- f. 10% of the profits after tax is transferred to reserves.

Calculate the intrinsic value per equity share and value per equity share according to dividend yield basis. Assume that out of total assets, worth Rs. 350 are fictitious.

12. The net profits of a company after providing for taxation for the past five years are: Rs. 40,000; Rs. 42,000; Rs. 45,000; Rs. 46,000; and Rs. 47,000. The capital employed in the business is Rs. 4,00,000 on which a reasonable rate of return of 10% is expected.

It is expected that the company will be able to maintain its super profits for the next five years.

(A, CO 1)

Calculate the value of the Good will of the business:

On the basis of an annuity of super profits taking the present value of an annuity of one rupee for five years at 10% interest as 3.78.

13. The abstract of the Balance Sheet of the AXE Ltd. As at 31st March , 2018 are as follows :

Liabilities – Equity Share Capital (Rs :100 each) Rs: 15,00,000 ,12 % Preference Share capital (Rs: 100 each) Rs: 8,00,000 , 13 % Debentures Rs: 3,00,000.

On 31st March , 2018 , BXE Ltd agreed to take over AXE Ltd. On the following terms :

- 1. For each Preference shares in AXE Ltd. Rs: 10 in cash and one in 9 % preference share of Rs: 100 in BXE Ltd.
- 2. For each Equity shares AXE Ltd. Rs: 20 in cash and one in equity share in BXE Ltd. for Rs: 100 each. It was decided that the share of BXE Ltd . will be issued at market price Rs: 140 per share .
- 3. Liquidation expenses of AXE Ltd are to be reimbursed by BXE Ltd. to the extent of Rs: 10000 . Actual expenses amounted to Rs: 12,500.

(A, CO 2)

You are required to compute the amount of purchase consideration.

14. Briefly explain meaning and treatment of intercompany owings and intercompany holdings in connection with Amalgamation of companies.

(U, CO 2)

15. On the reconstruction of a company, the following terms were agreed upon: The shareholders to receive in lieu of their present holding of 50,000 equity shares of Rs. 10 Each the following:-

- a. Fully paid equity shares equal to two-fifth (2/5)th of their holding.
- b. 5% Preference shares, fully paid to the extent of one fifth of the above new equity shares.
- c. Rs. 60,000 6% Debentures.

(A, CO 3)

The Goodwill which stood At Rs. 3,00,000 was written down to Rs. 1,50,000. Plant which stood at Rs. 1,00,000 was written down to Rs. 75,000. Freehold premises which stood at Rs. 1,50,000 was written down to Rs. 1,25,000. Make the journal entries recording the above.

16. Calculate the amount of Preferential Creditors and unsecured creditors pertaining to Presidency Towns Insolvency Act and Provincial Insolvency Act from the following information
 Sales Tax 25,000 Income Tax 15,000 Municipal Tax 5,000 Four months rent due to Landlord 20,000 Wages of two servants for four months 800 Wages of five labourers for three months 3000 Salary of Manager 5,000 Salary of two clerks for four months 2,400. (A, CO 3)
17. What are the benefits of convergence to IFRS (U, CO 5)
18. Explain the Problems and Limitations of HRA (U, CO 4)
(2 x 6 = 12)

PART C
Answer any 2 questions

Weights: 5

19. Following is the Balance Sheet of Messers H. Desai and Company private Ltd as on 31st December 2018:

	Rs
1. Equity And Liabilities :	
(1) Shareholder's funds	
(a) share capital : 10,000 shares of Rs 10 each	1,00,000
(b) Reserves and surplus	
General reserve	50,000
Surplus account	30,000
(2) Current liabilities	
Sundry creditors	40,000
Workmen's saving a/c	20,000
Taxation provision	20,000
Total Equity And Liabilities	2,60,000
2. Assets :	
(a) Non-current Assets	
Fixed assets :	
Land and building at cost less depreciation	77,000
Plant and machinery at cost less depreciation	70,000
Intangible asset: Trade marks	20,000
(b) Current Assets	
Stock	20,000
Debtors	48,000
Cash at bank	25,000
Total assets	2,60,000

(A,
CO
1)

The Plant and machinery is worth Rs 60,000 and Land and building are worth Rs 1,30,000 as valued by an independent valuer, Rs 5,000 of the debtors is to be taken as bad. The profits of the company were:

2016:Rs 50,000 ;2017: Rs 60,000 ;and 2018:Rs 70,000.

It is the practice of the company on their intrinsic or net assets basis as also on yield basis.

Share of similar companies quoted in the stock exchange yield 12% on their market value.

Goodwill of the company may be taken at Rs 1,00,000.

20. With a view to expand business and also affect economies, the Bright light Ltd. and Sun light Ltd. decided to amalgamate and for this purpose the Bright light Ltd. was absorbed by Dun light Ltd. The assets and liabilities of the two companies are given below:
 Bright Light Ltd. cash Rs.5000, Investment Rs.10,000, Reserves Rs.10,000, Debentures Rs.60,000, Machinery Rs.70,000, Book debts Rs. 45,000, creditors 30,000, workmen compensation reserve Rs.10,000, stock Rs.10,000 and goodwill Rs.20,000.
 Sun Light Ltd. capital Rs.40,000. Investments Rs.10,000, Reserves Rs.25,000, Debentures Rs.50,000, Machinery Rs,70,000, Book debts Rs.10,000, creditors Rs.20,000, workmen compensation fund Rs.5000, stock Rs,5,000 and cash Rs.2,000. (A,
 You are given that the capital of Bright Light Limited consisted of Rs.100 shares, called Rs.50 CO and that of Sun Light Limited Rs100 shares, called Rs.40. 2)
 It was agreed that the shareholders of Bright Light Ltd. were to be issued such number of Rs.1 shares of sun Light Ltd. at their intrinsic value as would equal the intrinsic value of the Bright Light Limited shares. The debtors of Sun Light Ltd include Rs.5,000 due by Bright Light Ltd and the investments include Rs.5,000 paid up value of shares in Bright Light Ltd. The stocks of Bright Light Limited include Rs.2,000 worth of stock bought from Sun Light Limited invoiced at 10% profit on sale price by Sun Light Limited.
 Given Journal Entries in Sun Light's books and also the balance sheet of Sun Light Limited after amalgamation.

21. A company's position on 31st March 2008 was as follows:

20,000 equity shares of Rs. 100 each	20,00,000
1,000, 12% debentures of Rs. 1000 each	10,00,000
Interest on above	1,20,000
Creditors for goods	5,00,000
Fixed assets	20,00,000
Current assets	6,50,000

The following scheme of reconstruction was implemented:

- Fixed assets were valued at Rs. 9,60,000 and current assets at Rs. 4,80,000. ()
- The shares were sub divided into shares of Rs. 5 each and 90% of the shares were surrendered.
- The total claims of the debenture holders were reduced to Rs. 4,90,000 and in consideration of this, they were allotted shares, out of the surrendered shares amounting to Rs. 2,50,000.
- The creditors agreed to reduce their claim to Rs. 3,00,000, $\frac{1}{3}$ rd of which was to be satisfied by the issue of equity shares out of those surrendered.
- The shares surrendered but not reissued were cancelled.

Draft Journal Entries and give the Balance Sheet of the company after reconstruction.

22. Shyam Mohan filed a petition in bankruptcy on 30th June. His books showed the following balances

	Rs.	Rs.
Cash in hand	10	
Fixtures and fittings (estimated to produce Rs.80)	250	

(A)

Stock in trade (estimated to produce Rs 1,200)	1,800	
Sundry creditors;		
Trade creditors		2,000
Bills payable		2,200
Sundry debtors;		
Good	1,000	
Doubtful (expected to realise 50%)	2,000	
Bad.	2,000	5,000
Bank overdraft		1200
Capital		1,660
	7,060	7,060

Liability on bills discounted Rs.500 expected to rank Rs.100. His household furniture was valued at Rs.250. He owned a house valued at Rs.750, having a mortgage on it of Rs.600 at 4 % interest paid upto the preceding 31st December.

Preferential creditors amounted to Rs.35 (included in sundry creditors) and Rs.15 for rates on the house.

Prepare a Statement of Affairs and Deficiency account.

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 1	Critical analysis and valuation of goodwill and value of shares and compare the real value of shares and with the market prices	A	1, 11, 12, 19	10
CO 2	Determination of purchase consideration in the event of amalgamation and Students are able to prepare consolidated financial statements of group companies	A	3, 4, 13, 14, 20	11
CO 3	Study of reorganization schemes and Students are able to prepare statement of affairs and deficiency account of individuals	A	6, 7, 8, 15, 16	7
CO 4	Study of Human Resource Accounting various methods of Valuing Human Resource enabling students in calculating the value of Human Resource which is the most important resource of the business	U	9, 18	3
CO 5	Strong understanding about the International Financial Reporting Standards which is necessary in the modern Global Market	U	10, 17	3

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;