

M. COM DEGREE END SEMESTER EXAMINATION - NOVEMBER 2024**SEMESTER 1 : COMMERCE****COURSE : 21P1COMT01 : ADVANCED FINANCIAL ACCOUNTING***(For Improvement / Supplementary 2023/2022/ 2021 Admission)*

Duration : Three Hours

Max. Weights: 30

PART A**Answer any 8 questions****Weight: 1**

1. What is intrinsic value of a share? How will you calculate it? (U, CO 2)
 2. What is NRR? (U, CO 1)
 3. What do you mean by fraudulent preferences? (U, CO 3)
 4. What is meant by Accounting standards and why they are needed? (U, CO 5)
 5. IFRS includes IAS. Do you agree? (U, CO 5)
 6. How will you calculate Rate of Earnings in Valuation of Shares? (U, CO 1)
 7. How will you treat the difference in the Balance Sheet amount and settlement amount of debentures and preference shares (U, CO 2)
 8. What are the conditions to execute the powers of section 94 of companies act? (U, CO 3)
 9. What is the difference between internal reconstruction and external reconstruction? (U, CO 3)
 10. What is the purpose of preparing deficiency account? (U, CO 3)
- (1 x 8 = 8)**

PART B**Answer any 6 questions****Weights: 2**

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

Liabilities	Rs	Assets	Rs.
Share capital :- 8% preference shares of Rs. 100 each	3,75,000	Fixed Assets	16,25,000
Equity shares of Rs. 10 each	7,50,000	Investments	3,00,000
General reserve	4,50,000	Current Assets	2,50,000
7% Debentures	3,50,000		
Current liabilities	2,50,000		
	21,75,000		21,75,000

(A, CO 2)

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.

12. State with reasons whether the following statement is correct or not:

Sunil –Sonal's financial position is as follows:

- | | Rs | |
|--|----------|--|
| a) Sundry assets | 9,27,342 | |
| b) Current liabilities | 52,492 | |
| c) Average net profit on the last 4 years | 1,20,500 | |
| d) Average capital employed | 9,00,000 | |
| e) Partners average annual remuneration | 18,000 | |
| f) The goodwill valued at 4 years purchase for super profit is | 50,000 | |

(A, CO 1)

Therefore the expected rate of return is 15%.

- (U, CO 5)
13. What are the issues and challenges in Convergence in IFRS
14. What are the different ways to reduce sharecapital of a company under Section 100. Explain with journal entries (U, CO 3)
15. Mr. Hari has invested a sum of Rs. 3,00,000 in his own business which is a very profitable one. The annual profit earned from his business is Rs.60,000 which includes a sum of Rs. 10,000 received as compensation for acquisition of a part of his business premises.
The money could has been invested in deposits for a period of 5 years and over at 10% interest and himself could earn Rs. 7,200 per annum in alternative employment. (A, CO 1)
Considering 2% as fair compensation for the risk involved in the business, calculate the value of goodwill of his business on capitalization of super-profits at the normal rate of return.
16. Give journal entries in the book of transferee company in the following cases (U, CO 2)
i) Amalgamation in the nature of merger
ii) Amalgamation in the nature of Purcahse
17. Explain the following terms: (U, CO 3)
i) Doctrine of Relation Back
ii) Doctrine of Reputed ownership
iii) Voluntary Transfers
18. Explain the position of Convergence to IFRS in India. (U, CO 5)
(2 x 6 = 12)

PART C
Answer any 2 questions

Weights: 5

19. Balance Sheet of Good Enterprise Ltd.as at 31st March,2019 is as under:

	Rs
1. Equity And Liabilities:	
(1) Shareholder's funds	
(a) share capital:	
Equity shares capital of Rs 10	2,00,000
Equity shares capital of Rs 4	1,00,000
(b)Reserves and surplus	
General reserve	30,000
Gratuity fund	15,000
Workmen's compensation fund	5,000
Surplus account	10,000
(2) Current liabilities	
Sundry trade creditors	25,000
Expenses creditors	5,000
Bank overdraft	30,000
Total Equity And Liabilities	4,20,000
2. Assets :	
(a) Non-current Assets	
Fixed assets less depreciation Rs 10,000	1,03,000
Intangible asset : Goodwill (purchased)	50,000
(b) Current Assets	
Stock	1,20,000
Debtors	1,35,000
Cash	10,000
Prepaid expenses	2,000
Total assets	4,20,000

(A,
CO
1)

A shareholder holding 100 shares of Rs 10 and 200 shares of Rs 4 wants to dispose of all the shares, Dividends paid for the last three years were 12%,11% and 13% . Normal expectation is 10%.

Fixed assets are worth Rs 60,000, goodwill is to be increased be an amount equal to average of book value and a valuation made at 4 years purchase of average super profit for the last three years. Debtors are estimated to be worth Rs 1,42,000 ,Rs 3,000 of trade creditors are outstanding for many years and it is estimated that this amount will not be payable. On the other hand,Rs 6,000 being disputed bonus claim has not been provided in the accounts but it is likely that the amount shall have to be paid.

Profits for 3 years after taxation are Rs 35,000,Rs 48,000 and Rs 43,000.

(a) Calculate the value of goodwill

(b) Find out break up value, market value and fair value of the above two types of shares

(c) What should be the fair value of the shares if the controlling interest of the managing director is being sold ?

20. The ledger balances of X Co. as on 31st March 1999 are: Fixed Assets Rs, 7,00,000; Investments Rs. 10,000; Stock and Debtors 8,50,000; Preliminary Expenses Rs, 20,000; Equity Share Capital (60% paid) Rs. 6,00,000; 10% of First Debentures Rs, 2,00,000; 12% Second Debentures Rs, 5,00,00. Bank overdraft Rs. 50,000; Trade Creditors (including Y for Rs, 8,50,000) Rs. 11,50,000; Outstanding interest for one year on both types of debentures Rs, 80,000.

Due to heavy losses, the following scheme of reconstruction is agreed:

- i) To make the existing Rs. 100 each shares fully paid-up and then to reduce them to Rs. 20 each.
- ii) To settle the claims of first debenture-holders by issuing 2,000 13.5% debentures of Rs. 100 each. (A, CO
- iii) To discharge the claims of the second debenture holders by issuing 15% 4,000 3) debentures of Rs. 100 each
- iv) To pay Rs. 3,00,000 to Mr. Y in full settlement of his account.
- v) To allot 15,000 fresh equity shares of Rs. 20 each to discharge the remaining trade creditors.
- vi) Market value of investments is Rs. 20,000.
- vii) To write-off the fictitious assets and to reduce the fixed assets.

Assuming all formalities are duly complied with, pass Journal Entries to give effect to the above scheme and prepare the post reconstruction Balance Sheet.

21. Babu Ram of Banglore started business on 1/1/2007 with a capital of 1,32,000. He draw on an average 12,000 per year, his profits for 3 years were 28,000. He didn't maintained proper accounts for next 2 years. On 31/12/2011 passed an order of adjudication against him. Prepare statement of affairs and Deficiency account (A, CO 3)

Sundry Creditors	80,000	
Mortgage on freehold property	16,000	
Creditors secured on life policy (estimated 16,000)	48,000	
2 Months rent due to landlord	800	
Clerks salary for 2months	800	
Municipal tax due	720	
Mrs Baburam Loan	12,000	
Bill discounted expected to rank	12,800	
Frehold property (Estimated to realize 80,000)	1,60,000	
Machinery coasting 80,000 less depreciation written off 24,000 estimated to realize 8,000		
Second mortgage on freehold property	48,000	
Bad debts Good: 24,000 Doubtful 8000(Estimated to realize 2,400) Bad 2000		
Furniture and fittings (Estimated to realize 1400)	3,200	
Stock (Estimated to realize 22,200)	32,000	
Cash in hand	320	

22. Ledger balances of Surya Ltd. and Chandra Ltd. as at 31st march, 2019 were as under:

Cr. Balances	Surya	Chandra	Debit Balances	Surya	Chandra
Share capital in equity					
Shares of Rs.10 each	3,75,000	3,00,000	Fixed assets	4,75,000	2,75,000
Reserves	2,25,000	25,000	Current assets:		
7% Debentures	-	1,00,000	Stock	1,25,000	75,000
Creditors	1,40,000	1,25,000	Debtors	1,50,000	1,00,000
Provision for taxation	60,000	25,000	Bank	50,000	1,25,000
	8,00,000	5,75,000		8,00,000	5,75,000

It was agreed that Surya Ltd. should absorb Chandra Ltd. as at 31-3-2019 on the basis of the following information and adjustment:

(i) The adjusted profits for the last three years are:

	Surya Ltd.	Chandra Ltd.
Year ending 31-3-2019	2,25,000	1,50,000
Year ending 31-3-2018	2,40,000	1,35,000
Years ending 31-3-2017	2,35,000	90,000

(A,
CO
2)

(ii) The shares of the companies were to be valued on net assets basis subject to goodwill of Chandra Ltd. being taken at one year's purchase of average of three years and no goodwill to be taken for Surya Ltd.

(iii) 7% debenture holders are to be repaid on 31-3-2019 at par by Chandra Ltd.

(iv) The fixed assets of Surya Ltd. are to be valued at Rs.6,25,000.

(v) Cost of absorption of Rs.5,000 is met by Surya Ltd.

You are required to calculate the ratio of exchange of shares and draw up resulting Balance of Surya Ltd. after absorption

(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	2, 6, 12, 15, 19	11
CO 2	Determination of purchase consideration in the event of amalgamation and Students are able to prepare consolidated financial statements of group companies	A	1, 7, 11, 16, 22	11
CO 3	Study of reorganization schemes and Students are able to prepare statement of affairs and deficiency account of individuals	A	3, 8, 9, 10, 14, 17, 20, 21	18
CO 5	Strong understanding about the International Financial Reporting Standards which is necessary in the modern Global Market	U	4, 5, 13, 18	6

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