

Research and PG Department of Commerce
St.Aloysius College, Edathua
M.Com First Semester first internal examination January 2016
Advanced Financial Accounting I

1. Write a note on methods of valuation of goodwill. (1x5)
2. From the information given below and the balance sheet of A Ltd. On 31st March 2011 find the value of equity shares by intrinsic value method and yield method.

Liabilities	Amount	Assets	Amount
1000 8% preference shares of 100	100000	Building	70000
4000 equity shares of 100	400000	Furniture	3000
Reserves	150000	Stock(Market Value)	450000
P&L A/C		Investment at cost (face value 400000)	335000
Balance on 1-4-10 80000			
Add profit for 2011-12(before transfer to reserve) 430000	510000		
Creditors	48000	Debtors	280000
		Bank	60000
		Preliminary Exp	10000
Total	1208000	Total	1208000

- a. Company's prospects for 2011-12 are good
- b. Building are now worth 350000
- c. Profits for the last 3 years have shown an annual increase of 50000. The annual transfer to reserves is 25% of net profit
- d. Preference shares are preferential as to capital and dividend and
- e. Normal rate of return expected is 15% (1x15)

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