

M. COM DEGREE END SEMESTER EXAMINATION- NOVEMBER 2025**SEMESTER 1 : COMMERCE****COURSE : 24P1COMT01 : ADVANCED FINANCIAL ACCOUNTING - I***(For Regular - 2025 Admission and Improvement/Supplementary 2024 Admission)*

Time : Three Hours

Max. Weights: 30

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

1. What is intrinsic value of a share? How will you calculate it? (U)
2. What are the functions of Insolvency Professional Agencies (U)
3. What is Insolvency and Bankruptcy Code, 2016? (U)
4. What is the difference between average profit and super profit in valuation of goodwill? (U)
5. In Share valuation Fair Value (Dual) method is reliable than Net Asset method and Earnings method. Why? (An)
6. How are the intangible assets amortised? (U)
7. X company absorbs Y company agreeing to allot its 3 shares for every 7 shares held by Y co. The intrinsic value of shares of X co. is Rs.100 (paid up Rs.90) The total no. of shares in Y Co. is 3,000. The market price of shares in X Co. is Rs.125. Calculate the purchase consideration. (A)
8. Give journal entries for converting shares into stock and stock to shares (U)
9. When is PPE recognised? (U)
10. 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)

(1 x 8 = 8)**PART B****Weights: 2****Answer any 6 questions**

11. What are the points to be considered in preparing scheme of reconstruction? (U)
12. The following particulars relate to a Company:

Total assets	Rs.18, 50,000
External liabilities	Rs.2,50,000

 Share capital:
 - i) 14% preference shares of Rs.10 each, fully paid Rs.5,00,000
 - ii) 40,000 equity shares of Rs.10 each fully paid Rs.4,00,000
 - iii) 60,000 equity shares of Rs.10 each, Rs.7.5 paid Rs.4,50,000
 Calculate the value of each category of equity shares on net asset basis. (A)
13. Explain the order of priority of payment debts (U)
14. Briefly explain meaning and treatment of intercompany owings and intercompany holdings in connection with Amalgamation of companies. (U)

(A)

15. 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

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.
16. A Ltd. had Rs. 10,00,000 authorised capital on 31-12-2010 divided into shares of Rs. 100 each out of which 8,000 shares were issued and fully paid up. In June 2011, the Company decided to convert the issued shares into stock. But in June 2012, the Company converted stock into shares of Rs. 10 each fully paid up. Pass necessary Journal entries to give effect to the above. (A)
17. Net profit of a company after providing for taxation for the past five years are ₹ 140,000, ₹ 180,000, ₹ 160,000, ₹ 120,000, ₹ 200,000. The capital employed is ₹ 10,00,000 on which the normal rate of return is 10%. It is also expected that the company will be able to maintain its super profit for the next five years. Calculate the value of goodwill of the business on the basis of annuity of super profits taking the present value annuity of ₹ 1 for 5 years at 10% interest as 3.78. (A)
18. Explain the factors to be considered while choosing an accounting policy. (U)

(2 x 6 = 12)

PART C

Weights: 5

Answer any 2 questions

19. Following is the Balance sheet of Rainbow Ltd. as on 31st March 2019. (A)

Balance sheet of Rainbow Ltd

Liabilities	Rs	Assets	Rs
Authorised capital		Goodwill	10,000
20,000 Equity shares of Rs.10 each		Land & Building	20,500
Paid up capital		Machinery	50,850
12,000 Equity shares @Rs 10		Preliminary expenses	1,500
1,20,000	1,11,000		
Less: Calls-in-arrear (9,000)			
3000 @R3			
Sundry creditors	15,425	Stock	10,275
Provision for tax	4,000	Book debts	15,000
		Cash at bank	1,500

		Profit & Loss A/c 22,000	
		Less: Current year profit (1,200)	20,800
	1,30,425		1,30,425

It is found that machinery is over valued by Rs.10,000. It is proposed to write down this asset to its true value and to write off Profit and Loss A/c balance, Goodwill & Preliminary expenses by the adoption of the following scheme:

- (1) Forfeit the shares on which call is outstanding.
- (2) Reduce the paid up capital by Rs 3 per share.
- (3) Re-issue the forfeited shares at Rs 5 per share.
- (4) Utilise provision for tax, if necessary.

Give journal entries and show the new Balance sheet after Reconstruction.

20. The following is the balance sheet of D Pvt Ltd as on 31/12/2010

liabilities	Rs.	assets	Rs.
Share capital 10000 shares of Rs.10 each	1,00,000	Land & building	70,000
General reserve	50,000	Plant	70,000
Taxation reserve	20,000	Trade mark	20,000
Workmen compensation fund	20,000	Stock	20,000
P/L a/c	30,000	Debtors	48,000
Creditors	40,000	Cash at bank	25,000
		Preliminary expense	7,000
	2,60,000		2,60,000

(A)

The plant is worth ₹ 60,000 and Land and Buildings are worth ₹ 1,30,000; as valuer valued by an independent valuer ₹ 5,000 of the debtors is to be taken as bad. The profits of the company were 2008 ₹ 50,000; 2009 ₹ 60,000 and 2010 ₹ 70,000. It is the practice of the company to transfer 20% of the profits to Reserve.

Ignoring taxation, find out the value of the company's share on their intrinsic basis and also on yield basis. Shares of similar companies quoted in the stock exchange yield 12% on their market value. Goodwill of the company may be taken at ₹ 1,00,000.

21. Define PPE. What are the objectives of Ind AS-16 and Discuss the applicability of Ind AS-16 ? (An)
22. 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 Sun light Ltd. The assets and liabilities of the two companies are given below: (A)
- 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.
- You are given that the capital of Bright Light Limited consisted of Rs.100 shares, called-up Rs.50 and that of Sun Light Limited Rs.100 shares, called-up Rs.40. 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.

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
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Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;