

**MASTER OF COMMERCE
FOURTH SEMESTER
ADVANCED ACCOUNTING
MCM-404A**

Duration : 3 hrs.

Full Marks: 70

[PART-A: Objective]

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1X20=20

1. Which of the following statement is true ?
 - a. A merger involves a combination of two firms such that only one firm survives.
 - b. Leverage Buy-Out (LBO) Strategy started in the year 1990
 - c. Corporate contraction occurs as a result of increased Liability.
 - d. Joint Venture is an example of business contraction
2. How many methods are there for calculation of Purchase Consideration?
 - a. Six
 - b. Five
 - c. Four
 - d. Three
3. Goodwill arising on amalgamation is shown in
 - a. Balance sheet, Asset side of the Transferor Company.
 - b. Balance sheet, Asset side of the Transferee company
 - c. Asset side of the consolidated Balance Sheet prepared after amalgamation
 - d. None of the above
4. Spinoff occurs under which of the following conditions?
 - a. When a subsidiary becomes an independent entity
 - b. When parent company distributes shares of the subsidiary to its shareholders through a stock dividend
 - c. When separation is needed for healthy operations
 - d. All of the above
5. A major difference between government and commercial accounting is that a governmental unit should
 - a. Always establish and maintain complete self-balancing account for each fund
 - b. Use only the cash basis of accounting
 - c. Not record of depreciation expense in any of its funds
 - d. Use only the modified accrual basis of accounting.
6. The process of analyzing, classifying, summarizing and communicating all transactions involving the receipt and disposition of government funds and property and interpreting the results thereof is
 - a. Commercial Accounting
 - b. Government accounting
 - c. Budgetary accounting
 - d. Obligation accounting

7. GASAB stands for
- | | |
|---|--|
| a. Government Accounting Standards Advisory Board | b. Government Accounting Standard Action Board |
| c. Government Advisory Standard Advance Board | d. Government Advisory Standard Accounting Board |
8. Which Article of the Indian Constitution deals with appointment of Comptroller and Auditor General of India?
- | | |
|----------------|----------------|
| a. Article 147 | b. Article 148 |
| c. Article 149 | d. Article 150 |
9. Unrealized profit on goods sold and included in stock is deducted from
- | | |
|-------------------|----------------------|
| a. Revenue Profit | b. Capital Profit |
| c. Fixed Assets | d. Minority interest |
10. The claim by outsiders to assets featured on a consolidated balance sheet is known as
- | | |
|----------------------------|----------------------|
| a. Subsidiary | b. Negative goodwill |
| c. Wholly owned subsidiary | d. Minority interest |
11. On a consolidated balance sheet, if the shares of a company have been bought for more than the balance sheet value then the difference would appear as
- | | |
|-----------------------|---------------------|
| a. Profit on purchase | b. Loss on purchase |
| c. Goodwill | d. Capital reserve |
12. Preparation of consolidated Balance Sheet of holding company and its subsidiary company is as per
- | | |
|----------|----------|
| a. AS-11 | b. AS-20 |
| c. AS-21 | d. AS-23 |
13. Banks in India are under the supervision of
- | | |
|--------------------------|--------------------------------|
| a. Reserve Bank of India | b. Banking Regulation Act 1949 |
| c. Companies Act, 2013 | d. All of the above |
14. What is the Statutory Liquidity Ratio (SLR) percentage applicable for Scheduled Commercial Banks in India?
- | | |
|--------|--------|
| a. 18% | b. 20% |
| c. 22% | d. 25% |
15. Rebate on Bills Discounted comes under which Schedule of the Balance Sheet?
- | | |
|---------------|---------------|
| a. Schedule 4 | b. Schedule 5 |
| c. Schedule 6 | d. Schedule 9 |
16. General Insurance includes
- | | |
|---|------------------------|
| a. All types of insurance | b. Only Life Insurance |
| c. All types of insurance other than Life Insurance | d. None of the above |

17. As per AS-13 Investments are classified as
- a. Short-term & Long-term Investments
 - b. Short- term & Investments in Property
 - c. Short-term, Mid-term & Long-term Investments
 - d. Short-term Investments, Long- term Investments and Investments in Property
18. Government Securities in India are
- a. Ex-Interest
 - b. Cum Interest
 - c. Combination of both Ex and Cum Interest
 - d. None of the above
19. A foreign currency transaction should be recorded, on initial recognition
- a. in the reporting currency, by applying to the foreign currency the exchange rate between the reporting currency and the foreign currency at the date of the recognition
 - b. in the Indian Rupees, by using the exchange rate between the Indian Rupee and the U. S. Dollars at the date of the transaction
 - c. in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
 - d. in the reporting currency, by applying to the foreign currency amount the average exchange rate between the reporting currency and the foreign currency during the financial year
20. Investment Account carries how many amount columns?
- a. One
 - b. Two
 - c. Three
 - d. Four

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(PART-B : Descriptive)

Time: 2 HRS 40 MINS

Marks : 50

[Answer question no.(1) & any four (4) from the rest]

1. What is Business Combination? Discuss about the different forms of business combinations mostly prevalent in Indian business context. 3+7=10
2. a. Mention four points of distinction between amalgamation in the nature of merger and amalgamation in the nature of Purchase. 4+6=10
- b. AB Ltd. has agreed to acquire XY Ltd. on the basis of the following information:
- | | | |
|--------------------|-----------|----------|
| | AB Ltd. | XY Ltd. |
| Number of shares | 10,00,000 | 2,50,000 |
| Earnings per share | ₹24 | ₹ 18 |
- Two companies have agreed to exchange shares in proportion to -
- i) The relative earnings per share of the two companies
 - ii) 4 shares of AB Ltd. for every 5 shares held in XY Ltd.
- You are required to comment on impact of mergers on earnings per share (EPS)
3. What are the basic principles that Government Accounting holds for the maintenance of revenue and expenditure balances? Write about the objectives of Government Accounting. 5+5=10
4. Write short notes on the following- 5+5=10
- a. GASAB
 - b. Role of Public Accounts Committee
5. What are the purposes of preparation of Consolidated Financial Statements? Write the procedure of calculation of Minority Interest. 6+4=10
6. 1. Calculate Purchase Consideration for the take overs under 10
- a. Net assets method and
 - b. Net payment method
- Liabilities and Assets of D. Ltd. as on 31st March, 2022 stood as under-

Amount ₹ (000)

Liabilities

Share Capital	
10% Preference Shares of ₹ 100 each	30
Equity Shares of ₹ 10 each	60
General Reserve	36
12% Debentures	28
Current Liabilities	20
Total Liabilities	174

Assets	Amount ₹ (000)
Fixed Assets	130
Investments	24
Current Assets	20
Total Assets	174

P Ltd. signified their agreement to take-over the assets and liabilities of D. Ltd. as per the following terms and conditions:

- Fixed assets at 90% of the book value
- Investments at 10% above the par value
- Current assets and liabilities at book value except that stock in trade at cost amounting to ₹ 10 lakh was agreed to be taken over at a discount of 20%
- 12% Debentures are to be charged at a premium 15% by issuing 12% debentures of P. Ltd.
- Preference Shareholders are to be discharged at a premium of 15% by issuing 10 % shares of ₹ 100 each
- Equity shareholders in D. Ltd. are to be issued 5 equity shares of ₹ 10 each in P. Ltd for every 3 shares held by them.

7. Livelong Life Corporation had a paid-up capital of ₹ 2,40,000 divided into 24,000 shares of ₹ 10 each. Its net liability on all policy contracts in force on 31st March, 2021 was ₹ 20,50,000. From the following figures prepare Revenue Account and a valuation Balance Sheet. The company had paid an interim bonus of ₹ 50,000 and 95% of the surplus as disclosed by the Valuation Balance Sheet to be allocated to the policy holders. 10

	Amount (₹)
Life Fund at the beginning of the year	25,50,000
Premium	12,70,000
Interest, dividend, rent	7,30,000
Fines and fees	700
Bonus in cash	1,58,000
Income-tax	1,08,000
Management expenses	1,60,000
Bonus in reduction of premium	1,500
Commission	52,000
Surrenders	84,000
Surplus on revaluation of reversions	4,300
Reassurances of Irrecoverable	1,300
Claims	7,50,000
Consideration for annuities granted	48,000

8. 'Income from the investments may be in the form of interest or dividend' .Discuss in this context the two types of investment income (interest). Also draw a format of Investment Account. 8+2=10