

QP CODE: 23145674



Reg No :

Name :

M COM DEGREE (CSS) EXAMINATION, DECEMBER 2023

First Semester

Master of Commerce & Management

CORE - CM020101 - ADVANCED ACCOUNTING

2019 ADMISSION ONWARDS

A72E0D1B

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight 1 each.

1. Define Goodwill.
2. From the following particulars, calculate the value of an equity share:

2,000, 9% Preference shares of Rs. 100 each	Rs. 2,00,000
50,000 Equity shares of Rs. 10 each, Rs. 8 per share paid-up	Rs. 4,00,000
Expected profit per year before tax	Rs. 2,18,000
Rate of tax	Rs. 40%
Transfer to general reserve every year	20% of profit
Normal rate of earning	15%
3. What do you mean by cross holding?
4. How will you treat liquidation expenses of the transferor company?
5. B. Ltd. had the following Balance-Sheet as on 31 st March, 2011. C Ltd is acquiring B Ltd.

B. Ltd.

Liabilities	Rs.	Assets	Rs.
Share Capital 50000 shares of Rs.100 each	50,00,000	Fixed Assets	83,00,000
Capital Reserve	10,00,000	Current Assets	69,00,000
General Reserve	36,00,000		
Unsecured Loans	22,00,000	Investment	17,00,000
Sundry Creditors	42,00,000		
Provision for taxation	11,00,000	Goodwill	2,00,000
	171,00,000		171,00,000

For the purposes of the amalgamation, the goodwill of B. Ltd. is considered valueless. There are also arrears of depreciation in B. Ltd. amounting to Rs.4,00,000. Calculate Purchase consideration on net asset basis.

6. What are the three fundamental accounting assumptions?

7. Cost of the closing stock	Rs 5,00,000
Scrap value	Rs. 2,50,000
Sales Proceeds	4,00,000
Less: Trade Discount	(40,000)
	3,60,000
Less: Cash Discount	(10,000)
	3,50,000
Less: Cost of Disposal	(25,000)
	3,25,000
Ascertain the value of stock to be included in the balance sheet.	

8. What is basic EPS? How is it computed?
9. What is forensic accounting?
10. What is Artificial Intelligence Chatbots?

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. From the following information relating to business of Somu and Addu Enterprises, calculate value of goodwill at four years' purchase of super profit and by capitalization of average profits.
- | | |
|---|--|
| (i) Average Capital employed | 7,00,000 |
| (ii) Expected Rate of Return | 8% |
| (iii) Sundry Assets (Excluding goodwill) | 7,54,760 |
| (iv) Sundry liabilities | 29,205 |
| (v) Fair Remuneration to partners | 12,000 |
| (vi) Net trading profits for the last 3 years | Rs. 1,47,000; Rs. 1,48,000; Rs. 1,49,000 |

12. What do you mean by holding companies? What are their advantages and disadvantages?

13. The following are the summarised balance sheets of A Ltd., and its subsidiary B Ltd., as at 31 March 2017

	A Ltd	B Ltd
I. Equity and Liabilities		
Equity shares of Rs.100 each	16,00,000	4,00,000
Profit & Loss A/c	2,00,000	80,000
External Liabilities	30,00,000	19,20,000
TOTAL	48,00,000	24,00,000
II. Assets		
Equipment	10,00,000	3,80,000
Investment: 3,600 equity shares in B Ltd. on	5,60,000	—
1/4/ 2017	32,40,000	20,20,000
Other Assets		
TOTAL	48,00,000	24,00,000

On 1 April 2017 P&L A/c B of Ltd. showed a credit balance of Rs.32,000 and equipment of B Ltd., was revalued by A Ltd., 20% above its book value of Rs.4,00,000 (but no such adjustment effected in the books of B Ltd.)
Prepare the consolidated balance sheet as at 31 March 2017

14. The following is the summarised Balance Sheet of Black Ltd as on 31.03.2018.

Liabilities	Rs.	Assets	Rs.
Equity share capital (50,000 shares of Rs.10)	5,00,000	Plant and Machinery	3,00,000
Reserves	1,00,000	Investment	1,00,000
Surplus A/c	60,000	Stock	2,60,000
10% Debentures	2,00,000	Debtors	1,30,000
Creditors	60,000	Cash	90,000
		Preliminary expenses	40,000
	9,20,000		9,20,000

White Ltd. takes over the above business for Rs.8,00,000 to be paid 80% in the form of equity shares of Rs. 10 each and the balance in cash. The cost of realisation is Rs.10,000.

Prepare Realisation A/c, Shareholders A/c, and Cash A/c in the books of Black Ltd.

15. Given below the balance sheet of Sandra Ltd as at 31.03.2018.

Particulars	Rs.
Equity Share Capital (Rs.100)	75,000
12% Preference share capital (Rs. 100)	20,000
Reserves and Surplus	33,000
10% Debentures (Rs. 100)	3,000
Long term provisions (Employee Security Deposit)	10,000
Sundry Creditors	9,000
Tangible Fixed Assets	70,000
Current Assets	80,000

Sonu Ltd. absorbed Sandra Ltd on 31.03.2018 on the following terms.

- 10% Debentures of Sandra Ltd are to be issued 15% Debentures in Sonu Ltd.
- 12% Preference shares of Sandra Ltd are to be discharged by Sonu Ltd by issuing an equivalent number of 15% preference shares of Rs. 100 each at Rs.150 each.
- Sonu Ltd company shall issue 4 equity shares of Rs.10 each at Rs. 30 each for each equity share in Sandra Ltd.
- Sonu Ltd shall pay the cost of realisation which amounts to Rs. 5,000.
- Creditors and employee security deposits are also assumed by Sonu Ltd.

Show the calculation and discharge of purchase consideration.

16. Explain the procedure of issuing accounting standards in India.

17. The following transactions relate to the share capital of ABC Ltd.

Date	Particulars	Shares Issued	Bought Back	Outstanding shares
01.01.2020	Beginning Balance	1800 shares		1800 shares
31.05.2020	Issue of shares	600 shares		2400 shares
01.11.2020	Buy back of shares	—	300 shares	2100 shares
31.12.2020	Closing Balance	—	—	2100 shares

Calculate weighted average number of shares.

18. Write a short note on voluntary liquidation under Insolvency and Bankruptcy Code 2016.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19.

1. Following are the liabilities and assets of Mr. Chandy as on 30th September, 2014 :

Liabilities	Rs	Assets	Rs
Capital	1,64,000	Land and Buildings	36,000
General Reserve	40,000	Plant	54,000
Creditors	38,040	Investments	30,000
		Stock	26,850
		Bank	75,990
		Debtors	19,200
	2,42,040		2,42,040

Following were the net profits for the year ended

30th September, 2012	Rs
30th September, 2013	32,280
30th September, 2014	36,870
	43,350

The above amounts include income from investments, Rs 1,800 each year.

You are required to value the goodwill of the above business at 2 years' purchase of the average super profit for 3 years, taking into account the fact that the standard rate of return on capital employed in such type of business is 10% Assuming that each years' profits immediately withdrawn in full by Mr. Chandy. Use weighted average for calculating average profits.

20. A Ltd. acquired 3,000 Equity Shares in B Ltd. on 1st July, 2019 at a cost of Rs.3,70,000. On 31st December, 2019, Summarised Balance Sheets of A Ltd. and B Ltd, were as follows:

	A Ltd	B Ltd
Liabilities		
Share Capital:		
(Equity Shares of 100 each)	6,00,000	5,00,000
General Reserve	1,00,000	1,50,000
Profit and Loss A/c	90,000	1,20,000
Sundry Creditors	2,55,000	1,40,000
TOTAL	10,45,000	9,10,000

Assets

Land & Buildings	4,00,000	2,50,000
Machinery	---	2,25,000
Investment in B Ltd.	3,70,000	---
Stock at Cost	65,000	1,40,000
Sundry Debtors	90,000	1,10,000
Cash & Bank	1,20,000	1,85,000
TOTAL	10,45,000	9,10,000

As on the date of acquisition Land and Building of B Ltd. was found over valued by Rs.20,000. Value of machinery was determined at Rs.3,00,000. Depreciation charged on machinery is @ 10% p.a. on diminishing balance method. Profit and Loss A/c as on 01.07.2019 was Rs.30,000. Prepare Consolidated Balance Sheet

21. Balance sheets of Manju Ltd and Neenu Ltd are given below as at 31st March 2020. You are required to prepare journal entries in the books of Manju Ltd and Neenu Ltd.

Particulars	Manju Ltd (Rs.)	Neenu Ltd (Rs.)
I. EQUITY AND LIABILITIES		
1) Shareholders Funds:		
a) Share capital:- Share capital of Rs. 10 each	4,00,000	8,00,000
b) Reserves and Surplus	80,000	2,00,000
2) Non-current Liabilities:		
7% Debentures (Rs.100)	2,00,000	---
Loan from Manju Ltd	---	60,000
3) Current Liabilities:		
Other Liabilities	1,00,000	1,40,000
Total	7,80,000	12,00,000
II. ASSETS		
1) Non-Current Assets		
Fixed Assets		
Sundry Assets	6,20,000	12,00,000
Investments:		
Loan to Neenu Ltd	60,000	---
10,000 shares in Neenu Ltd	1,00,000	---
2) Current Assets:-		
Total	7,80,000	12,00,000

Neenu Ltd Merges with Manju Ltd in the nature of purchase on the following terms:

- Neenu Ltd will issue a sufficient number of shares at Rs. 11 each and pay 0.50 paise each per share held by members of Manju Ltd.
- 7% debentures of Manju Ltd are taken over by Neenu Ltd along with other liabilities of Manju Ltd.

Show journal entries and significant ledger accounts in the books of both companies. Also, draft Balance sheet of Neenu Ltd after amalgamation.

22. Describe Individual insolvency resolution process

(2×5=10 weightage)