**Advanced Financial Accounting**

**June 2023 Examination**

**Q.1 The Balance sheet of AB Co. and PQ Co. as of 31st March 2021 was as follows. AB co. took over PQ co. for Rs 450000 and paid equity shares for settlement of PC AB Co. took over all the assets and Liabilities of PQ Co. Identify the method of Purchase consideration and explain it and discuss the entries to be passed in AB Company. (10 Marks)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **AB Co.** | **PQ Co.** | **Assets** | **AB Co.** | **PQ Co.** |
| **Equity share capital** | **400000** | **400000** | **Land** | **200000** | **100000** |
| **Debentures** | **100000** | **Nil** | **Building** | **150000** | **100000** |
| **Creditors** | **50000** | **20000** | **Machinery** | **50000** | **100000** |
| **Bills Payable** | **50000** | **30000** | **Furniture** | **100000** | **100000** |

**ANS:**

**Introduction**

While it originates with making purchases, nearby are many altered aspects that arise into play. One of the most essential of those elements is the purchase consideration method. This refers to how individuals examine specific services or products before shopping. Humans use several extraordinary purchase consideration methods. One of the maximum commonplaces is the cost-advantage analysis. This involves weighing the blessings of a service or product towards its cost to decide whether or not or now not it is well worth purchasing. This could be a very effective manner of creating purchasing selections, particularly about large or more

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**Q. 2 There are various methods used for the valuation of goodwill. However, the selection of a valuation method depends on different business practices adopted by the company. So you are required to discuss commonly used methods for the valuation of goodwill in detail with suitable examples. (10 Marks)**

**ANS:**

**Introduction**

The premium salaried for the attainment reflects the worth of the developed business's intangible sources, such as its reputation, customer base, and logo recognition. Therefore, goodwill is the change in the acquisition worth of a business & the reasonable marketplace worth of its tangible sources. Valuing goodwill can be complicated and requires a thorough know-how of the company's financial statements, marketplace position, and the industry in which it operates. Several strategies are used to fee goodwill: the revenue method,

**Q.3 Shell Ltd furnishes the following information. Calculate the Valuevalue of closing inventory as of 31st March and the cost of goods sold during March Month**

**(a).Using the FIFO method under a periodic inventory system and explaining the concept of the FIFO Method (5 Marks)**

**ANS:**

**Introduction**

The FIFO (First-In, First-Out) scheme is a popular account estimate technique many companies use. Its miles based on the precept that the first items sold or fashioned are the 1stitems vented or used, and the latest items are left in inventory. Implementing the FIFO method includes keeping tune of stock by its purchase or production date. When merchandise

**b) Under the Perpetual Inventory system and interpret it. (5 Marks)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Units** | **Rate** |
| **1st March** | **Opening stock** | **1000** | **10** |
| **5th March** | **Purchase** | **2000** | **20** |
| **16th March** | **Purchase** | **2500** | **25** |
| **20th March** | **Sales** | **1500** |  |
| **28th March** | **Sales** | **2000** |  |

**ANS:**

**Introduction**

A perpetual Inventory Method is a method of record administration that involves keeping a continuous record of inventory movements, including purchases, sales, and adjustments, in real-time. This system provides an up-to-date history of inventory levels. It helps businesses