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Reg No :

Name :

M COM DEGREE (CSS) EXAMINATION, APRIL 2023

First Semester

Master of Commerce & Management

CORE - CM020101 - ADVANCED ACCOUNTING

2019 ADMISSION ONWARDS

E548D80A

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight **1** each.

1. From the following information calculate value of goodwill on the basis of 3 years' purchase of super profit calculated on the average profit of last 3 years.
 - (i) Sundry assets of the firm are Rs 22,50,800 and current liabilities are Rs 93,625.
 - (ii) Average capital employed in the business is Rs 18,00,000.
 - (iii) Rate of interest expected from capital having regard to the risk involved is 10%.
 - (iv) Net trading profits of the firm for the past three years were Rs 3,22,800 Rs 2,72,100 and Rs 37,500.
 - (v) Fair remuneration to the partners for their services is Rs 36,000 per annum.
2. What is intrinsic value of a share?
3. The following are balances in the Balance Sheet of ABC Ltd.

Particular	1.1.2015	31.12.2015
General Reserve	18,000	30,000
Profit and Loss account	14,000	60,000

Majority shares in ABC Ltd. were acquired by LMN Ltd. on 1st July, 2015. Find out the amount of pre-acquisition profit and post-acquisition profit.
4. Nancy Ltd has 40,000 equity shares of Rs.10 each. The intrinsic value of the share is Rs.25. Nancy Ltd is to be taken over by Revathy Ltd which has an intrinsic value of Rs.70 per share. Find out the share exchange ratio and purchase consideration.
5. What is the use of Amalgamation Adjustment Account?



6. What are accounting standards? Discuss.
7. Raj Ltd entered into an agreement with Heena Ltd to despatch goods valuing Rs 5,00,000 every month for next 6 months on receipt of entire payment. Heena Ltd accordingly made the entire payment of Rs 30,00,000 and Raj Ltd started despatching the goods. In the fourth month, due to fire in the premises, Heena Ltd requested Raj Ltd not to despatch goods until further notice. Due to this, Raj Ltd is holding the remaining goods worth Rs 15,00,000 ready for despatch. Raj Ltd accounted Rs 15,00,000 as sales and transferred the balance to Advance Received Against Sales Account. Comment on the above based on AS-9.
8. How do you treat revaluation profits and losses?
9. What is Consortium Block Chain?
10. Who is an insolvency professional?

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. The following is the Balance Sheet of Sunshine Ltd as on 30th June 2009

Liabilities	Rs.	Assets	Rs.
Share Capital:		Building	55,000
2,000 6% Preference shares of Rs. 10 each	20,000	Machinery (less depreciation)	65,000
8,000 Equity shares of Rs. 10 each	80,000	Patents	10,000
Reserve Fund	50,000	Stock	28,000
Profit and Loss Account	16,000	Sundry Debtors	40,000
Workers' Savings Account	15,000	Cash at Bank	26,000
Sundry Creditors	49,000	Preliminary expenses	6,000
	2,30,000		2,30,000

- (1) It was discovered that machinery was under depreciated by Rs. 5,000.
- (2) Independent valuation of building has been worked out to Rs. 1,30,000.
- (3) Out of Debtors, Rs. 6,000 worth debts are bad.
- (4) value of Goodwill is Rs 20,000.

Find out the intrinsic value of share.



12. What do you understand by the expression "consolidation of financial statements"? State the advantages and disadvantages of consolidation of financial statements.

13. X. Ltd. acquired 4,000 shares of Rs.10 each on 30th June 2018 for Rs. 52,000 in Y. Ltd. X. Ltd. received 10% dividend for 2017 but the dividend as received has been credited to Profit & Loss Account of X. Ltd. The following are details collected from the Balance Sheets as at 31st Dec. 2018.

Liabilities	H. Ltd.	S. Ltd.	Assets	H. Ltd.	S. Ltd.
Share Capital			Investments		
Shares of 10 each	60,000	50,000	S Ltd. (4,000 Shares)	52,000	---
General Reserve (1.1.2018)	12,000	10,000			
Profit & Loss A/c	34,000	28,000	Sundry Assets	64,000	96,000
Creditors and Provisions	10,000	8,000			
	1,16,000	96,000		1,16,000	96,000

On 1st Jan. 2018, the Profit & Loss Account of Y Ltd. showed a credit balance of Rs.8,000. Prepare a consolidated Balance Sheet as on 31st Dec. 2018.

14. Explain the accounting treatment of inter-company investments.

15. The following details are extracted from the Balance Sheets of Tintu Ltd and Sona Ltd as at 31.03.2018 are as follows.

Particulars	Tintu Ltd.	Sona Ltd.
Equity Share Capital	3,00,000 (Rs.30)	1,50,000 (Rs.15)
Reserves and Surplus	1,00,000	50,000
Current Liabilities (Creditors)	40,000	15,000
Total Tangible Assets	2,50,000	1,25,000
Goodwill	30,000	20,000
Current Assets	1,60,000	70,000

The companies decided to amalgamate into a new company Soja Ltd. which will take over the assets and liabilities of these companies at the following terms.

- Tintu Ltd. Holders of each share of Rs. 30 each in the company, would receive 6 equity shares of Rs. 5 each fully paid and Rs. 5 in cash.
- Sona Ltd. Holders of each share of Rs. 15 each in the company, would receive one 12% preference share of Rs. 10 each fully paid-up and Rs. 10 in cash.
- Liquidation expenses of the two companies Rs. 20,000 and Rs. 10,000 respectively met by Soja Ltd.



iv) Ozon Ltd decided to issue 10% debentures of Rs. 40,000 and Rs. 15,000 to the creditors of Tintu Ltd and Sona Ltd.

You are required to compute the purchase consideration of both the companies.

16. Discuss the applicability of accounting standards in India.
17. ABC Ltd ordered 13,000 kg of chemicals at ` 90/kg. The purchase price includes GST of Rs 5/kg in respect of which full tax credit is admissible. Freight incurred is Rs 30,000. Normal transit loss is 4%. The company actually received 12,400 kg and consumed 10,000 kg. The company received trade discount in the form of cash amounting to Rs 1/kg. The chemicals were delivered in containers. The containers were not reusable, hence sold for Rs 500. The administrative expenses incurred to bring the chemicals were Rs 10,000.

Compute the value of inventory and allocate the material cost as per AS-2.

18. What are the challenges for the implementation of Forensic Accounting in India?

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. Define Goodwill. What are the factors affecting the goodwill? Explain the methods of valuation of goodwill.
20. The following are the summarised Balance Sheet of Agra Ltd. and its subsidiary Himachal Ltd. as on 31.12.2020:

Balance Sheets of Agra Ltd. and Himachal Ltd. as at 31st December, 2020

Particulars	Note No	Agra Ltd. ₹	Himachal Ltd. ₹
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital - Equity Share of Rs.10 each fully paid		5,00,000	1,00,000
(b) Reserves and Surplus			
- Profit and Loss Account		55,000	40,000
(2) Share Application Money Pending Allotment			
(3) Non-Current Liabilities			
(4) Current Liabilities			
(a) Trade Payables - Sundry Creditors		20,000	35,000
TOTAL		5,75,000	1,75,000



II. Assets

(1) Non-Current Assets

(a) Fixed Assets

(i) Tangible Assets

- Land	1,00,000	40,000
- Building	1,00,000	50,000

(ii) Intangible Assets

(b) Non-current Investments -

1,25,000

8,000 Equity Shares of Himachal Ltd

(2) Current Assets

90,000 30,000

(a) Inventories - stock

(b) Trade Receivables

40,000 30,000

Sundry Debtors

(c) Cash and Cash Equivalents

1,20,000 25,000

Cash in hand

TOTAL

5,75,000 1,75,000

Agra Ltd. acquired shares in Himachal Ltd. on 1.1.2020 when Himachal Ltd. had Rs. 25,000 in Profit and Loss Account. No dividend has been declared by Himachal Ltd. in 2020. You are required to prepare a Consolidated Balance Sheet of Agra Ltd. and its subsidiary Himachal Ltd as on 31st December, 2020.

21. The following is the summarised Balance Sheet of AX Ltd. as on 31.03.2018.

Particulars	Rs.
I. EQUITY AND LIABILITIES	
1) Shareholders Funds:	
a) Share capital (12,000 shares @ Rs.500 each)	60,00,000
b) Reserves and Surplus	
Insurance Fund	1,30,000
Reserve Fund	6,50,000
Surplus A/c	20,000
2) Non-Current Liabilities	
a) Long term Borrowings (2,600 Debentures of Rs.500 each)	13,00,000
Workmen Savings Bank	4,00,000
3) Current Liabilities	
a) Trade payables (Creditors)	5,00,000
Total	90,00,000

II. ASSETS	
1) Non-Current Assets	
a) Fixed Assets	
i) Tangible Assets–	
Land and Building	27,20,000
Plant and Machinery	30,00,000
Furniture and Fittings	1,00,000
ii) Intangible Assets (Patents and TradeMarks)	4,00,000
2) Current Assets	
a) Inventories (Stock)	20,00,000
b) Trade Receivables (Debtors)	6,00,000
c) Cash and Cash Equivalentents (Cash)	1,80,000
Total	90,00,000

AY Ltd agreed to take over AX Ltd on the following basis

- Payment of cash at Rs. 90 for every share in AX Ltd.
- Payment of cash at Rs. 550 for every debenture holder in full discharge of debentures.
- Exchange of 4 shares of AY Ltd of Rs.75 each (quoted in the market at Rs. 140 each) for every share in AX Ltd.

Show the necessary ledger accounts in the books of AX Ltd.

22. Explain Blockchain Technology. Explain its features. How does it work?

(2×5=10 weightage)