

Dr. Babasaheb Ambedkar Open University
Term End Examination July – 2026

Course : Diploma Course
Subject Code : DAA-04
Subject Name : Developments in Accounts

Date : 09/07/2026
Time : 11:30am to 01:45pm
Duration : 02.15 Hours
Max. Marks : 70

Q-1 Following is the Balance Sheet of P. Ltd. On 31st March 2025:

14

Liabilities	Rs.	Assets	Rs.
Share Capital 2,00,000 Equity shares of Rs. 10 each, fully paid up	20,00,000	Land and Buildings	10,00,000
General Reserve	2,50,000	Plant and Machinery	15,00,000
Dividend Equalization Reserve	2,00,000	Furniture and Fittings	25,000
Profit and Loss Appropriation	51,000	Stock	6,00,000
12% Debentures	10,00,000	Work in Progress	3,00,000
Gold dry Creditors	3,00,000	Gold dry Debtors	2,50,000
		Cash at Bank	1,26,000
	38,01,000		38,01,000

The company is absorbed by A Ltd. On the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of the Golddry Creditors and a payment of Rs. 7 in cash and one share of Rs. 5 in A Ltd. At the market value of Rs. 8 per share for every share in P. Ltd. The cost of liquidation of Rs. 15,000 is to be met by the buying company.

Close the books of P. Ltd. And pass journal entries in the books of A Ltd.

OR

The following is the Balance Sheet of N Ltd. As at 31.3.2025.

Liabilities	Rs.	Assets	Rs.
Share Capital 65,000 Equity shares of Rs. 10 each,	6,50,000	Furniture and Fittings	85,000
2,000 12% Preference Shares of Rs. 100 each	2,00,000	Stock	7,20,000
10% Debentures	1,50,000	Debtors	1,07,000
Bank Overdraft	5,000	Expenses of issues of debenture	7,500
Creditors Pref. Dividend in arrears for 3 years	2,26,000	Profit and loss account	3,11,500
	12,31,000		12,31,000

P Ltd. Takes over the company on the terms that it would:

1. Take Furniture and Fittings after depreciating the same by 10%, Stock at Rs. 6,86,850 and Debtors subject to a Provision for Bad Debts @ 5%.
2. Take 10% Debentures.
3. Discharge the purchase consideration by allotment of 20,000 equity shares of Rs. 10 each at an agreed value of Rs. 12 each and by the payment of the balance in cash.
4. Bear the expenses of liquidation which came to be Rs. 9,000.
5. Preference shareholders of N Ltd. Agreed to accept Rs. 1,80,000 in full settlement of their total claim.

Close the books of N Ltd. And pass journal entries in the books of P Ltd.

Q-2 Explain the techniques and methods of accounting for amalgamations in details.

14

OR

Write a detail note on “Accounting standard (AS)-14”.

- Q-3** Explain the entries in the books of buying company with imaginary figure. **14**
OR
 Explain the recent trends in preparation and presentation in financial statements.
- Q-4** Prepare a Performa/format of Realisation account with imaginary figure. **14**
OR
 Explain the inter-body corporate transactions and give the accounting treatment of it.
- Q-5 (A) Write a short note (any three)** **09**
1. Purchase Consideration.
 2. Calculation of General Reserve.
 3. Calculation of Goodwill.
 4. Absorption and Merger.
 5. Difference between Amalgamation and Merger
- (B) Choose the correct option for the questions given below.** **05**
1. The Types of Amalgamation includes:
 (A) Horizontal and Vertical (B) Internal and External
 (C) Merger and Acquisition (D) All of the above
 2. What is the primary objective of Amalgamation?
 (A) To increase competition (B) To reduce costs and improve efficiency
 (C) To enhance market share (D) To improve management
 3. Which of the following AS deals with Amalgamation?
 (A) AS-14 (B) AS-10
 (C) AS-6 (D) AS-3
 4. What is the accounting treatment for Goodwill arising from Amalgamation?
 (A) Capitalize and amortize (B) Expense immediately
 (C) Ignore (D) Write off against reserves
 5. Which of the following statements is true regarding Amalgamation?
 (A) It always results in the formation of a new company
 (B) It always involves the absorption of one company by another
 (C) It can be either a merger or an acquisition
 (D) It is always accounted for using the pooling of interests method
