19P1008

Reg. No .... Name ....

M. COM DEGREE END SEMESTER EXAMINATION - OCTOBER 2019

SEMESTER 1 : COMMERCE

COURSE : 16P1COMT01 : ADVANCED FINANCIAL ACCOUNTING - I

(For Regular - 2019 Admission and Supplementary - 2016/2017/2018 Admissions)

Time : Three Hours Max. Marks: 75

Section A

Answer any 10 (2 marks each)

1. What is the meaning of reconstruction of a company?
2. What is the procedure for altering share capital?
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. IIt is found that goodwill is valueless and depreciation on fixedasset Rs.4000 is in arrear. Calculate the intrinsic value of the share.
5. What is Normal Rate of Earnings?
6. How will you calculate Goodwill under superprofit method?
7. Give the circumstances under which goodwill is calculated in case of a Company?
8. How will you calculate the value of shares under Productivity Factor Method?
9. What is List B under Insolvency Act?
10. What is the treatment of items in List C of Statement of affairs
11. Why there arise a need for Human Resource Accounting?
12. What are the limitations of HRA

(2 x 10 = 20)

Section B

Answer any 5 (5 marks each)

13. The paid up capital of ST Ltd., amounted to Rs. 5,00,000 consisting of 2,000 5% Cumulative Preference Shares of Rs. 100 each and 30,000 Equity Share of Rs. 10 each. The preference dividends were in arrear for Rs. 30,000.
Heavy losses having been incurred by the company and, the Directors recommended to the shareholders the proposal to reduce the capital
The scheme duly approved and authorized, provided as follows:

    a. For every five 5% preference shares, three 4% Cumulative preference shares, of Rs. 100 each and twenty Equity shares, of Rs. 2 each.
    b. For every Rs. 10 of accumulated arrears of Preference Dividend, one Equity share of Rs. 2 each; and
    c. For every five old Equity shares, one new Equity share of Rs. 2 each
    d. To write down the book-value of Patents by Rs. 70,000; Plant and Machinery by Rs. 17,000; and Tools and Implements by Rs. 2,000.
    e. To write off debit balance on Profit and Loss Account of Rs. 1,98,000

f. Any balance made available by the reduction of capital to be written off "Experiment and Research Expenses".

You are required to show the necessary journal entries and prepare Reduction Account to record the above in the books of the company.

14. What are the different ways to reduce sharecapital of a company under Section 100. Explain with journal entries

15. Star Ltd., and Moon Ltd. had been carrying on business independently. They agreed to amalgamate and form a new company Neptune Ltd, with an authorized share capital of Rs. 2,00,000 divided into 40,000 equity shares of Rs. 5 each.

On 31st March, 2012, the respective Balance Sheet of Star Ltd, and Moon Ltd. were as follows:

	Star Ltd. *Rs.*	*Moon Ltd.* *Rs.*
Fixed Assets	3,17,500	1,82,500
Current Assets	1,63,500	83,875
	4,81,000	**2,66,375**
Less: Current Liabilities	2,98,500	90,125
Representing Capital	**1,82,500**	**1,76,250**

Additional Information :

a. **Revalued figures of Fixed and Current Assets were as follows:**

	Star Ltd. *Rs.*	*Moon Ltd.* *Rs.*
Fixed Assets	3,55,000	1,95,000
Current Assets	1,49,750	78,875

b. The debtors and creditors include Rs. 21,675 owed by Star Ltd. to Moon Ltd.

The purchase consideration is satisfied by issue of the following shares and debentures:

i. 30,000 equity shares of Neptune Ltd. to Star Ltd. and Moon Ltd. in the proportion to the profitability of their business based on the average net profit during the last three years which were as follows:

	Star Ltd. *Rs.*	*Moon Ltd.* *Rs.*
2009 – 10 Profit	2,24,788	1,36,950
2010 – 11 (Loss) / Profit	(1,250)	1,71,050
2011 – 12 Profit	1,88,962	1,79,500

You are required to compute the amount of shares to be issued to Star Ltd. and Moon Ltd. and a Balance Sheet of Neptune Ltd. showing the position immediately after amalgamation.

16. Explain purchase consideration and various methods of its calculation.

17. Explain Intrinsic value, Face value, Market value of share?

18. 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. Calculate the value of the Good will of the business:
(a) 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.

19. From the following information, calculate the value of an equity share using yield method:-

		Rs.
2,000	9% Preference shares of Rs. 100 each	2,00,000
50,000	Equity shares of Rs. 10 each Rs. 8 per share paid up	4,00,000

Rate of tax – 40% of profit
Transfer to General reserve every year = 20% of Profit.
Normal rate of earnings = 15%

20. 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.

(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:
   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.
   iii) To discharge the claims of the second debenture holders by issuing 15% 4,000 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.

22. On 31st March, 2012, Thin Ltd. was absorbed by Thick Ltd., the later taking over all the assets and liabilities of the former at book values. The consideration for the business was fixed at Rs. 4,00,000 to be discharged by the transferee company in the form of its fully paid equity shares of Rs. 10 each, to be distributed among the shareholders of the transferor company, each shareholder getting two shares for every share held in the transferor company. The balance sheets of the two companies as on 31st March, 2012 stood as under:

Liabilities	*Thick Ltd* *Rs.*	*Thin Ltd.* *Rs.*	*Assets*	*Thick Ltd.* *Rs.*	*Thin Ltd.* *Rs.*
Share Capital :			Goodwill	2,00,000	60,000
Authorised	15,00,000	5,00,000	Plant and Machinery	4,12,000	1,00,000
Issued and Subscribed:			Furniture	80,000	30,000
Equity shares of Rs.10 each, fully paid	9,00,000	2,00,000	Stock in Trade	2,65,500	60,000
General Reserve	1,80,000	50,000	Sundry Debtors	2,21,200	46,000
Surplus			Prepaid Insurance	-	700
Account	20,502	12,900	Income Tax Refund		
Workmen's Compensation Fund	12,000	9,000	Claim	-	6,000
Sundry Creditors	58,567	30,456	Cash in Hand	869	356
Staff Provident Fund	10,200	4,000	Cash at Bank	14,000	8,300
Provision for Taxation	12,300	5,000			
	11,93,569	**3,11,356**		**11,93,569**	**3,11,356**

Amalgamation expenses amounting to Rs. 1,000 were paid by Thick Ltd. You are required to:

i. *prepare Realisation Account and Equity Shareholders Account in the books of Thin Ltd.*
ii. *pass the necessary journal entries in the books of Thick Ltd. and*
iii. *prepare the Balance Sheet of Thick Ltd. after the* ***amalgamation in the nature of merger***

23. Balance Sheet of Z Ltd. are given below as at 31st March, 2012.

Liabilities	*Z Ltd* *Rs.*	*A Ltd.* *Rs.*	*Assets*	*Z Ltd.* *Rs.*	*A Ltd.* *Rs.*
Share Capital (Rs. 10)	2,00,000	4,00,000	Sundry Assets (no Goodwill)	3,10,000	6,00,000
Reserves and Surplus	40,000	1,00,000	Loan of A Ltd.	30,000	-
7% Debentures (Rs. 100)	1,00,000	-	Investments:		
Loan from Z Ltd.	-	30,000	5,000 shares in A Ltd.	50,000	
Other Liabilities	50,000	70,000			
	3,90,000	**6,00,000**		**3,90,000**	**6,00,000**

A Ltd. takes over Z Ltd. on the following terms:

a. A Ltd. will issue sufficient number of shares at Rs. 11 each and pay 50 paise cash per share held by members of Z Ltd.
b. 7% Debentures of Z Ltd. are taken over by A Ltd. along with other liabilities of Z Ltd.

Show journal entries and significant ledger accounts in the books of both the companies. Also draft Balance Sheet of A Ltd. after absorption.

24. RoshanLal finds himself insolvent on 31st December 2013. His position was as follows:
Sundry Debtors – Good, Rs.5000 ; Doubtful, Rs. 30000 (estimated to produce Rs. 25000) ; Bad, Rs. 15000

1000 shares in A Co.Ltd. (estimated to produce Rs. 15000)	Rs.25000
Shares in B Co. Ltd. (estimated to produce Rs. 75000)	Rs. 91500
Loss through betting	Rs. 2000
Creditors on open account	Rs. 85600
Creditors holding a second charge on the shares of B Co. Ltd. to the extent of Rs. 25000	Rs. 30000
Creditors holding a first charge on the shares of B Co. Ltd.	Rs. 40000
Bills payable	Rs. 4000
Creditors for Rent, Rates, Taxes, etc. (of which Rs.4600 are preferential)	Rs. 5000
Furniture and fixtures (estimated to produce Rs. 3000)	Rs. 15000
Cash in hand and at bank	Rs. 550
Stock in trade (estimated to realize Rs. 30450)	Rs. 35950
Bills receivable (estimated to realize Rs. 7000)	Rs. 9000

RoshanLal started with a capital of Rs. 70000 on 1st January 2010 and the business resulted in a profit of Rs. 8900 and Rs. 10000 for the first two years respectively and in a loss of Rs. 5000 for the third year, after allowing Rs. 3500 as interest on capital each year. Withdrawals for the whole period amounted to Rs. 30000.

Prepare a statement of Affairs and Deficiency Account.

25. Explain IFRS. Give a brief history of Emergence of IFRS.

(10 x 3 = 30)