

2016

M. Com.

3rd Semester Examination

ADVANCED FINANCIAL ACCOUNTING

PAPER — COM-304 (AF)

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Unit—I

[Marks : 25]

1. Answer any *two* of the following : 2×5
- (a) Illustrate Hekimian and Jones Competitive Bid model of human resource valuation.
- (b) Write any five differences between Value Added Statement and Profit & Loss Statement.

(Turn Over)

(c) You are presented with the following Balance Sheet of T Ltd. and D. Ltd. as at 31.3.2016.

<i>Equities & Liabilities</i>	<i>T. Ltd.</i>	<i>D. Ltd</i>
	(₹)	(₹)
<i>Share holders Fund :</i>		
<i>Share Capital :</i>		
Equity Share of ₹100		
each fully paid	6,00,000	3,00,000
<i>Reserve and Surplus :</i>		
General Reserve	2,00,000	60,000
<i>Long term loan :</i>		
6% Debenture	2,00,000	1,00,000
<i>Current Liabilities :</i>		
Creditors	2,50,000	1,50,000
	<u>12,50,000</u>	<u>6,10,000</u>
<i>Assets :</i>		
<i>Non-Current Assets :</i>		
Fixed Assets	8,30,000	2,50,000
(excluding Goodwill)		
Current Assets :	4,00,000	2,30,000
Investment : 1000		
Shares in T. Ltd.	—	1,20,000
Preliminary Expenses	20,000	10,000
	<u>12,50,000</u>	<u>6,10,000</u>

Goodwill of T. Ltd. is valued at ₹ 1,20,000 and that of D. Ltd. at ₹ 40,000 T.Ltd. absorbs D. Ltd. on the basis of the intrinsic value of the shares. State the number of shares to be issued as Purchase consideration.

(d) Illustrate Social Cost and Social benefit. 3+2

2. Answer any one question : 1×10

(a) The Excellent Living Company Ltd. went into voluntary liquidation on 31.3.2016. The Balance Sheet in its books on that day was as under—

<i>Equities and Liabilities</i>	<i>Amount (₹)</i>
Share holders Fund :	
Share Capital :	
3000, 6% Preference Shares of ₹ 100 each fully paid up	3,00,000
2,500 Equity Shares of ₹ 100 each fully paid up	2,50,000
7,500 Equity Shares of ₹ 100 each, ₹ 60 paid up	4,50,000
Long Term Loan :	
6% Mortgage Debentures	3,00,000
Interest outstanding	18,000
Current Liabilities :	
Creditors	4,07,000
	<u>17,25,000</u>

Assets	Amount (₹)
<i>Non-Current Assets :</i>	
Land and Building	2,00,000
Machinery	6,00,000
Patents	1,50,000
<i>Current Assets :</i>	
Stock	2,00,000
Sundry Debtors	2,50,000
Cash at Bank	10,000
<i>Misc. Expenditure :</i>	
Profit and Loss A/c	3,15,000
	17,25,000

Additional Information :

Creditors include ₹ 32,000 Preferential Creditors and a Creditor for ₹ 1,25,000 secured by a mortgage on Land and Building. Preference dividend is in arrears for two years. The liquidator is entitled to a commission of 3% on all assets realised except cash and 2% on amounts distributed to unsecured creditors other than Preferential creditors.

The assets realised are as under : Land and Building ₹ 3,00,000 ; Plant and Machinery ₹ 2,00,000 ; Patents ₹ 1,75,000 ; Stock ₹ 2,25,000 ; Sundry Debtors ₹ 1,25,000.

The Expenses of Liquidation amounted to ₹ 28,000. Prepare Liquidator's Final Statement of Account.

(b) Unsuccessful Ltd. had the following Balance Sheet as on 31.3.2016.

<i>Liabilities and Capital</i>	<i>Amount.(₹)</i>
80,000, ordinary shares of ₹ 20 each fully paid	16,00,000
6% Debentures of ₹ 1,000 each	26,80,000
Interest due thereon	<u>80,000</u>
Tax Liability	20,000
Sundry Creditors (Unsecured)	9,00,000
	<u>52,80,000</u>
Assets :	
Sundry Fixed Assets (less depreciation)	20,00,000
Sundry Floating Assets	10,20,000
Cash and Bank Balance	1,20,000
Profit and Loss A/c as per last Account	21,60,000
Less : Profit for the year	<u>20,000</u>
	<u>52,80,000</u>

Tax Liability is to be paid in full. Debentures carry a floating charge on all the assets of the company. Sundry Fixed assets are worth ₹ 12 lakh and floating assets are worth their book value subject to provision for bad and doubtful debts to the extent of ₹ 2,50,000.

Calculate accumulated and expected losses to be written off for reconstruction scheme and suggest how those losses are to be shared by the contributors of the company.

10

Unit—II

[Marks : 25]

3. Answer any *two questions* from the following : 2×5

(a) What do you mean by insured standing charges in relation to loss of profit policy? Can gross insurance be equal to net insurance claim? Explain in support of your argument. 2+3

(b) From the following particular of Mega Insurance Pvt. Ltd. prepare a revenue account for the period ended 31.03.2015 :

	[Rs. in '000 Cr.]
(i) Single Premium Received	22
(ii) Renewal Premium Received	450

(iii) Other Premium	75
(iv) Re insurance accepted	40
(v) Interest	12
(vi) Dividend	6
(vii) Profit on sale of debenture	50
(viii) Bad debt	2
(ix) Provision for depreciation	1
(x) Provision for taxation	16
(xi) Commission	40
(xii) Operating expenses	182
(xiii) Net Benefit paid to client	224
(xiv) Transfer to share holder's A/c	45
(xv) Transfer to other reserves	14

(c) Find out insurance claim from the following information :

- (i) Date of Fire 1.10.14.
- (ii) The sales affected for 3 months.
- (iii) Total standing charges Rs. 50 Cr. (40% insured in 2014-15)
- (iv) Sales in different period : [Rs. in Cr.]

	April-June	July-September	October-December	Jan-March
2013-14	25	26	24	30
2014-15	27	28	6	33

There is a 10% upward trend in sales. Sales accrue evenly in this period.

(v) Net profit during 2014-15 is Rs. 22 Cr.

(vi) The insurance coverage was for Rs. 25 Cr. with a indemnity period of 3 months.

(d) Discuss the process of consolidation in accounts briefly in case of the books of holding company as per AS 21.

4. Answer any *one* of the following questions: 10×1

(a) The following figures have been obtained from the books of Big Bank Ltd. for the year ended 31st March, 2013 :

	[Rs. in '000]
Interest and Discount	3,800
Commission	195
Interest paid	2,000
Salaries & Wages	210
Director's Fees	35
Rent & Taxes	70
Postage & Telegram	61
Profit on sale of investment	240
Loan on sale of investment	38

Rent Received	62
Depreciation	31
Stationary	60
Auditor's Fees	08

Additional Information :

- (i) The Profit & Loss A/c has a balance of Rs. 10 Cr. on 1st April, 2012.
- (ii) There is a doubtful advance Rs. 5.68 Cr. become doubtful and expected to fetch 50% of the amount due.
- (iii) Provision for tax be made at 35%.
- (iv) A dividend @ 10% in proposed. Also provide divided distribution tax @ 17% of the amount proposed to be distributed. Prepare Profit & Loss account and relevant schedules of the Big Bank Ltd. for the year ending 31st March, 2013. 5+5
- (b) From the following balance sheets of a group companies and the other information provided draw up consolidated balance sheet a on 31.3.2015.

[Rs. in Cr.]

<i>Particular</i>	<i>X Ltd.</i>	<i>Y Ltd.</i>	<i>Z Ltd.</i>
Liabilities :			
Share Capital	300	200	100
[₹ 1000 paid up]			
Reserve	50	40	30

<i>Particular</i>	<i>X Ltd.</i>	<i>Y Ltd.</i>	<i>X Ltd.</i>
Credit surplus balance of profit & losses A/c.	60	50	40
Current Liabilities	90	10	30
	<u>500</u>	<u>300</u>	<u>200</u>
Assets :			
Fixed Assets	130	150	100
Investment	220	80	-
Stock	50	20	20
Receivables	70	20	40
Other current Assets	30	30	40
	<u>500</u>	<u>300</u>	<u>200</u>

Additional informations :

- (i) X Ltd. holds 16 lakh share and 3 lakh shares respectively in Y Ltd. and Z Ltd. Y Ltd. hold 6 lakh shares in Z Ltd. These investment were made in 1.7.14 on which date the position was as follows :

<i>Particular</i>	<i>Y Ltd.</i>	<i>Z Ltd.</i>
Reserve	₹ 20 Cr.	₹ 10 Cr.
Profit & Losses A/c.	₹ 30 Cr.	₹ 16 Cr.

- (ii) Debtors of X Ltd. include ₹ 5 Cr. being the amount due from Y Ltd.

[Internal Assessment : 10 Marks]