

Reg. No

Name

18P108

M. COM DEGREE END SEMESTER EXAMINATION - NOVEMBER 2018

SEMESTER 1 : COMMERCE

COURSE : 16P1COMT01 : ADVANCED FINANCIAL ACCOUNTING - I

(For Regular - 2018 Admission & Supplementary - 2016 / 2017 Admissions)

Time : Three Hours

Max. Marks: 75

Section A

Answer any 10 (2 marks each)

1. Give journal entries for consolidation and subdivision of shares.
2. State the different ways of capital reduction under section 100 of Companies Act
3. What is intrinsic value of a share? How will you calculate it?
4. Balance sheet of a company gives following information: Fixed assets 80000, Current assets 70000, Goodwill 20000, Unsecured loan 20000, Creditors 31,000, share capital 1000 shares of 100 each, General Reserve 19,000. It is found that goodwill is valueless and depreciation on fixed asset Rs.4000 is in arrear. Calculate the intrinsic value of the share.
5. When there arise a need for valuation of Shares?
6. What is NRR?
7. Which Rate of Return method of valuation shares is suitable in the following cases
 - a) Purchase of small block of shares of a company
 - b) Purchase of majority of shares of a company
8. In Share valuation Fair Value (Dual) method is reliable than Net Asset method and Earnings method. Why?
9. What is the purpose of preparing deficiency account?
10. What is List B under Insolvency Act?
11. What is historical cost approach of valuation of Human Resource?
12. Why there arise a need for Human Resource Accounting?

(2 x 10 = 20)

Section B

Answer any 5 (5 marks each)

13. 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.

14. Following is the Balance Sheet of God bole Co. Ltd., as on 31st March 1999:

Liabilities	Rs.	Assets	Rs.
Share Capital			
3,000 5% pref. shares of Rs. 100 each	3,00,000	Goodwill	22,500
6,000 Equity shares of Rs. 100 each	6,00,000	Land & Building	3,00,000
6% Debentures	1,50,000	Machinery	4,50,000
Bank Overdraft	1,50,000	Stock	65,000
Creditors	75,000	Debtors	70,000
		Cash	7,500
		P & L A/c	3,50,000
		Preliminary Exp.	10,000
	12,75,000		12,75,000

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

- The preference shares are to be reduced to fully paid shares of Rs. 75 each and Equity shares are to be reduced to shares of Rs. 40 each fully paid.
- The debenture holders took over stock and debtors in full satisfaction of their claims.
- The fictitious and intangible assets are to be eliminated.
- The Land Building to be appreciated by 30% and machinery to be depreciated by 33.33%.
- Expenses of Reconstruction amounted to Rs. 4,500.

Give Journal entries incorporating the above scheme of reconstruction

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

Liabilities	Rs	Assets	Rs.
Share capital :-	3,75,000	Fixed Assets	16,25,000
8% preference shares of Rs. 100 each			
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.

- Explain purchase consideration and various methods of its calculation.
- Explain Intrinsic value, Face value, Market value of share?
- 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 have 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. 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.

19. From the following calculate creditors under List A and D
 Creditors 55,000 Bills Payable 10,500 Creditors having a lien on stock 8,000 Bill of Exchange 4000 Stock 6000 Income Tax Payable 550
 Salary and wages (preferential 600) 2,200 Bills Discounted (Expected to Rank 3000) 9,000.
20. Describe the need for International Accounting Standards and how they are formulated. Explain any *Two IFRSs* (5 x 5 = 25)

Section C

Answer any 3 (10 marks each)

21. 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:

- To make the existing Rs. 100 each shares fully paid-up and then to reduce them to Rs. 20 each.
- To settle the claims of first debenture-holders by issuing 2,000 13.5% debentures of Rs. 100 each.
- To discharge the claims of the second debenture holders by issuing 15% 4,000 debentures of Rs. 100 each
- To pay Rs. 3,00,000 to Mr. Y in full settlement of his account.
- To allot 15,000 fresh equity shares of Rs. 20 each to discharge the remaining trade creditors.
- Market value of investments is Rs. 20,000.
- 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.

22. Give journal entries in the book of of transferor in case of Amalgamation in thr nature of purchase?
23. The Balance Sheets of Surya Ltd. and Chandra Ltd, as at 31st March, 2012 were as under:

<i>Liabilities</i>	<i>Surya Rs.</i>	<i>Chandra Rs.</i>	<i>Assets</i>	<i>Surya Rs.</i>	<i>Chandra Rs.</i>
Share Capital in Equity Share 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 31-03-2012 on the basis of the following information and adjustments:

i. The adjusted profits for the last three years are:

	<i>Surya Ltd.</i> Rs.	<i>Chandra Ltd</i> Rs.
Year ending 31-03-2012	2,25,000	1,50,000
Year ending 31-03-2011	2,40,000	1,35,000
Year ending 31-03-2010	2,35,000	90,000

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 profits of three years and no goodwill to be taken for Surya Ltd.

iii. 7% Debenture holders are to be repaid on 31-03-2012 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 Sheet of Surya Ltd. after absorption.

24. Mr. Arora finds himself insolvent on 31/12/2011. Prepare statement of affairs and deficiency account from the following

Sundry debtors : Good 20,000 Doubtful (Estimated to realize 10,000) – 30,500 Bad-14,000

Shares in B Ltd (Estimated to realize 75,000) 90,000

Creditors 96,500

Creditors holding first charge on shares in B 35,000

Creditors holding second charge on shares in B (to the extent 30,000) 40,000

Bills Payable 8000

Creditors for salaries and wages(2500 preferential) 9000

Cash in hand 160

Stock in trade (Estimated to realize 28,000) 32,840

Bill Receivable (Estimated to realize 9000) 12000

Speculation Loss 20,000

Mr. Arora started business on 1-1-2009 with capital of 80,000. He earned a profit of 15,000 in first year loss 20,500 in second year and loss 28,300 in 3rd year after allowing 3600 as interest on capital per annum. His drawings amounted to 26,000. He has household furniture of estimated value 6,000. There is a private creditor for 10,000.

25. Explain Different methods of Valuation of HRA

(10 x 3 = 30)