**Course: Advanced Financial Accounting**

**Question 1**

**1. Jai Ltd is taken over by Ray Ltd. All the assets & liabilities are taken over at book value.**

**Ray Ltd is issuing 5 equity shares for 2 shares held at Rs 10 each to Jai Ltd in settlement**

**of purchase consideration. Identify the method of Purchase consideration & compute it.**

**Discuss the entries to be passed in the books of Ray Ltd. Following is the Balance sheet**

**of Jai & Ray Ltd as on 31st March, 2022.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | Jai Ltd (RS) | Ray Ltd (RS) | Assets | Jai Ltd (RS) | Ray Ltd (Rs) |
| Equity share Capital | 200000 | 600000 | Land & building | 300000 | 500000 |
| Pref.share capital | 250000 | 100000 | Machinery | 100000 | 200000 |
| Creditors | 50000 | 100000 | Debtors | 40000 | 50000 |
|   |   |   | Cash | 60000 | 50000 |
| Total | 500000 | 800000 | Total | 500000 | 800000 |

**Answer:**

**Introduction**

**Computation of Purchase Consideration under Net Assets Method**

Purchase Consideration:

Purchase consideration means the price payable by Transferee Company to the Transferor Company for acquiring its business. Consideration for amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by Transferee Company to the shareholders of the transferor company.

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**Question 2. The Stores of Xeno Ltd showing the information of receipts & issues of materials during the month of march.**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Quantity | Rate |
| 3-Mar | Received | 2000 | 10 |
| 10-Mar | Received | 500 | 15 |
| 15-Mar | Issued | 1000 | - |
| 20-Mar | Issued | 500 | - |

**Explain the concept of LIFO Method & weighted Average method. What will be the closing inventory if the Xeno Ltd using perpetual inventory under both the method & interprete on it.**

**Answer:**

**Introduction**

The weighted average method, which is primarily used to assign the average cost of production to a given product, is most commonly used when inventory items are so intertwined that assigning a specific cost to an individual unit becomes difficult. When the inventory items in question are identical, this is frequently the case. Furthermore, this method assumes that a store sells all of its inventory at the same time.

To use the weighted average model,

**Question 3**

**3. a. Shilpa & Reena are partners in Tech firm sharing profits & losses in the ratio of 5:3. They admitted Gita as a new partner for 1/5 of share in the firm’s future profits. Calculate the new profit sharing ratio of Shilpa, Reena & Gita & compute howmuch Shilpa & Reena need to sacrifice their share to give Gita’s share.**

**3. b. Arvind, Rahul & sheela are partners of a firm sharing profits & losses in the ratio of 3;2;1. The profit earned during the year is Rs 30000. Interest charged on drawings of partner is RS 500, RS200, RS 100 & interest paid on capital @ 10% p.a & commission paid to sheela for year Rs100. Compute the residual profit of each partner**

**a**

**Introduction**

The sacrifice ratio is an economic ratio that calculates the impact of rising and falling inflation on a country's total output and production. Costs are associated with a slowing of economic output as a result of a decrease in inflation. When prices fall, businesses are less motivated to produce goods and may