

MASTER OF COMMERCE
THIRD SEMESTER
ADVANCED ACCOUNTING
MCM – 302

**SET
A**

[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. 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
2. 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
3. Which of the following groups suffers the most from inflation?
 - a. Debtors
 - b. Creditors
 - c. Government
 - d. All of the above
4. 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
5. The Balance Sheet of a Banking company is prepared in
 - a. Form -A
 - b. Form-B
 - c. Schedule -A
 - d. None of the above
6. 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
7. Post-acquisition profit in subsidiary company is considered as:
 - a. Revenue profit
 - b. Capital profit
 - c. Goodwill
 - d. None of the above
8. Commission on reinsurance accepted is.....for the insurance company accepting the reinsurance.
 - a. income
 - b. expense
 - c. claim
 - d. None of the above

9. On 1.06.2019 Mr. A purchased from Mr. B 600, 12% Debenture of ABC Ltd @ Rs. 95 Ex-interest. Interest payable on 30th June and 31st December. Then how much of the amount Mr. A has paid to Mr. B?
- | | |
|---------------|---------------|
| a. Rs. 57,000 | b. Rs. 60,000 |
| c. Rs. 54,000 | d. Rs.59,850 |
10. Cost of investment includes.....
- | | |
|--------------------|---------------------|
| a. Purchase Cost | b. Brokerage paid |
| c. Stamp duty paid | d. All of the above |
11. How does inflation accounting differ from traditional historical cost accounting?
- | | |
|---------------------------------|---|
| a. It ignores inflation effects | b. It adjusts for changes in purchasing power |
| c. It relies on market values | d. It focuses on future cost projections |
12. What does CPP stand for in the context of Inflation Accounting?
- | | |
|--------------------------|-------------------------------|
| a. Consumer Price Point | b. Current Purchasing Power |
| c. Cost Price Projection | d. Constant Profit Percentage |
13. In the context of Investment Accounting, what term describes a decline in the fair value of an investment below its original cost that is deemed to be other than temporary?
- | | |
|-----------------|-----------------|
| a. Impairment | b. Amortization |
| c. Appreciation | d. Accretion |
14. Under the Basel III framework, what is the primary purpose of the Common Equity Tier 1 (CET1) capital for Indian banks?
- | | |
|----------------------------------|---|
| a. Covering operational expenses | b. Absorbing losses and promoting financial stability |
| c. Funding long-term investments | d. Distributing dividends to shareholders |
15. In Indian Banking, what is the primary objective of the Statutory Liquidity Ratio (SLR) imposed by the RBI?
- | | |
|---|--|
| a. Ensuring adequate capital adequacy | b. Regulating interest rates on loans |
| c. Maintaining liquidity to meet short-term obligations | d. Facilitating international financial transactions |
16. In the context of Indian Insurance Companies' Accounts, what term refers to the funds set aside to cover potential future insurance claims?
- | | |
|-------------------------|-------------------------|
| a. Premium Reserves | b. Policyholder Surplus |
| c. Reinsurance Premiums | d. Underwriting Profit |
17. In the context of Indian Insurance Companies, what is the purpose of the Solvency Margin as prescribed by IRDAI?
- | | |
|-------------------------------------|--|
| a. Covering administrative expenses | b. Meeting regulatory capital requirements |
| c. Funding policyholder dividends | d. Financing marketing initiatives |

18. What is the primary objective of Forensic Accounting?
- a. Maximizing profits for a business
 - b. Investigating financial fraud and providing evidence for legal proceedings
 - c. Conducting audits for tax compliance
 - d. Creating financial forecasts for budgeting purposes
19. What distinguishes Forensic Audit from regular financial audits?
- a. Forensic Audit focuses solely on tax-related issues
 - b. Forensic Audit involves investigating financial transactions and evidence for legal purposes
 - c. Regular financial audits are conducted by law enforcement agencies
 - d. Forensic Audit is primarily concerned with improving internal controls within an organization
20. What is the main purpose of Sustainability Reporting?
- a. To disclose sensitive financial information to competitors
 - b. To enhance a company's public image and marketing efforts
 - c. To communicate an organization's economic, environmental, and social impacts
 - d. To comply with government regulations related to taxation

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[Descriptive]

Time : 2 Hr. 30 Mins.

Marks : 50

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

1. From the following Balance Sheets of Holding Co. -H Ltd. and its subsidiary S Ltd. as on 31st March, 2022. 2.5×4=10

Particulars	Amount (Rs.)	
	H. Ltd.	S. Ltd.
I. EQUITY AND LIABILITIES:		
(1) Shareholders' Fund:		
(a) Share Capital:		
Equity Shares of 10 each	50,000	-
Equity Shares of 10 each, 8 paid up	-	16,000
(b) Reserves and Surplus		
Reserves	6,000	3,000
Surplus in the Statement of Profit and Loss	20,000	8,000
(2) Current Liabilities:		
Trade Payables:		
Sundry Creditors	12,000	8,000
Bills Payable	-	3,000
Total	88,000	36,000
II. ASSETS:		
(1) Non-current Assets:		
(i) Plant, Property and Equipment:		
Building	30,000	14,000
Non-current Investments	18,000	-
Shares in S Ltd. 1,600 shares at cost		
(2) Current Assets		
(a) Inventory		
(b) Trade Receivables:	30,000	12,000
Debtors	8,000	10,000
Bills Receivable	2,000	-
TOTAL	88,000	36,000

Additional Information:

- 1) The bills accepted by S. Ltd. are in favour of H Ltd.
- 2) The stock of S Ltd. includes Rs. 5,000 bought from H Ltd. at a profit to latter of 25% on cost.
- 3) All the profit of S Ltd. has been earned since the shares were acquired by H Ltd. but there was already the reserve of Rs. 3,000 at that date.

Calculate:

- a) Minority Interest
- b) Amount of Capital Reserve/Goodwill
- c) Unrealized profit on stock
- d) Balance of Profit and Loss Account to be shown in the Consolidated Balance Sheet.

2. The summary of Balance Sheets of A Ltd and B Ltd as at 1st April, 2016 are as under:

10

Particulars	A Ltd.	B 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	34,000
Dividend Equalization Fund	4,000
Profit and Loss	2,000
2) Non-current liabilities:		
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 C Ltd. which has taken over the assets and liabilities of both the companies. The authorized capital of C 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 A Ltd and B Ltd respectively. The entire purchase consideration is to be paid by C Ltd. in its fully paid shares. In return of debentures in A Ltd. debentures of same denomination and amount are to be issued by C Ltd.

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

3. a) Name the different methods of Price Level Accounting and elaborate any one of them. (1+4+5=10)
 b) Compute the net monetary result of Apex Ltd. as on 31st December, 2022 from the data given below:

8)

Particulars	1.1.2022 (Rs.)	31.12.2022 (Rs.)
Cash	20,000	25,000
Debtors	50,000	60,000
Creditors	70,000	80,000
Loan	30,000	30,000

Retail price indices: January 1, 2022: 200; Average for the year 2022 - 210 and 31st December, 2022 - 230.

4. a) What is Cum- Interest and Ex-Interest? 2+8=10
 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.
5. Prepare the Revenue Account of a life insurance company with imaginary figure. 10
6. Draw a Balance Sheet of a Banking Company with imaginary figure under the Banking Regulation Act, 1949. 10
7. Discuss the reasons for introduction of forensic accounting with examples of some corporate frauds. State the measures followed for forensic accounting. 6+4=10
8. Write notes on the following (any two): 5×2=10
 a) Sustainability Reporting
 b) Need for Forensic Audit
 c) Amalgamation in the nature of merger and in the nature of purchase

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