



24045693

QP CODE: 24045693

Reg No : .....

Name : .....

**M.Sc DEGREE (CSS) EXAMINATION, DECEMBER 2024****First Semester**

M.Com MASTER OF COMMERCE &amp; MANAGEMENT

**CORE - CM020101 - ADVANCED ACCOUNTING**

2020 ADMISSION ONWARDS

5AB022D4

Time: 3 Hours

Weightage: 30

**Part A (Short Answer Questions)***Answer any **eight** questions.**Weight **1** each.*

1. What is average profit method of computing 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. How would you deal with the revaluation of assets and liabilities of the subsidiary while preparing a Consolidated Balance Sheet?
4. What is the direct ascertainment method?
5. A Limited agreed to acquire the business of E Limited as on 31 st December, 2011, when E Limited had capitals as under:

10,000 6% Preference shares of Rs. 10 each = Rs. 1,00,000	20,000 Equity shares of Rs. 10 each = Rs. 2,00,000	&
7% Debentures of= Rs. 1,00,000		

The consideration payable by A Limited was agreed as under:
  1. The preference Shareholders of E Limited were to be allotted at 8% preference shares of Rs. 1,10,000.
  2. Equity Share-holders to be allotted six Equity Shares of Rs. 10 each issued at a premium of 10% and Rs. 3 cash against every five shares held.
  3. 7% Debenture holders of E Limited to be paid 8% premium by 9% Debenture at 10% Discount.Calculate Purchase consideration on Payment basis.
6. What is NACAS? What is its function?
7. How should uncertainties about revenue recognition be treated?

8. A manufacturing company decided to set aside a portion of the profits to a mandatory reserves for the purpose of redemption. Consequently the net profit available to equity shareholders got reduced. Is this treatment correct?
9. Give an overview of artificial intelligence in accounting.
10. Write a short note on Insolvency and Bankruptcy Board of India.

(8×1=8 weightage)

### Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. From the following particulars, calculate value of goodwill on the basis of three years' purchase of super profit. The actual profits for the last four years were as under:

2002-03	Profit	1,83,000
2003-04	Profit	2,25,000
2004-05	Loss	-30,000
2005-06	Profit	3,15,000

Other information

(i) Capital employed (Average) Rs. 7,50,000

(ii) Market rate of return on investment 8%

(iii) Rate of risk attached to such investment 2%

(iv) Remuneration from alternative employment of the proprietor, if not engaged in business, Rs. 90,000 p.a.

(v) Salary of manager who is not required in new set up. Rs. 60,000 p.a.

12. From the balances as on 1st March, 2019 given below prepare a Consolidated Balance Sheet of X. Ltd. and its subsidiary company Y. Ltd.

	X Ltd	Y Ltd
<b>Credit Balances</b>		
Share Capital:		
Shares of 10 each	25,00,000	6,00,000
General Reserve	3,60,000	1,20,000
Surplus A/c	2,40,000	1,80,000
Trade Creditors	3,50,000	1,00,000
<b>Debit Balances</b>		
Land & Building	6,40,000	2,00,000
Machinery	12,60,000	3,40,000
Furniture	1,40,000	60,000
40,000 shares in Y. Ltd.	5,00,000	----
Stock in hand	4,10,000	2,50,000
Debtors	3,80,000	1,00,000
Bank Balance	1,20,000	50,000



At the date of acquisition of X Ltd. of its holding of 40,000 shares in Y. Ltd., the latter company had undistributed profits and reserves amounting to Rs.1,00,000, none of which has been distributed since then.

13. From the two Balance Sheets of P Ltd. and Q Ltd., prepare a Consolidated Balance Sheet.

**Balance Sheets of P Ltd. Q Ltd. as at 31st March 2021**

Particulars	Note No	P Ltd.	Q Ltd.
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholder's Funds			
(a) Share Capital - Equity Share of ₹10 each		1,20,000	30,000
(b) Reserves and Surplus			
- General Reserve		25,000	6,000
- Profit and Loss Account		12,000	9,000
(2) Share Application Money Pending Allotment		---	---
(3) Non-Current Liabilities		---	---
(4) Current Liabilities			
(a) Trade Payables - Creditors		15,000	5,000
<b>TOTAL</b>		<b>1,72,000</b>	<b>50,000</b>
<b>II. Assets</b>			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets		72,000	25,000
- Building at cost		30,000	10,000
- Plant and machinery (net)		---	---
(ii) Intangible Assets		25,000	---
(b) Non-current Investments - 2,000 Equity Shares of Q Ltd ₹10 each			
(2) Current Assets		18,000	3,000
(a) Inventories - stock		22,000	7,000
(b) Trade Receivables - Debtors		5,000	5,000
(c) Cash and Cash Equivalents - Bank			
<b>TOTAL</b>		<b>1,72,000</b>	<b>50,000</b>

When P Ltd. acquired 2,000 shares in Q Ltd., the latter company had reserves amounting to Rs.5,000 none of which has been distributed since then.

14. Distinguish between pooling of interest method and purchase method.
15. Explain the objectives of business combinations.
16. What do you mean by accounting policies? Mention the situations in which alternative accounting policies are available.
17. Explain the cost computation procedure in AS-2.

18. Explain exit route under Insolvency and Bankruptcy Code 2016.

(6×2=12 weightage)

### Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. Explain the circumstances under which valuation of shares is essential and discuss the various methods of valuation in case of a joint stock company?

20. The following are the Balance Sheets of PQ Ltd. and its subsidiary RS Ltd. as at 31st December, 2015:  
Balance Sheets of PQ Ltd. And RS Ltd. as at 31st December, 2015

Particulars	Note No	PQ Ltd.	RS Ltd.
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' Funds:			
(a) Share Capital		10,00,000	4,00,000
Equity Shares of Rs. 100 each fully paid			
(b) Reserves and Surplus:		2,00,000	---
General Reserve		1,90,000	(2,00,000)
Profit and Loss Account			
(2) Share Application Money Pending Allotment:			
(3) Non-current Liabilities		---	2,00,000
Long-term Borrowings - 6% Debentures			
(4) Current Liabilities:			
(a) Short-term Borrowings			
(b) Trade Payables		1,20,000	90,000
Sundry Creditors			
(c) Other Current Liabilities			
<b>TOTAL</b>		<b>15,10,000</b>	<b>4,90,000</b>
<b>II. ASSETS</b>			
(1) Non-current Assets:			
(a) Fixed Assets		7,00,000	3,00,000
(i) Tangible Assets			
(b) Non-current Investments		2,40,000	---
3,000 Equity Shares in RS. Ltd. at cost		1,20,000	---
Debentures in RS. Ltd. at par			
(2) Current Assets		1,80,000	80,000
(a) Inventories		1,20,000	60,000
(b) Trade Receivables		1,50,000	50,000
(c) Cash and Cash Equivalents Cash at Bank			
<b>TOTAL</b>		<b>15,10,000</b>	<b>4,90,000</b>

PQ Ltd. acquired the shares in RS Ltd. on 1st April, 2015. The Profit and Loss Account of RS Ltd. showed a debit





balance of Rs.3,00,000 on 1st January 2015. Creditors of RS Ltd. includes Rs.40,000 for goods supplied by PQ Ltd. on which PQ Ltd. made a profit of Rs.4,000. Half of the goods were still in stock on 31st December, 2015. Prepare a Consolidated Balance Sheet as at 31st December, 2015.

21. Given below are the balances taken from the books of Surya Ltd and Arya Ltd as on 31st March, 2019, on this date Surya Ltd absorbs Arya Ltd.

Particulars	Surya Ltd. (Rs.)	Arya Ltd. (Rs.)
<b>I. EQUITY AND LIABILITIES</b>		
1) Shareholders Funds:		
a) Share capital:		
10% 1,000 pref. shares of Rs. 100 each	-	100000
Equity shares of Rs.10 each fully paid	1000000	800000
b) Reserves and Surplus:		
Dividend Equalisation Reserve	100000	-
General Reserve	80000	-
Surplus A/c (Subject to payment of dividend on equity and preference shares)	20000	190000
2) Non-current Liabilities (Debentures)	-	120000
3) Current Liabilities		
Bills payable	20000	-
Other Liabilities	180000	180000
<b>Total</b>	<b>1400000</b>	<b>1390000</b>
<b>II. ASSETS</b>		
1) Non-current Assets		
Fixed Assets	600000	800000
Investments and Cost:		
2,000 equity shares of Surya Ltd. @ Rs. 12 each	24000	-
Debentures of Surya Ltd. (Face value Rs.40,000)	36000	-
Other Investments	20000	-
2) Current Assets	720000	-
Bills Receivable	-	10000
Others	-	580000
<b>Total</b>	<b>1400000</b>	<b>1390000</b>

The whole of the undertaking of Arya Ltd. is taken over by Surya Ltd. on the following basis:

- The equity shareholders of Arya Ltd to get in Surya Ltd. Equity shares of Rs.10 each on the intrinsic value of shares of Arya Ltd after the Equity Dividends @ 12% are paid by Arya Ltd.
- Preference shareholders and debenture holders of Arya Ltd. to get respectively preference shares of Rs.100 each and Debenture stock of equal value in Surya Ltd. Half of the bills payable of Surya Ltd. consist of bills drawn by Arya Ltd. Current assets of Arya Ltd include debts of Rs. 4,000 which are to be written off. Show the Balance sheet of Surya Ltd after absorption.

22. Explain Corporate insolvency resolution process.

(2×5=10 weightage)