

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

**SET
B**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. accounting, exploits the loopholes in accounting and audit systems after the finalization of accounts.
 - a. Creative
 - b. Changes in price level
 - c. Inflation
 - d. Forensic
2. Commission on reinsurance accepted isfor the insurance company accepting the reinsurance.
 - a. income
 - b. expense
 - c. claim
 - d. None of the above
3. Claim of holding company in subsidiary is known as:
 - a. Cost of investment
 - b. Minority interest
 - c. Cost of control
 - d. Cost of investment
4. Pre-acquisition profit in subsidiary company is considered as:
 - a. Revenue profit
 - b. Capital profit
 - c. Goodwill
 - d. None of the above
5. The share of outsiders in the Net Assets in subsidiary company is known as under:
 - a. Outsider's liability
 - b. Assets
 - c. Subsidiary company's liability
 - d. Minority interest
6. Minority interest includes:
 - a. Share capital
 - b. Share in capital profit
 - c. Share in revenue profit
 - d. All of the above
7. Which of the following is a foreign currency transaction?
 - i) An enterprise buys or sells goods or services whose price is denominated in a foreign currency.
 - ii) An enterprise borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency
 - iii) An enterprise becomes a party to an unperformed forward exchange contract
 - a. only (iii)
 - b. i, ii and iii
 - c. only (i)
 - d. only (ii)
8. A long- term investment is an investment other than
 - a. Investment in properties
 - b. A current investment
 - c. Both a and b
 - d. None of the above

9. The Balance Sheet of a Banking company is prepared in.....
 - a. Form -A
 - b. Form-B
 - c. Schedule -A
 - d. None of the above
10. Banking companies are governed by the Banking Companies Regulations Act,.....
 - a. 1947
 - b. 1949
 - c. 1950
 - d. 1948
11. Future Retail Ltd. and Reliance Ltd. go into liquidation and new company Reliance Retail is formed. It is a case of:
 - a. Absorption
 - b. External reconstruction
 - c. Amalgamation
 - d. Take over
12. In case of amalgamation, the entry for elimination of unrealized profit or loss on stock is made
 - a. By the vendor company
 - b. By the purchasing company
 - c. By the third party
 - d. None of the above
13. Investment Allowance Reserve is a
 - a. Capital reserve
 - b. Statutory reserve
 - c. Revenue reserve
 - d. None of the above
14. Under pooling of interest method, all costs associated with amalgamation are
 - a. Capitalized
 - b. Expended as incurred
 - c. Revenue expenditure
 - d. None of the above
15. Which of the following groups suffers the most from inflation?
 - a. Debtors
 - b. Creditors
 - c. Government
 - d. All of the above
16. Out of the unrealized profits, a holding company's share is reduced from the stock and
 - a. Statement of Profit & Loss
 - b. Goodwill
 - c. Minority Interest
 - d. Capital A/C
17. The prescribed rate of reserve for unexpired risk in case in of fire insurance business is
 - a. 100%
 - b. 50%
 - c. 75%
 - d. 25%
18. Life insurance combines the elements of
 - a. Protection
 - b. Savings
 - c. Medical benefits
 - d. Both a and b only
19. Investment other than current investments are classified as long term investments even though they
 - a. Are readily marketable
 - b. May not be readily marketable
 - c. Both a and b
 - d. None of the above
20. When investments are reclassified from current to long-term, transfers are made at :
 - a. Cost
 - b. Fair value
 - c. Cost or fair value whichever is lower
 - d. Cost or fair value whichever is higher

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

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

1. a) Discuss the different methods of ascertaining the purchase consideration for amalgamation. 6+4=10
- b) The abstract of the Balance Sheet of the AXE Ltd. as at 31st March, 2020, are as follows:
- Liabilities - Equity Share Capital (Rs. 100 each) Rs. 15,00,000
12% Preference Share Capital (Rs. 100 each) Rs. 8,00,000 13%
Debentures Rs. 3,00,000.
- On 31st March, 2020, BXE Ltd. agreed to take over AXE Ltd. on the following terms:
- i) For each preference share in AXE Ltd. Rs.10 in cash and one 9% preference share of Rs.100 in BXE Ltd.
- ii) For each equity share in AXE Ltd. Rs. 20 in cash and one equity share in BXE Ltd. for Rs.100 each. It was decided that share of BXE Ltd will be issued at market price Rs.140 per share.
- iii) Liquidation expenses of AXE Ltd. are to be reimbursed by BXE Ltd. to the extent of Rs. 10,000. Actual expenses amounted to Rs.12,500.
- You are required to compute the amount of purchase consideration.
2. From the following particulars, prepare a Fire Revenue Account of United India Insurance Company for the year ended 31.3.2016. 10

Particulars	Amount (₹)
Fire Fund as on 01.04.2015	1,40,000
Claims paid	80,000
Reinsurance claims paid	10,000
Management expenses	20,000
Commission paid	20,000
Premium	2,00,000
Reinsurance premium paid	12,000
Legal expenses regarding claims	2,000
Survey expenses	1,000
Commission on reinsurance ceded	2,000
Commission on reinsurance accepted	1,000
Profit on sale investments	1,000
Interest and dividend received	22,000
Outstanding claims	5,000
Additional fire fund as 1.4.2015	30,000
Contribution to fire Brigade	1,000

3. a) Explain the need of consolidated financial statements. 4+6=10
 b) State the requirements of Indian Accounting Standards as regards preparation of consolidated financial statements.
4. The following is the balance sheets of H Ltd. and its subsidiary S. Ltd as on 31st December 2022: 10

Balance Sheets		
Particulars	Amount (₹)	
	H Ltd.	S Ltd.
I: EQUITY AND LIABILITIES:		
(1) Shareholders' Funds:		
(a) Share Capital:		
Equity Shares of 10 each	60,000	20,000
(b) Reserves and Surplus:		
Surplus in the Statement of Profit and Loss	5,000	4,000
(2) Current Liabilities:		
Trade Payables Sundry Creditors	17,000	6,000
TOTAL	<u>82,000</u>	<u>30,000</u>
II: ASSETS:		
(1) Non-current Assets:		
Plant, Property and Equipment	68,000	30,000
(2) Non-current Investments:		
1,600 Shares in S Ltd.	14,000	-
TOTAL	<u>82,000</u>	<u>30,000</u>

The shares were acquired by H Ltd. on 1st October, 2021.

You are asked to ascertain (as per AS-21):

- i) The equity of the subsidiary on the date of acquisition of share by H Ltd. and the share of H Ltd. and the Minority in the equity of the subsidiary.
- ii) The movement in the equity of the subsidiary since the date of parent- subsidiary relationship.
- iii) The Minority Interest on 31st March, 2022.
- iv) The Cost of control/Capital Reserve.

5. The summary of Balance Sheets of X Ltd and Y Ltd as at 1st April, 2016 are as under:

5+5=10

Particulars	X Ltd.	Y Ltd.
I. Equity and Liabilities		
1) Shareholders' Fund:		
a) Share Capital		
Equity Share of Rs 100 each fully paid.	1,00,000	60,000
b) Reserve and Surplus :		
General Reserve		
Dividend Equalization Fund	34,000
Profit and Loss	4,000
2) Non-current liabilities:	2,000
a) Long term borrowing- 6% Debenture (Secured) of Rs.100 each	20,000
3) Current Liabilities:		
i. Trade Payables- Trade Creditors	10,000	8,000
ii. Other Current liabilities- Employees PF	3,000
Total	1,73,000	68,000
II. Assets		
1. Non- current Assets		
a) Fixed Assets		
i) Tangible assets - Land & Building	30,000
ii) Plant and Machinery	1,10,000	50,000
2. Current Assets:		
a) Inventories	16,000	8,000
b) Trade Receivable- Debtors	14,000	9,000
c) Cash and cash equivalent- cash	3,000	1,000
Total	1,73,000	68,000

In April, 2016, the two companies agree to amalgamate and form a new company called Z Ltd. which has taken over the assets and liabilities of both the companies. The authorized capital of Z Ltd. is Rs.10,00,000, consisting of 1,00,000 equity shares of Rs.10 each.

The purchase consideration is agreed at Rs.1,20,000 and Rs.60,000 for X Ltd Y Ltd respectively. The entire purchase consideration is to be paid by Z Ltd. in its fully paid shares. In return of debentures in X Ltd. debentures of same denomination and amount are to be issued by Z Ltd.

Give opening journal entries of Z Ltd. Also prepare the opening Balance Sheet of Z Ltd.

6. a) Pass journal entries for the following: 4+6=10

- i) When Investment is purchased at interest date.
- ii) When interest is received after purchase of investment.
- iii) When investment is sold at interest date.
- iv) For transferring of interest to the statement of profit and loss at the end of the year.

b) On 1.4.2016, 200, 6% debentures of Rs.100 each of Y Ltd. were held as investments by H Ltd. At a cost of Rs.18,200. Interest is payable on December 31.

On 1.4.2016: Rs.4000 of such debentures were purchased by H Ltd. @ Rs.98 each cum-interest.

On 1.9.2016: Rs.6,000 debentures were sold at Rs. 96 ex-interest.

On 1.12.2016: Rs.8,000 debentures were sold @ Rs. 99 cum-interest.

On 31.12.2016: Rs.10,000 debentures were sold at Rs. 95 cum-interest.

Prepare the investment account for 6% debentures of Y Ltd in the books of H Ltd. Ignore income tax and brokerage.

7. a) Write brief note on Environmental Accounting 4+6=10

b) Aqib Ltd. has the following transactions at the given dates and price indices for the first quarter of 2023:

Particulars	Rs.	Price Index
Opening balance (Jan.1)	8,000	100
Cash sales (Feb.1)	15,000	104
Payment to creditors (March 1)	10,000	106
Cash purchases (March 15)	2,000	108
Payment of Expenses (March 31)	4,000	110
Closing balance	7,000	110

Calculate Monetary Gain or Loss.

8. Write short notes on *any two* from the following: 5×2=10

- a) Forensic Accounting
- b) Non-performing Assets
- c) Rebate on Bills Discounted
- d) Foreign Currency Transaction Accounting

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