

PARUL UNIVERSITY
FACULTY OF COMMERCE
M.Com.(Hons) Summer 2018 – 19 Examination

Semester: 1
Subject Code: 16201101
Subject Name: Advance Accounting

Date: 17/04/2019
Time:10:30am to 01:00pm
Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark) (06)**

1. A provision is a _____.
 a) Asset
 b) Income
 c) Expenses
 d) Liability
2. A business in which two or more individuals that carries on a continuing business for profit as co-owners is called _____.
 a) Joint venture
 b) Consolidation
 c) Partnership
 d) Strategic Alliance
3. As a result of merger one company survives and other loses their independent entity is called _____.
 a) Merger
 b) Absorption
 c) Amalgamation
 d) Acquisition
4. _____ is the contractually agreed sharing of control over an economic activity.
 a) Joint liability
 b) Joint control
 c) Joint Asset
 d) None
5. Takeover is considered as a form of _____.
 a) Absorption
 b) Amalgamation
 c) Acquisition
 d) Merger
6. _____ is the specific accounting principles and the methods of applying those principles.
 a) Accounting policies
 b) Accounting estimates
 c) Ordinary Activities
 d) Extra-ordinary activities

B) Definitions / One-liners / Terms. (Each of one mark) (06)

1. What is a joint venture?
2. What is Downstream M&A?
3. What are ordinary activities?
4. What are short-term M&A?
5. What are parent companies?
6. What is friendly M&A?

Q.2 Numerical / Short Note Questions. (Each of 04 mark) (12)

1. Explain jointly controlled asset as per AS-27?
2. Explain AS-4 in brief.
3. Are the following hypothetical mergers horizontal, vertical or conglomerate?
 - a) Merger of Tata Communication Services(IT co.) and Infosys(IT co.)
 - b) Tata tea acquires one of its larger tea plantation company
 - c) Merger of jet airways and kingfisher airlines
 - d) Mercedes acquires Puma
 - e) Dell computers acquires majority of its dealers
 - f) Samsung acquire parshvanath Construction
 - g) Jaguar acquires film division of Audi
 - h) ICICI bank acquires Samsung
 - i) Amazon acquires the Flipkart

j) Pantaloons acquires globus

Q.3 Answer the following. (Any Three)

(18)

1. Mini Ltd. Took premises on lease on 1.4.2016 for Rs.2, 00, 000 per month. The lease is operating lease. During March 2017, Mini Ltd relocates its operation to a new factory building. The lease on the old factory premises continues to be live upto 31.12.2019. The Lease cannot be cancelled and cannot be sub-let to another user. The auditor insists that lease rent of balance 33 months upto 31.12.2019 should be provided in the accounts for the year ending 31.3.2017. Mini Ltd seeks your advice.

2. A ltd is a manufacturing company. There are 21 law suits on the company. Details are given below:-

Particulars	Probability	Amount of loss
<u>For first 10 cases:-</u>		
Win	0.4	
Lose Low damages	0.21	50,000
Lose high damages	0.29	1,25,000
<u>Next 11 cases:-</u>		
Win	0.6	
Lose Low damages	0.17	23,000
Lose high damages	0.23	76,000

Find the amount of Contingent liability as per AS-29.

3. What is the main objective of HR accounting system?

4. The business entity should meet the social responsibility for which people?

Q.4 Answer the following. (Any two)

(18)

1. B Ltd is a highly successful company and wishes to expand by acquiring other firms. Its expected high growth in earnings and dividends is reflected in its PE ratio of 17. The board of directors of B ltd has been advised that if it were to take over firms with a lower PE ratio than it own, using a share-for-share exchange, then it could increase its reported earnings per share. C ltd has been suggested as a possible target for a takeover, which has a PE ratio of 10 and 1,00,000 shares in issue with a share price of Rs.15. B ltd has 5,00,000 shares in issue with a share price of Rs.12.

Calculate the change in earnings per share of B ltd if it acquires the whole of C ltd by issuing shares at its market price of Rs.12. Assume the price of B ltd shares remain constant.

2. Explain M&A on the basis of strategic transactions.

3. Explain different practices of forensic accounting.