



**PRESIDENCY UNIVERSITY,
BENGALURU**

SCHOOL OF LAW

MID TERM EXAMINATION

Odd Semester: 2018-19

Course Code: BCL 105

Course Name: Advanced Accounting

Branch & Sem: BCom., LL.B. (Hons.) V

Date: 29 October 2018

Time: 2 Hours

Max Marks: 60

Weightage: 30%

Instructions:

- (i) *Calculator is allowed*

Part A

Answer **all** the Questions. **Each** question carries **two** marks.

(10x2=20)

1. State what you understand by "Reduction of Capital"
2. Distinguish between "Amalgamations in the nature of Merger" and "Amalgamations in the nature of Purchase"
3. Define "Business Purchase" in terms of Amalgamation.
4. Distinguish between "Internal Reconstruction" and "External Reconstruction"
5. State the fundamental difference between "Pooling of Interest" and "Purchase" Methods of Accounting Treatment of Amalgamations.
6. Define the term "Realization Account" associated with the Accounting Treatment of Amalgamations
7. Give the Journal Entry that will be passed to account for "Unrealized Profit on Stock" during Amalgamation
8. State the 2 [two] ways by which the assets and liabilities of the Selling Company are recorded by the Purchasing Company.
9. State the Journal Entries to be passed in the Selling Company for "Purchase Consideration" and upon receipt of the Purchase Consideration.
10. Show Journal Entries to be passed when Realization Expenses are paid for by the Selling Company and by Purchasing Company

Part B

Answer **all** the Questions. **Each** question carries **five** marks.

(4x5=20)

11. "All the five conditions that identifies an Amalgamation in the nature of Merger has to be complied with" Discuss this statement in detail and how it will differ if any one of them is not complied with?
12. Discuss the "Purchase Method" associated with Amalgamations. Explain the steps involved when there is a difference between the Purchase Consideration and the Net Assets of the Selling Company.
13. a) Explain how Reserves in the Selling or Amalgamating Companies are adjusted in the Books of the Purchasing Company under the Purchase Method of Accounting of Amalgamations. Give an example.
 b) Given the following Balance Sheet of M/s Shikar Products Limited, you are required to do the following
 - i) Compute the Goodwill or Capital Reserve, as the case may be for incorporation in the books of the Transferee Company, M/s Royal Demat Limited.
 - ii) Pass the requisite Journal Entry in the Books of M/s Royal Demat Limited.

Liabilities	Amount [Rs]	Assets	Amount [Rs]
Share Capital	8,00,000	Fixed Assets	10,00,000
Reserves	5,00,000	Current Assets	6,00,000
Current Liabilities	3,00,000		
Total	16,00,000	Total	16,00,000

Options of Different Purchase Consideration

Option of Merger	Purchase Consideration in Rs.
Option 1	18,00,000
Option 2	4,00,000

14. M/s Simulations Co Limited [Selling Company] is being merged with M/s Trilo Energy Limited [Purchasing Company]. Given the following Financial Information of Simulations Co Limited , compute the balance of Reserves of M/s Simulations Co Limited in the books of M/s Trilo Energy Limited, under both the Options

M/s Simulations Co Limited

Liabilities	Amount [Rs]	Assets	Amount [Rs]
Share Capital	8,00,000	Fixed Assets	15,00,000
Reserves	8,00,000	Current Assets	9,00,000

Current Liabilities	8,00,000		
Total	24,00,000	Total	24,00,000

Options of Different Purchase Consideration

Option of Merger	Purchase Consideration in Rs.
Option 1	12,00,000
Option 2	6,00,000

Part C

Answer the Questions:[6 marks each for sub question (a) and (b) and 8 marks for (c)]

15. The following are the Balance Sheets as on March 31, 2017 of M/s Ramesh & Co Limited and M/s Ravi & Co Limited

M/s Ramesh & Co Limited

Liabilities	Amount [Rs]	Assets	Amount [Rs]
Share Capital [Rs. 100 share]	8,00,000	Fixed Assets	11,00,000
6% Debentures of Rs. 10 each	1,00,000		
General Reserves	2,40,000	Current Assets	2,00,000
Statutory Reserves	40,000		
Profit and Loss Account	20,000		
Current Liabilities	1,00,000		
Total	13,00,000	Total	13,00,000

M/s Ravi & Co Limited

Liabilities	Amount [Rs]	Assets	Amount [Rs]
Share Capital [Rs. 100 share]	6,00,000	Fixed Assets	6,00,000
Current Liabilities	1,20,000	Current Assets	1,20,000
Total	7,20,000	Total	7,20,000

On April 1, 2017, the above two companies agree to amalgamate and form a new company called M/s Zaveri Limited, which takes over the assets and liabilities of both the Companies. The Authorized Capital of M/s Zaveri Limited is Rs. 50,00,000 of Rs. 10 each

The Purchase Consideration is agreed at Rs.8,00,000 and Rs. 4,00,000 each for M/s Ramesh & Co Limited and M/s Ravi & Co Limited, respectively. The entire Purchase Consideration is to be paid out by M/s Zaveri Limited by way of fully paid shares therein.

In return for the Debentures in M/s Ramesh & Co Limited, Debentures of the same denomination and value are to be issued by M/s Zaveri Limited.

You are required to do the following

- a) Pass the Journal Entries to close the Books of M/s Ramesh & Co. Limited
- b) Pass the Journal Entries to close the Books of M/s Ravi & Co.
- c) Pass the Opening Entries in M/s Zaveri Limited
