

## INDIRA UNIVERSITY, PUNE

## SCHOOL OF COMMERCE &amp; ECONOMICS-MCOM

Term End Examination (2025 Pattern) December – 2025 - Semester – I

Subject Name: Advanced Accounting  
Subject Code: 25MOC102T

Max. Marks: 50  
Time: 2:30 Hrs.

## Instructions

- Attempt all the questions

| CO  | Cognitive Ability | Course Outcome  |
|-----|-------------------|---|
| CO1 | Remember          | To remember a comprehensive understanding of the conceptual framework, accounting theory, and its application in accounting practices.                              |
| CO2 | Understand        | To understand and implement various methods for the valuation of shares, including discounted cash flow (DCF), earnings yield, and price/earnings methods           |
| CO3 | Apply             | To apply accounting standards and principles in the preparation and analysis of consolidated financial statements and inter-company transactions                    |
| CO4 | Analyze           | To analyze and prepare consolidated profit & loss accounts, incorporating accounting for subsidiary companies, bonus shares, and revaluation of fixed assets.       |
| CO5 | Evaluate          | To evaluate and apply appropriate methods for business combinations, mergers, and the accounting treatment of goodwill and purchase consideration under Ind AS 103. |
| CO6 | Create            | To create and apply methods of goodwill valuation such as the number of years' purchase, capitalization, and super profits in different business contexts.          |

|     |   |         |
|-----|---|---------|
| Q:1 | <p><b>Fill in the blanks- (any 5 out of 7) (5 Marks)</b></p> <p>1. The _____ environment refers to the economic, political, and social factors affecting accounting practices.</p> <p>a) Business<br/>b) Regulatory<br/>c) Accounting<br/>d) Financial</p> <p>2. The full form of GAAP is _____.</p> <p>a) Generally Accepted Accounting Practices<br/>b) General Agreement on Accounting Procedures<br/>c) Generally Accepted Accounting Principles<br/>d) Government Accounting and Auditing Procedures</p> | CO<br>1 |
|-----|---|---------|

|     |   |         |
|-----|---|---------|
|     | <p>3. The _____ method of share valuation focuses on the company's ability to generate income for shareholders.</p> <p>a) Dividend Yield<br/>b) Earnings Yield<br/>c) Net Asset<br/>d) Return on Capital</p> <p>4. The _____ method of goodwill valuation calculates the value based on expected future profits.</p> <p>a) Super Profits<br/>b) Capitalisation<br/>c) Annuity<br/>d) Number of Years Purchase</p> <p>5. A _____ company is one that is controlled by a parent company and is included in the consolidated financial statements.</p> <p>a) Parent<br/>b) Holding<br/>c) Subsidiary<br/>d) Joint venture</p> <p>6. _____ in the accounting process refers to the allocation of capital and costs for long-term investments.</p> <p>a) Capitalisation<br/>b) Amortization<br/>c) Revaluation<br/>d) Depreciation</p> <p>7. Under AS-21, _____ must be adjusted during consolidation to avoid double-counting of assets or liabilities.</p> <p>a) Transactions<br/>b) Profit<br/>c) Dividends<br/>d) Equity</p> |         |
| Q:2 | <p><b>True or False- (Any 5 out of 7) (5 Marks)</b></p> <p>1. Accounting Standards are mandatory for all forms of business.</p> <p>2. IFRS is applicable only in India.</p> <p>3. A holding company must always own more than 75% shares of the subsidiary.</p> <p>4. Demerger means splitting one company into two or more companies.</p> <p>5. Revaluation of subsidiary's assets affects the consolidated balance sheet.</p> <p>6. Fair value of shares = (Dividend yield value + Earning yield value) / 2.</p> <p>7. Capitalisation method computes goodwill by capitalising average profits.</p>   | CO<br>2 |
| Q:3 | <p><b>Short Notes (Any 2 out of 3) (10 Marks)</b></p> <p>1. Amalgamation of Partnership Firm</p>  | CO<br>3 |

2. AS- 21  
3. Return on Capital Method for Share Valuation

The Balance Sheets of Anita Ltd., and Babita Ltd., as on 31 March, 2020 are as follows:

**Balance Sheet of Anita Ltd. as on 31 March, 2020 (10 Marks)**

| Liabilities  | Amt             | Assets                      | Amt             |
|--|-----------------|-----------------------------|-----------------|
| <b>Share Capital</b>                               |                 | Land & Building             | 1,00,000        |
| • 3000 Equity Shares of 100 each                   | 3,00,000        |                             |                 |
| • 500 Preference Shares of 100 each                | 50,000          |                             |                 |
| Contingency Reserve                                | 10,000          | Plant & Machinery           | 1,50,000        |
| Creditors  | 35,000          | Furniture                   | 10,000          |
| Unclaimed Dividend                                 | 2,500           | Stock                       | 35,000          |
| Contingent Liability for Bills Discounted Rs. 2000 |                 | Debtors                     | 45,000          |
|  |                 | Cash at Bank                | 7,500           |
|  |                 | Preliminary Expenses        | 10,000          |
|  |                 | Discount on issue of Shares | 2,500           |
|  |                 | Profit and Loss             | 37,500          |
|  |                 |                             |                 |
|  | <b>3,97,500</b> |                             | <b>3,97,500</b> |

**Balance Sheet of Babita Ltd., as on 31 March, 2020**

| Liabilities                                     | Amt             | Assets              | Amt             |
|---|-----------------|---------------------|-----------------|
| Share Capital<br>1300 Equity Shares of 100 each | 3,50,000        | Freehold Premises   | 2,00,000        |
| General Reserve                                 | 9,000           | Plant and Machinery | 1,05,000        |
| Profit and Loss                                 | 20,000          | Stock               | 14,500          |
| Workmen's Compensation Fund                     | 5,000           | Debtors             | 95,000          |
| Creditors                                       | 36,000          | Cash at Bank        | 5,500           |
|   | <b>4,20,000</b> |                     | <b>4,20,000</b> |

Anita Ltd. and Babita Ltd., amalgamated as on 31st March, 2020 and a new company Sunita Ltd., was formed with an Authorised capital of 10,000 Equity Shares of 100 each.

The

amalgamation was agreed on the following conditions

- i) Sunita Ltd., took all assets of Anita Ltd., at book values and Creditors of Anita Ltd., The Purchase consideration was discharged by issuing 1,500 Equity Shares of 100 each at 120 per share and the balance in cash.
- ii) Sunita Ltd, took all assets of Babita Ltd., at book values except cash and also took the creditors. The purchase consideration was discharged by issuing 3,000 Equity Shares of 100 each at 120 per share and the balance in cash.
- iii) Anita Ltd paid its preference capital back with arrears of preference dividend last 2 years
- iv) Liability for bills discounted was settled as Rs. 1,250.
- v) Out of the unclaimed dividend ₹ 1,000 was paid to the rightful shareholders. The remaining unclaimed dividend was time barred and thus transferred to Shareholders Account

Q:4

CO  
4

- vi) Liability for workmens compensation of Babita Ltd., amounted to Rs. 3750
- vii) The cost of liquidation of Anita Ltd., was ₹2.500 and that of Babita Ltd was Rs. 3000 which was paid by the respective companies.
- viii) You are required to prepare Realisation Account, Sunita Ltd. Account, Cash Account and Shareholders Account in the books of Anita Ltd., and Babita Ltd.

**OR**

What is Amalgamation in the Nature of Merger? How it differs from ‘Amalgamation in the nature of purchase. (10 Marks)

During the financial year 2019-2020 a leading Corporate undertaking Geeta Ltd. Gulbarga has purchased 500 Equity Shares of Harry Ltd. Hospet on 1 April, 2019 and also acquired additionally 800 Equity Shares of Ina Ltd. Itarasi on 30th September, 2019. The Balance Sheets of the companies as on 31st March, 2020 disclosed their assets and liabilities summarised position as shown below. (10 Marks)

Balance Sheet as on 31st March, 2020

| Liabilities  | Geeta Ltd. ₹ | Harry Ltd. ₹ | Ina Ltd. ₹ | Assets   | Geeta Ltd. ₹ | Harry Ltd. ₹ | Ina Ltd. ₹ |
|--|--------------|--------------|------------|--|--------------|--------------|------------|
| <b>Share Capital:</b><br><b>A) Issued, Subscribed and Paid-up</b><br>each fully paid-up<br>i) Equity Shares of ₹ 100 | 15000        | 80,000       | 120000     | Property Plant and Equipments  | 48,400       | 66,000       | 79,000     |
| ii) 8% Preference Shares of 100 each fully paid-up   | -            | 30,000       | -          | <b>Non-Current Financial Investments</b><br>i) 500 Equity Shares in Harry Ltd. | 70000        |              |            |
| General Reserve Fund   | 10000        | -            | 4000       | ii) 800 Equity Shares in Ina Ltd.  | 84000        |              |            |
| Profit and Loss (as on 1st April, 2019)  | 20000        | 10000        | -          | iii) 200 8% Preference Shares in Harry Ltd                                     | 25000        |              |            |
| Revenue Earnings(2019-2020)  | 15000        | 8000         | 16000      | 8% Loan to Harry Ltd. (given on 30th October, 2019)                            | 6000         |              |            |

Q:5

CO  
5

|  |               |               |               |                                   |               |               |               |
|--|---------------|---------------|---------------|-----------------------------------|---------------|---------------|---------------|
| 8 % Loan from Geeta Ltd. (taken on 30th October, 2019) | -             | 6000          | -             | Trading Stock                     | 30500         | 43000         | 50700         |
| Bills Payables Payment due to Goods                    | -             | -             | 4000          | Bills Receivables from Ina Ltd.   | 2000          |               |               |
| Suppliers  | 38600         | 14100         | 33300         | Receipts due from Goods Customers | 28100         | 34200         | 42300         |
| Unpaid Expenses  | 1400          | 1900          | 2700          | Cash and Cash Equivalents         | 4800          | 5300          | 6800          |
|  |               |               |               | Income Receivables                | 1200          | 1500          | 1200          |
| <b>Total</b>   | <b>300000</b> | <b>150000</b> | <b>180000</b> | <b>Total</b>                      | <b>300000</b> | <b>150000</b> | <b>180000</b> |

You are required to prepare a Consolidated Balance Sheet of Geeta Ltd. Gulbarga and its subsidiaries Harry Ltd. Hospet and Ina Ltd. Itarasi as on 31st March, 2020 after giving appropriate considerations for the following particulars :

- The annual dividend on 8% Preference Shares in Harry Ltd. for the financial year 2018-2019 remains outstanding upto the date of acquisition of the shares by Geeta Ltd., the same being paid promptly in 2019-2020.
- The unproductive Machinery of Ina Ltd. costing 2,000 was purchased in January, 2020 from Geeta Ltd. for 2,600 and the profits thereon were credited by the company.
- The trading stock of Harry Ltd. as on 31st March, 2020 amounting to ₹4,000 were purchased earlier from Geeta Ltd. which were invoiced by them at cost plus 25%.
- The interest on unsecured loan @ 8% given to Harry Ltd. by Geeta Ltd. as on 31st October, 2019 was neither paid nor provided for.

**OR**

What are Consolidated Financial Statements State the advantages and disadvantages of Consolidated Financial Statements **(10 Marks)**

|              |  |              |                |          |
|--------------|--|--------------|----------------|----------|
| <b>Q.6</b>   | The following is the Balance Sheet of Rakesh and Yogesh as on 31 March, 2020. <span style="float: right;"><b>(10 Marks)</b></span> |              |                |          |
|              | <b>Balance Sheet as on 31 March, 2020</b>  |              |                |          |
|              | <b>Liabilities</b>   | <b>₹</b>     | <b>Assets</b>  | <b>₹</b> |
|              | Capitals:  |              | Machinery      | 50000    |
|              | Rakesh   | 90000        | Buildings      | 41000    |
|              | Yogesh   | 70000        | Furniture      | 10000    |
|              | General Reserve  | 44000        | Investments    | 30000    |
|              | Sundry Creditors   | 30000        | Stock          | 10000    |
|              | Bills Payable  | 8000         | Sundry Debtors | 66000    |
|              |  |              | Cash at Bank   | 35000    |
| <b>Total</b> | <b>242000</b>  | <b>Total</b> | <b>242000</b>  |          |

|   |                           |
|---|---------------------------|
| The net profit of the firm for last few years were as follows:  |                           |
| <b>Year</b>   | <b>Profit/ Loss<br/>₹</b> |
| 2016-17   | 15000                     |
| 2017-18   | 25000                     |
| 2018-19   | 26000                     |
| Ascertain the value of Goodwill at two years purchase of the super profit for three years, taking the normal rate of return on capital employed as 10%. |                           |

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