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Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, MARCH 2022

First Semester

Faculty of Commerce

AF 01 C01—ADVANCED FINANCIAL ACCOUNTING

(2012–18 Admissions—Supplementary/Mercy Chance)

Time : Three Hours

Maximum Weight : 30

Section A

Answer any five questions.

Each question carries a weight of 1.

1. What do you mean by cost of control ?
2. What is a deficiency account ?
3. Distinguish between intrinsic value and market value of shares.
4. Who are Dissenting Shareholders ?
5. Write short note on IFRS.
6. Who is a contributor and briefly discuss his liability.
7. Differentiate between Liquidation and Insolvency.
8. Who are preferential creditors ?

(5 × 1 = 5)

Section B

Answer any five questions.

Each question carries a weight of 2.

9. How would you calculate purchase consideration ? What journal entries would you pass in the books of vendor company and purchasing company ?
10. What are the steps to be followed at the time of formulating a scheme of capital reduction?

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11. What do you understand by goodwill ? Under what circumstances does it arise ? Explain and Illustrate the different methods of calculating goodwill.
12. Explain the meaning of reconstruction of a company. Differentiate between Absorption and Reconstruction of Companies.
13. The net profit of the business after tax, for the past five years are : Rs. 2,00,000, Rs. 2,12,500, Rs. 2,30,000, Rs. 2,62,500 and Rs. 2,95,000. The capital employed in the business is Rs. 20,00,000. The normal rate of return expected in this type of business is 10 %. It is expected that the company will be able to maintain its super profit for the next 5 years. Calculate the value of the goodwill on the basis of capitalisation of super profit method.
14. From the following information, calculate the value of an equity share by Dividend Yield Method :
- (i) The paid-up share capital of a company consists of 1,000, 15 % Preference shares of Rs. 100 each and 20,000 Equity shares of Rs.10 each.
 - (ii) The average annual profits of the company, after providing for depreciation and taxation amounted to Rs. 75,000. It is considered necessary to transfer Rs.10,000 to General Reserve before declaring any dividend.
 - (iii) The normal return expected by investors on equity shares from the type of business carried on by the company is 10 %.

15.	A Ltd.	B Ltd.
Equity share capital (Rs. 10)	... 20,00,000	5,00,000
General Reserve	... 70,000	1,20,000
Profit and Loss Account	25,000	-

A Ltd. takes over the business of B Ltd. and issues 60,000 shares of Rs. 10 each as purchase consideration. How reserves will be treated if it is a case of merger ?





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16. From the following information, calculate the value per equity share :

	Rs.
2000, 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
Expected profits per year before tax ...	2,18,000
Rate of tax ...	50 %
Transfer to General Reserve ...	20 % of the profit
Normal rate of earning ...	15 %
	(5 × 2 = 10)

Section C

*Answer any **three** questions.
Each question carries a weight of 5.*

17. The total absence of information about the value of human capital in the conventional accounting system is serious handicap to decision-making by managers using quantitative means for quantitative goals.

In this context, outline the benefits of providing Human Resource Accounting data to management and problems involved in accounting for human resources.

18. Centurion Bank has issued Capital of 5,00,000 shares of Rs. 10 each. Rs.6 paid as on 30th September 2015. Its Reserves are Rs. 2,00,000. HDFC Bank takes over the business of Centurion Bank on this date and issues one share for every three share in Centurion Bank. Share capital of HDFC Bank consist of 10,00,000 shares of Rs.10 each, Rs.7 paid up and its market value is Rs. 45. Reserves of HDFC Bank are Rs. 25,00,000.

Journalise the entries in the books of HDFC Bank and prepare Balance Sheet after absorption.

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A new company C Ltd. was formed to acquire the assets and liabilities of A Ltd. and B Ltd. The terms of acquisition of business were as under :

- (i) C Ltd. to have an authorised capital of Rs. 3,50,00,000; divided into 50,000 13 % preference shares of Rs. 100 each and 30,00,000 equity shares of Rs. 10 each.
- (ii) Business of A Ltd. valued at Rs. 3,00,00,000, settlement being Rs. 60,00,000 cash and balance by issue of fully-paid equity shares at Rs. 12.
- (iii) Business of B Ltd. valued at Rs. 48,00,000, to be satisfied by issue of fully-paid equity shares at Rs. 12.
- (iv) Preference shares of A Ltd. were redeemed.
- (v) C Ltd. made a public issue of 30,000 preference shares at par and 3,00,000 equity shares at Rs.12. The whole issue was fully subscribed and fully paid up.
- (vi) D, who mooted the scheme, was allotted 40,000 equity shares(fully-paid) at Rs. 12 in consideration of his services.

Pass Journal Entries in the books of A Ltd. and B Ltd. (to close their books of accounts) and C Ltd.