

Anekant Education Society's
Tuljaram Chaturchand College of Arts, Science and Commerce, Baramati, Dist. Pune
(Autonomous)
Faculty: Commerce
M.Com. Part – I (Semester-I) CBCS
Paper Code: COMAA4103
SUBJECT: ADVANCED ACCOUNTING
QUESTION BANK

A. 1. Fill in the Blanks

1. Under the branch trading and profit and loss account system, the branch account is of the nature of
2. Under trading and profit and loss system, the remittances made to the branch are..... to the branch account.
3. Under trading and profit and loss system, the profits of a branch are.....branch account.
4. The difference of the two sides of the branch account, under branch trading and profit and loss account system, shows from the branch.
5. Branch adjustment account is in the nature of.....
6. If the branch has collected money from a customer of the head office, then (in the head office books) branch account is.....
7. In case of foreign branches, the remittances to and from head office should be converted at.....
8. Cash remitted by branch but not received by the head office is debited by the head office to.....
9. Goods sent by the head office to the branch not received by the branch are credited by H.O. to.....
10. Goods sent by branch x to branch y, will be debited to.....
11. Closing stock + cost of goods sold— Purchases =.....

A.2. Choose the appropriate answer from the following and fill in the banks

12. Branch Adjustment Account is prepared:
 - (i) By Dependent Branch
 - (ii) By H.O. of Dependent Branch
 - (iii) By H.O. of Independent Branch
 - (iv) None of these
13. Which account is prepared to find out the amount of closing stock:
 - (i) Head Office A/c
 - (ii) Branch A/c
 - (iii) Memorandum Stock A/c
 - (iv) None of these
14. Branch account under debtor system is:
 - (i) Real account
 - (ii) Personal account

- (iii) Nominal account
 - (iv) None of these
15. Branch Adjustment account is in the nature of :
- (i) Real account
 - (ii) Nominal account
 - (iii) Personal account
 - (iv) None of these
16. In foreign branch fixed assets shall be converted at:
- (i) Opening rate
 - (ii) Average rate
 - (iii) Rate of the date of purchase
 - (iv) None of these
17. By what rate the balance of H.O. a/c is converted in foreign branch :
- (i) Opening rate
 - (ii) Closing rate
 - (iii) Average rate
 - (iv) None of these
18. Why are accounting Standard important ?
- (i) For making financial statements
 - (ii) For correct valuation of inventories
 - (iii) For correct treatment of depreciation and lease and investment.
 - (iv) All of above
19. Accounting standards in India are issued by-
- (i) Central Government
 - (ii) State Government
 - (iii) The institute of Chartered Accountants of India
 - (iv) Reserve Bank of India
20. Accounting Standards-
- (i) Harmonise accounting policies
 - (ii) Eliminate the non-comparability of financial statements
 - (iii) Improve the reliability of financial statement
 - (iv) All of the above
21. When an owner withdraw goods, it is debited to his drawing account because of -
- (i) Continuity concept
 - (ii) Conservatism
 - (iii) Entity concept
 - (iv) None of the above
22. Sale income is said to be realized when-
- (i) Goods are sold
 - (ii) Cash is received
 - (iii) Production is completed
 - (iv) None of the above

23. Work in Progress is valued on the basis of cost incurred because of principle of –
- (i) Conservatism
 - (ii) Realisation
 - (iii) Going Concern
 - (iv) None of the above
24. Fees not received is not treated as income in case of Chartered Accountants because of –
- (i) Concept of objectivity
 - (ii) Realisation
 - (iii) Cost Concept
 - (iv) All of the above
25. Fixed Assets are not shown at their realizable value in accounts because of –
- (i) Concept of Objectivity
 - (ii) Matching cost
 - (iii) Going Concern
 - (iv) None of the above
26. Why are the total of two sides of the balance sheet equal ?
- (i) Cost Concept
 - (ii) Dual aspect concept
 - (iii) Entity concept
 - (iv) All of the above
27. Pre-received income is deducted from income in the current year's P&L account, the underlying assumption being-
- (i) Matching cost against revenue
 - (ii) Conservatism
 - (iii) Realisation
 - (iv) None of the above
28. In business purchase should not be recorded without its voucher because it is violative of the principle of –
- (i) Cost
 - (ii) Consistency
 - (iii) Objectivity
 - (iv) None of the above
29. Bank credits income of doubtful interest to Interest Suspense Account because of –
- (i) Concept of Conservatism
 - (ii) Objectivity
 - (iii) Consistency
 - (iv) None of the above
30. The revenue from gold is recorded in the books, as soon as its production is complete, because of principle of –
- (i) Conservatism

- (ii) Realisation
 - (iii) Objectivity
 - (iv) None of the above
31. The concept of _____ suggests that provision for loss against claim accepted must be made is:-
- (i) Realisation
 - (ii) Periodicity
 - (iii) Conservatism
 - (iv) All of the above
32. Change in the value of Fixed Assets are not recorded in accounts because of principle of –
- (i) Conservatism
 - (ii) Objectivity
 - (iii) Going Concern
 - (iv) None of the above
33. Entries are made in Accounts on the basis of supporting vouchers-
- (i) Realisation Concept
 - (ii) Objectivity
 - (iii) Conservatism
 - (iv) None of the above
34. Commission on sale is debited to Profit and Loss account in the year in which sale is affected because of –
- (i) Concept of conservatism
 - (ii) Matching cost with revenue
 - (iii) Realisation concept
 - (iv) None of the above
35. In the trading account, sales is written on credit side and on the opposite side purchases and purchase expenses are shown. What is the principle involved-
- (i) Concept of conservatism
 - (ii) Matching cost with revenue
 - (iii) Realisation concept
 - (iv) None of the above

A.3. Indicate the Correct Answer:

36. Preparation of consolidated Balance Sheet of Holding Co. and its subsidiary company as per
- a. As 11
 - b. AS – 22
 - c. AS 21
 - d. AS – 23
37. The share of outsiders in the Net Assets in subsidiary company is known as under :
- a. outsiders liability
 - b. Assets

- c. subsidiary company's liability
 - d. Minority Interest
38. Pre-acquisition profit in subsidiary company is considered as :
- a. Revenue profit
 - b. Capital profit
 - c. Goodwill
 - d. Non of the above
39. Excess of cost of investment over paid up value of the shares is considered as:
- a. Goodwill
 - b. Capital Reserve
 - c. Minority Interest
 - d. Non of above
40. Excess of paid up value of the shares over cost of investment is considered as:
- a. Goodwill
 - b. Capital Reserve
 - c. Minority Interest
 - d. Non of above
41. Profit earned before acquisition of share is treated as
- a. Capital profit
 - b. Revenue profit
 - c. General Reserve
 - d. Revaluation Loss
42. Profit earned after acquisition of share is treated as
- a. Capital profit
 - b. Revenue profit
 - c. General Reserve
 - d. Revaluation Loss
43. Preparation of consolidated statement as per AS 21 is
- a. Optional
 - b. Mandatory for listed Companies
 - c. Mandatory for Pvt. Ltd.
 - d. Companies Ltd. partnership firm
44. Holding Co. share in capital profits of subsidiary company is adjusted in :
- a. Cost of control
 - b. Shown on Assets side of Balance sheet
 - c. Revenue profit
 - d. None of above
45. Holding Co. share in revenue profits of subsidiary company is adjusted in :
- a. Cost of control
 - b. Shown on Assets side of Balance sheet
 - c. Profit and loss account
 - d. None of above
46. Unrealised profit on goods sold and included in stock is deducted from :
- a. Capital Profit

- b. Revenue Profit
 - c. Fixed Assets
 - d. Minority interest
47. Face value debentures of subsidiary co. held by Holding Company is deducted from :
- a. Debentures
 - b. Cost of control
 - c. Minority interest
 - d. Debentures in consolidated balance sheet
48. Which of the following statement is true:
- a. There is no change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of pre-acquisition profit.
 - b. There is change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of post-acquisition profit.
 - c. There is change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of pre-acquisition profit.
 - d. There is no connection between the issue of bonus shares and the calculation of capital reserve.
49. Consolidated financial statements are prepared on the principle:
- a. In form the companies are one entity; in substance they are separate.
 - b. In form the companies are separate; in substance they are one.
 - c. In form and substance the companies are one entity.
 - d. In form and substance the companies are separate.
50. Minority Interest includes :
- a. Share in share capital
 - b. Share in Capital profit
 - c. Share in Revenue profit
 - d. All of the above
51. The Time interval between the date of acquisition of shares in subsidiary company and date of Balance Sheet of Holding Company is known as :
- a. Pre-acquisition period
 - b. Post-acquisition period
 - c. Pre-commencement period
 - d. Pre-incorporation period.
52. Pre-acquisition dividend received by Holding company is credited to
- a. profit & loss A/c
 - b. Capital profit
 - c. Investment A/c
 - d. non of the above
53. Post Acquisition dividend received by Holding Company is debited to :
- a. Bank A/c
 - b. profit & loss A/c
 - c. Dividend A/c
 - d. Investment A/c

54. Which Exchange rate will be considered for conversion of share capital of subsidiary company.
- Opening Rate
 - closing rate
 - Average Rate
 - Rate of which date share acquired (actual)
55. A subsidiary company shall be excluded from consolidation when:
- Control is intended to be temporary
 - It operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent
 - Always included for consolidation
 - Both a and b.

B. True or False

56. Minority interest shown in the consolidated balance sheet is the equity held by the outsiders in the subsidiary company.
57. Cost of control is the excess price paid for investment over and above proportionate share of net assets acquired by the holding company.
58. There is no need to show intercompany dividends in the consolidated profit and loss account.
59. Profit on revaluation of Fixed assets is a capital profit and depreciation on such amount is a revenue loss.
60. The financial year of holding and subsidiary company must be the same.
61. Dividends paid out of pre-acquisition profits must be credited to investment in shares of the subsidiary account.
62. Dividends paid out of post-acquisition profits must be credited to profit and loss account.
63. For calculating minority interest there is need to distinguish between capital and revenue profits of the subsidiary.
64. For calculating cost of control there is no need to distinguish between capital and revenue profits of the subsidiary.
65. Only external Contingent liabilities are shown as footnote in the consolidated balance sheet but internal contingent liabilities are not shown in consolidated balance sheet.
66. Issue of bonus shares out of pre acquisition profit or reserves will have no effect on the consolidated balance sheet.
67. Issue of bonus share out of post acquisition profits by the subsidiary company has the effect of increasing the paid up value of shares and reducing the cost of goodwill of the holding company.
68. No company can become the subsidiary of another company.
69. A company has to acquire more than 50% shares of another company in order to become a holding company.

C. Short Notes

70. Accounting Concepts
71. Generally Accepted Accounting Principles
72. Accounting Standards
73. Branches of Accounting
74. Types of Branches
75. Foreign Branch
76. Human Resource Accounting
77. Forensic Accounting
78. Carbon Credit Accounting

D. Long Answer Questions

a) The following are the summarized Balance Sheets of X Ltd, Y Ltd and Z Ltd as on 31st March 2019.

Balance Sheets

Liabilities	X Ltd Rs.	Y Ltd Rs.	Z Ltd Rs.	Assets	X Ltd Rs.	Y Ltd Rs.	Z Ltd Rs.
Share Capital: Equity Shares of Rs. 100 each fully paid	2,50,000	2,00,000	75,000	Goodwill	15,000	-	-
Profit & Loss A/c	60,000	50,000	26,000	Fixed Assets	1,00,000	1,50,000	90,000
Creditors	10,000	12,500	4,000	Investments: acquired on 1 st April 2018			
				1,500 Equity Shares in Y Ltd.	1,75,000	-	-
				600 Equity shares in Z Ltd.	-	70,000	-
				Stock in Trade	25,000	20,000	10,000
				Debtors & Cash at Bank	5,000	22,500	5,000
	<u>3,20,000</u>	<u>2,62,500</u>	<u>1,05,000</u>		<u>3,20,000</u>	<u>2,62,500</u>	<u>1,05,000</u>

Further Information

1. On 1st April 2018, Credit balances in Profit and Loss Account before taking into account proposed dividend were:
X Ltd. Rs. 40,000
Y Ltd. Rs. 24,000
Z Ltd. Rs. 1,500
2. 10% dividend was distributed by X Ltd. for the year 2017-2018 on 30th June 2018.

3. Proposed dividend for 2018-19 to be paid wholly from the profits for that year are:

X Ltd.	10%
Y Ltd.	5%
Z Ltd.	10%

Prepare a consolidated Balance Sheet as on 31st March 2019.

From the above problem answer the Q. No. 79 to 83.

79. Show the Analysis of Capital and Revenue Profit of the companies.

80. Calculate Goodwill of Cost of Control

81. Calculate Minority Interest

82. Show Profit and Loss Account of Holding Company

83. Prepare Consolidated Balance Sheet of the company

b) P Ltd is a holding company and Q. Ltd and R Ltd are subsidiaries of P Ltd. Their Balance Sheets as on 31st March 2019 are given below.

Balance Sheets

Liabilities	P. Ltd Rs.	Q. Ltd Rs.	R. Ltd Rs.	Assets	P. Ltd Rs.	Q. Ltd Rs.	R. Ltd Rs.
Share Capital	2,00,000	2,00,000	1,20,000	Fixed Assets	40,000	1,20,000	86,000
Reserves	96,000	20,000	18,000	<u>Investments</u>			
				Shares in Q Ltd	1,90,000	-	-
				Shares in R Ltd.	26,000	1,06,000	-
Profit & Loss A/c	32,000	24,000	18,000	Stock in Trade	24,000	-	-
R Ltd. Balance	6,000	-	-	Q Ltd. Balance	16,000	-	-
Sundry Creditors	14,000	10,000	-	Sundry Debtors	52,000	42,000	64,000
P Ltd. Balance	-	14,000	-	P Ltd. Balance	-	-	6,000
	<u>3,48,000</u>	<u>2,68,000</u>	<u>1,56,000</u>		<u>3,48,000</u>	<u>2,68,000</u>	<u>1,56,000</u>

The following particulars are given

- The share capital of all companies is divided into shares of Rs. 10 each.
- P Ltd. held 16,000 shares of Q Ltd. and 2,000 Shares of R Ltd.
- Q Ltd. held 8,000 shares of R Ltd.
- All these investments were made on 30th September 2018.
- On 1st April 2018 the position was shown below

	Q Ltd. Rs.	R Ltd. Rs.
Reserves	16,000	15,000
Profit and Loss A/c	8,000	6,000
Creditors	10,000	2,000

Fixed Assets	1,20,000	86,000
Stock in Trade	8,000	71,000
Sundry Debtors	96,000	66,000

You are required to prepare consolidated balance sheet of the group as on 31st March 2019.

From the above problem answer the Q. No. 84 to 88.

84. Show the Analysis of Capital and Revenue Profit of the companies.
85. Calculate Goodwill of Cost of Control
86. Calculate Minority Interest
87. Show Profit and Loss Account of Holding Company
88. Prepare Consolidated Balance Sheet of the company

c) The following are the Balance Sheets of H Ltd., A Ltd. and B Ltd. as on 31st March 2018.

	H Ltd. Rs.	A Ltd. Rs	B Ltd. Rs.
Liabilities			
Share Capital	5,00,000	2,50,000	1,00,000
Reserves	75,000	75,000	60,000
Profit and Loss A/c	1,25,000	1,50,000	60,000
Creditors	1,50,000	1,00,000	65,000
	<u>8,50,000</u>	<u>5,75,000</u>	<u>2,85,000</u>
Assets			
Fixed Assets	3,00,000	1,50,000	75,000
Stock	2,00,000	1,90,000	1,50,000
Debtors	75,000	1,10,000	50,000
Bank	25,000	15,000	10,000
Shares in A Ltd.	2,50,000	-	-
Shares in B Ltd.	-	1,10,000	-
	<u>8,50,000</u>	<u>5,75,000</u>	<u>2,85,000</u>

H Ltd. purchased 90% shares in A Ltd. when latter's credit balance of Profit and Loss A/c was Rs. 40,000 and Reserve was Rs. 30,000.

A Ltd. purchased 80% shares in B Ltd. when B Ltd. had Rs. 10,000 in Reserve and Rs. 15,000 as credit balance in Profit and Loss A/c. H Ltd. and A Ltd. acquired shares in subsidiaries on the same date.

Prepare the Consolidated Balance Sheet of H Ltd. as on 31st March 2018.

From the above problem answer the Q. No. 89 to 93.

89. Show the Analysis of Capital and Revenue Profit of the companies.
90. Calculate Goodwill of Cost of Control
91. Calculate Minority Interest
92. Show Profit and Loss Account of Holding Company
93. Prepare Consolidated Balance Sheet of the company

d) The following is the trial balance of the head office and the New York Branch of a concern as on 31st March 2018.

Particulars	Head Office		Branch	
	Debit Rs.	Credit Rs.	Debit \$	Credit \$
Capital Account	-	5,00,000	-	-
Land & Building	1,00,000	-	-	-
Goodwill at cost	50,000	-	-	-
Plant & Machinery	8,00,000	-	1,20,000	-
Furniture & Fitting	30,000	-	8,000	-
Stock – 31 st March 2017	3,40,000	-	56,000	-
Purchases	16,54,000	-	2,40,000	-
Goods from Head office	-	-	80,000	-
Goods to New York Branch	-	3,94,000	-	-
Wages	42,000	-	2,000	-
Carriage inward	6,000	-	1,000	-
Sales	-	22,54,000	-	4,16,000
Salaries	54,000	-	6,000	-
Rent, Rates & Taxes	12,000	-	2,000	-
Insurance	7,000	-	1,000	-
Trade Expenses	12,000	-	1,000	-
Head office Account	-	-	-	1,14,000
New York Branch	4,30,000	-	-	-
Sundry Debtors and creditors	2,20,000	7,21,000	24,000	17,000
Cash at bank	1,10,000	-	5,000	-
Cash in hand	2,000	-	1,000	-
Total	<u>38,69,000</u>	<u>38,69,000</u>	<u>5,47,000</u>	<u>5,47,000</u>

The following adjustments are necessary:

- i) Closing stock was valued: Head office Rs. 2, 92,000; New York \$ 52,000.
- ii) Outstanding Wages : Head Office Rs. 3,000 ; New York \$ 1,000
- iii) Prepaid Insurance : Head Office Rs. 1,000; New York \$ NIL
- iv) Depreciation on Plant & Machinery and Furniture and Fittings @ 10% p.a.

When the Plant and Machinery and furniture and Fittings were purchased the rate of exchange was \$100 to Rs. 380. The rates of exchange were as follows:

On 1st April 2017 the rate was \$100 to Rs. 450 whereas on 31st March 2018 the rate was \$ 100 to Rs. 470 and the average rate for the year \$100 to Rs. 460.

Prepare a combined Trading and Profit and Loss Account (in distinct columns for the H.O. and New York Branch) for the year ended 31st March 2018 and a Balance Sheet for the whole concern as on that date, converting \$ into rupees.

From the above problem answer the Q. No. 94 to 97.

94. Prepare converted Trial Balance

95. Prepare Branch Trading Account

96. Prepare Branch Profit and Loss Account

97. Prepare Balance Sheet

e) Following was the Trial Balance on 31st March 2019 of Mumbai branch of a British firm having Head office in London:

Particulars	Rs.	Rs
Stock on 1.4.2018	12,600	-
Purchases & Sales	75,000	1,12,500
Debtors & Creditors	39,000	26,000
Bills Receivable & Bills Payable	10,400	9,100
Salaries & Wages	4,800	-
Rent, Rates and Taxes	5,100	-
Furniture	4,910	-
Cash at bank	28,990	-
London Account	-	33,200
	180,800	1,80,800

1. On 31st March 2019 the stock was valued at Rs. 32,500.
2. The debit balance of the branch account in London books on March 31, 2019 was £ 2,680 and furniture account appeared at £ 350. On March 31, 2019, there was Cash – in-Transit from Mumbai to London amounting to Rs. 2,600.
3. The rate of exchange on 31st March 2018 was Rs. 14, on 31st March 2019 was Rs.13 and Average rate of 2019 was Rs. 12.

Prepare the Branch Trading and Profit and Loss Account and Balance Sheet in the Head Office book.

From the above problem answer the Q. No. 98 to 100.

98. Prepare converted Trial Balance & Prepare Branch Trading Account

99. Prepare Branch Profit and Loss Account and Balance Sheet

f) Jignesh Tractors Ltd., Ahmedabad, has a branch at Vadodara. From the following particulars relating to the branch for the year ending December 31, 2018, prepare the Branch Account in the head office books :

Particulars	Rs.	Particulars	Rs.
Stock at branch on 1-1-2018	10,000	Discount Allowed to Debtors	100
Branch Debtors on 1-1-2018	4,000	Cash sent to Branch	
Petty Cash on 1-1-2018	500	Insurance (up to 31-3-2019)	600
Furniture on 1-1-2018	2,000	Goods Returned by branch	1,000
Prepaid Insurance on 1-1-2018	150	Goods Returned by debtors	2,000
Salaries Outstanding on 1-1-2018	100	Stock at Branch oil 31-12-2018	5,000
Goods sent to Branch	80,000		
Cash Sales	1,30,000		
Credit Sales	40,000		
Cash received from Debtors	35,000		
Cash paid by Debtors (direct to head	2,000		
Provide depreciation on furniture @ 10% p.a			

from the above problem answer Q.100 & 101.

100. Prepare branch account for the year ended 31st December 2018

101. Prepare branch stock and Branch Debtors Account