

Roll.No.

24UPACT3007

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN  
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)  
Chromepet, Chennai - 600 044.

B.Com. PA - END SEMESTER EXAMINATIONS - NOVEMBER 2025  
SEMESTER - III

**24UPACT3007 - Advanced Accounting - I**

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

### Section B

Answer any **TWENTY** questions (20 × 2 = 40 Marks)

1. The balance sheet and Profit & Loss account are to be prepared as per the provisions of :
  - a) Companies Act, 1956
  - b) Schedule III of Companies Act, 2013
  - c) SEBI Guidelines, 2015
  - d) Accounting Standard 1
2. Which of the following statements is true?
  - (a) Redemption of preference shares is known as Buy - back
  - (b) Redemption of equity shares is known as Buy - back
  - (c) Redemption of debentures is known as Buy - back
  - (d) Purchase of own debentures is known as Buy - back
3. A company can buy - back
  - (a) Equity Shares
  - (b) Preference Shares
  - (c) Both the above
  - (d) None of the above
4. N Ltd. had 90,000 equity shares of Rs.100 each, fully paid up. The company decided to buy back 10% shares at par by the issue of sufficient number of preference shares. Company do not have any reserves. How much preference shares are required to be issued if new preference shares are to be issued at Rs.10 each?
  - (a) 9,00,000 shares
  - (b) 90,000 shares
  - (c) 1,00,000 shares
  - (d) 1,20,000 shares
5. Land to be revalued at Rs.1,80,000 (old cost Rs.1,10,000). Find the revaluation surplus.
  - a) Rs.60,000
  - b) Rs.70,000
  - c) Rs.80,000
  - d) Rs.90,000
6. Following is not a Fixed Income Bearing Security
  - (a) Debentures
  - (b) Equity Shares
  - (c) Preference Shares
  - (d) Government Security
7. Profit on sale of investment
  - (a) is transferred to profit & loss A/c only if the investment is current investment
  - (b) is transferred to profit & loss A/c
  - (c) is transferred to capital reserve A/c if the investment is long term investment
  - (d) none of the above
8. Any reduction to market value of current investment from cost, on valuation date is debited to
  - (a) Revaluation Reserve
  - (b) Profit and Loss A/c
  - (c) Capital Reserve
  - (d) General Reserve
9. ABC sells 100 Debentures of nominal value of '100 each of ICICI Ltd. at Rs.98 (ex-interest) on 1-3-2012 to XYZ. Interest @12% p.a. is to be paid half-yearly on 30<sup>th</sup> June and 31<sup>st</sup> December, Nominal Value of investments sold is
  - (a) Rs.10,000
  - (b) Rs.10,100
  - (c) Rs.9,800
  - (d) Rs.9,900

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10. Long term investments are carried at
  - (a) Fair value
  - (b) Cost Price
  - (c) Cost or Market Value whichever is less
  - (d) Market Value
11. Internal reconstruction means:
  - a) Liquidation of the company
  - b) Reorganization of the company's financial position without liquidation
  - c) Formation of a new company
  - d) Conversion of debentures into shares
12. Which reserve can be used during internal reconstruction?
  - a) General Reserve
  - b) Capital Redemption Reserve
  - c) Securities Premium
  - d) All of the above
13. The Capital Reduction Account is finally transferred to:
  - a) Capital Reserve A/c (if credit balance)
  - b) Profit & Loss A/c (if debit balance)
  - c) Share Capital A/c
  - d) Securities Premium A/c
14.  $\frac{1}{4}^{th}$  of Trade Receivables and  $\frac{1}{5}^{th}$  of Inventory are written off. The total amount written off is: Trade Receivables Rs.18,00,000; Inventory Rs.9,50,000
  - a) Rs.6,40,000
  - b) Rs.5,50,000
  - c) Rs.6,85,000
  - d) Rs.7,10,000
15. The shares surrendered but not reissued shall be:
  - a) Transferred to Capital Reserve
  - b) Cancelled
  - c) Converted into debentures
  - d) Issued as bonus shares
16. The Framework for Preparation and Presentation of Financial Statements was issued by the Accounting Standards Board (ASB) of ICAI in:
  - a) July 1999
  - b) July 2000
  - c) January 2001
  - d) December 1998
17. The Framework provides the basis for:
  - a) Preparation of accounting reports only
  - b) Development and review of accounting standards
  - c) Tax calculation and reporting
  - d) Company law compliance
18. The primary objective of financial statements is to provide information about:
  - a) Production capacity of an enterprise
  - b) Financial position, performance, and cash flows of an enterprise
  - c) Market share and customer satisfaction
  - d) Managerial efficiency
19. Which of the following users are providers of risk capital?
  - a) Lenders
  - b) Investors
  - c) Suppliers
  - d) Employees
20. Qualitative characteristics improve the \_\_\_\_\_ of information provided in financial statements.
  - a) Quantity
  - b) Usefulness
  - c) Volume
  - d) Accuracy only
21. Accounting policies refer to:
  - a) Accounting standards issued by ICAI

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- b) Rules, principles, and methods used in preparation of financial statements  
c) Only valuation methods of assets  
d) Statutory audit requirements
22. M/s Prashant Ltd. changed its method of inventory valuation from FIFO to Weighted Average during the year 2014–15. Closing inventory under FIFO was Rs.1,63,000 and under Weighted Average was Rs.1,47,000. Realisable value of inventory is Rs.1,95,000. According to AS 1, which of the following disclosures is required?  
a) No disclosure is required since both methods are acceptable accounting policies.  
b) Only the fact that the accounting policy is changed needs to be disclosed; the effect on profit need not be shown.  
c) The nature of the change, the reason for the change, and the amount by which any item in the financial statements is affected should be disclosed.  
d) Only the difference between cost and net realisable value should be disclosed.
23. Which of the following items is included in the cost of inventory as per AS 2?  
a) Purchase price, duties, taxes, and freight inward  
b) Administration and selling costs  
c) Abnormal wastage of materials  
d) Storage costs not necessary for production
24. Anil Pharma Ltd. ordered 16,000 kg of material at Rs.160 per kg, which includes GST Rs.10 per kg (fully creditable). Freight incurred was Rs.1,40,160. Normal transit loss is 2%. The company actually received 15,500 kg and consumed 13,600 kg. According to AS 2, what is the cost of inventory and abnormal loss?  
a) Inventory Rs.2,16,000; Abnormal loss Rs.8,000 b) Inventory Rs.2,11,680; Abnormal loss Rs.8,160  
c) Inventory Rs.2,05,600; Abnormal loss Rs.9,600  
d) Inventory Rs.2,15,000; Abnormal loss Rs.10,000
25. Which of the following statements correctly describes the types of construction contracts?  
a) Fixed price contracts involve reimbursement of costs plus a fixed fee.  
b) Cost plus contracts involve a fixed price agreed in advance, sometimes with escalation clauses.  
c) Fixed price contracts involve a predetermined price or rate per unit, sometimes subject to escalation clauses.  
d) Cost plus contracts always have no upper limit and cannot include a maximum ceiling.

### Section C

Answer any **FOUR** questions (4 × 5 = 20 Marks)

26. Ring Ltd. was registered with a nominal capital of '10,00,000 divided into shares of 100 each. The following Trial Balance is extracted from the books on 31<sup>st</sup> March, 2023

Particulars	Rs.	Particulars	Rs.
Buildings	5,80,000	Sales	10,40,000
Machinery	2,00,000	Outstanding Expenses	4,000
Closing stock	1,80,000	Provision for Doubtful Debts (01.04.22)	6,000
Loose Tools	46,000	Equity Share Capital	4,00,000
Purchases (Adjusted)	4,20,000	General Reserve	80,000
Salaries	1,20,000	Profit & Loss A/c (01.04.2022)	50,000
Directors Fees	20,000	Creditors	1,84,000
Rent	52,000	Provision for depreciation	
Depreciation	40,000	On Building 1,00,000	
Bad Debts	12,000	On Machinery 1,10,000	2,10,000
Investment	2,40,000	14% Debentures	4,00,000
Interest accrued on Investment	4,000	Interest on Debentures	
Debentures Interest	56,000	Accrued but not due	28,000
Advance Tax	1,20,000	Interest on Investment	24,000
Sundry expenses	36,000	Unclaimed dividend	10,000
Debtors	2,50,000		
Bank	60,000		
	24,36,000		24,36,000

You are required to prepare statement of Profit and Loss A/c only for the year ending 31<sup>st</sup> March, 2023 as at that date after taking into consideration the following information:

- a) Closing stock is more than opening stock by Rs.1,60,000;  
b) Provide to doubtful debts @ 4% on Debtors

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- c) Make a provision for income tax @ 30%
- d) Depreciation expense included depreciation of Rs.16,000 on Building and that of Rs.24,000 on Machinery.
- e) The directors declared a dividend @ 25% and transfer to General Reserve @ 10%
- f) Bills Discounted but not yet matured Rs.20,000
27. On 1<sup>st</sup> April, 2010 Rajat has 50,000 equity shares of P Ltd. at a book value of Rs.15 per share (face value Rs.10 each). He provides you the further information:
- (1) On 20<sup>th</sup> June, 2010 he purchased another 10,000 shares of P Ltd. of Rs.16 per share.
  - (2) On 1<sup>st</sup> August, 2010, P Ltd. issue one equity bonus share for every six shares held by the shareholders.
  - (3) On 31<sup>st</sup> October, 2010 the directions of P Ltd. announced a right issue which entitle the holders to subscribe three shares for every seven shares at Rs.15 per share. Shareholder can transfer their rights in full or in part. Rajat sold 1/3<sup>rd</sup> of entitlement to managed for a consideration of Rs.2 per share and subscribe the rest on 5<sup>th</sup> November, 2010.

You are required to prepare investment A/c in the books of Rajat for the year ending 31<sup>st</sup> March, 2011.

28. The Summarised Balance Sheet of Revise Limited as at 31<sup>st</sup> March, 2011 was as follows:

Liabilities	Rs.	Assets	Rs.
Authorised and subscribed Capital:		Fixed Assets:	
10,000 Equity shares of Rs.100 each fully paid	10,00,000	Machinery	1,00,000
<u>Unsecured Loans:</u>		<u>Current Assets:</u>	
12% Debentures	2,00,000	Inventory	3,20,000
Accrued interest	24,000	Trade receivables	2,70,000
<u>Current liabilities:</u>		Bank	30,000
Trade payables	72,000	Profit and Loss account	6,00,000
Provision for income tax	24,000		
	13,20,000		13,20,000

It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from appropriate authorities. Accordingly, it was decided that:

- a) Each share is sub-divided into ten fully paid up equity shares of Rs.10 each.
  - b) After sub-division, each shareholder shall surrender to the company 50% of his holding for the purpose of re-issue to debenture holders and trade payables as necessary.
  - c) Out of shares surrendered, 10,000 shares of Rs.10 each shall be converted into 12% preferences shares of Rs.10 each, fully paid up.
  - d) The claims of the debenture-holders shall be reduced by 75 per cent. In consideration of the reduction, the debenture holders shall receive preference shares of Rs.1,00,000 which are converted out of shares surrendered.
  - e) Trade payables claim shall be reduced to 50%, it is to be settled by the issue of equity shares of Rs.10 each out of shares surrendered.
29. Classify the entities based on the application of Accounting Standards.
30. Mr. Mehul gives the following information relating to items forming part of inventory as on 31-3-2019. His factory produces Product X using Raw material A.
- (i) 600 units of Raw material A (purchased @ Rs.120). Replacement cost of raw material A as on 31-3-2019 is Rs.90 per unit.
  - (ii) 500 units of partly finished goods in the process of producing X and cost incurred till date Rs.260 per unit. These units can be finished next year by incurring additional cost of Rs.60 per unit.
  - (iii) 1500 units of finished Product X and total cost incurred Rs.320 per unit. Expected selling price of Product X is Rs.300 per unit.

Determine how each item of inventory will be valued as on 31-3-2019. Also calculate the value of total inventory as on 31-3-2019.

31. Distinguish between Convergence and adoption.

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