

2009

M. Com.

3rd Semester Examination

ADVANCE FINANCIAL ACCOUNTING

PAPER — CM-2104 (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 : 20]

1. Answer any two of the following : 5×2
- (a) What is Human Resource Accounting? Why human resources are not shown in financial statements?
- (b) Define environmental costs and benefits. Are the environmental costs and benefits measurable in monetary terms?
- (c) A Ltd. absorbed B. Ltd. The following are their agreed balance sheets as on 31.03-09

Liabilities	A. Ltd. Rs.	B. Ltd. Rs.	Assets	A. Ltd. Rs.	B. Ltd. Rs.
Eq. Share Capital @ Rs.100 each	5,00,000	4,00,000	Sundry Assets	7,70,000	4,40,000
General Reserve	2,00,000	1,00,000	Investments :		
13% Debentures	2,00,000	1,50,000	1000 shares in B. Ltd.	1,30,000	
			2000 shares in A Ltd.		2,10,000
	9,00,000	6,50,000		9,00,000	6,50,000

(Turn Over)

- (d) The following balances are available in the accounts of Trymore Ltd. for the year ended 31.3.2009.

	(Rs,'000)
Turnover	2,300
Loss on sale of Machine	75
Depreciation on Plant and Machinery	200
Dividends to ordinary shareholders	146
Total stock of all materials, WIP and Finished goods	
Opening stock	160
Closing stock	200
Raw materials purchased	625
Printing and stationery	22
Auditors remuneration	28
Retained profits (Opening balance)	994
Retained profits for the year	288
Rent, rates and tax	165
Other expenses	85
Interest on borrowings	40
Income tax for the year	276
Wages and Salaries	327
Employees state insurance	35
P. F. Contribution	28

Prepare value added statements both under subtractive and additive method.

2. Answer any one of the following :

10×1

(a) H. Ltd. and G. Ltd. propose to amalgamate. Their Balance Sheet as on 31.03.2009 were :

Liabilities	H. Ltd. Rs.	G. Ltd. Rs.	Assets	H. Ltd. Rs.	G. Ltd. Rs.
Share Capital: Equity Shares of Rs.10 each	5,00,000	2,00,000	Fixed Assets (less depreciation)	4,00,000	1,00,000
Reserve and Surplus:			Investments (Face value Rs.1,00,000, 6% Tax free G. P. Notes)	1,00,000	—
General Reserve	2,00,000	20,000	Current Assets :		
Profit & Loss A/c	1,00,000	30,000	Stock	2,00,000	1,30,000
Current Liabilities Creditors	1,00,000	50,000	Debtors	1,70,000	60,000
			Cash and Bank balances	30,000	10,000
	9,00,000	3,00,000		9,00,000	3,00,000

Net Profit (after taxation) :

	H.Ltd. Rs.	G.Ltd. Rs.
2007	1,30,000	45,000
2008	1,25,000	40,000
2009	1,50,000	56,000

Goodwill may be taken at 4 year's purchase of average super trading profit. Normal profit is 15% on Balance Sheet capital invested (ignore revaluation). The stock of H. Ltd. and G. Ltd. to be taken at Rs. 2,04,000 and Rs. 1,42,000 respectively for the purpose of amalgamation. Bright Ltd. will be formed by amalgamation of the two companies.

Suggest a scheme of amalgamation and calculate the exchange ratio.

10

(b) The Balance Sheet of Unsuccessful Ltd. as on 31.3.2009 was as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Paid-up Capital :</i>		<i>Fixed Assets :</i>	
1,000, 6% Preference Shares of Rs. 100 each	1,00,000	Land and Building	2,00,000
2,000 Equity Shares of Rs. 100 each fully paid	2,00,000	Plant and Machinery	2,20,000
3,000 Equity Shares of Rs. 100 each, Rs. 50 paid	1,50,000	<i>Current Assets :</i>	
<i>Secured Loan :</i>		Stock	1,00,000
6% Debentures (Floating charge on all assets)	1,00,000	Debtors	1,00,000
<i>Others :</i>		Cash at Bank	30,000
(Mortgage on Land & Building)	1,00,000	<i>Miscellaneous Expenditure :</i>	
<i>Current Liabilities :</i>		Profit & Loss A/c	1,00,000
Sundry Creditors	90,000		
Income Tax	10,000		
	<b>7,50,000</b>		<b>7,50,000</b>

The Company went into liquidation on 1.4.2009.

The Preference dividends were in arrears for 3 years.

The arrears are payable on liquidation.

The assets were realised as follows :

Land and Building Rs. 2,40,000; Plant and Machinery Rs. 1,80,000; Stock Rs. 70,000; Debtors Rs. 60,000.

The expenses of liquidation amounted to Rs. 8,000.

The liquidator is entitled to a commission of 2% on all assets realised and 3% on amounts distributed to unsecured creditors.

All payments were done on 30.6.2009

Prepare Liquidator's Final Statement of Account.

## Unit—II

**[Marks : 20]**

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

(a) From the following details, find out the claim under loss of Profit Policy :

Indemnity period—6 months, Policy Value Rs. 25,000;  
Date of fire April, 2008. Dislocation upto 1st August, 2008.

	Rs.
Sales for 2007 accounting year	1,20,000
Net Profit for 2007 accounting year	13,000
Standing charges for 2007 accounting year (all insured)	17,000
Sales from 1.4.2007 to 31.3.2008	1,60,000
Sales from 1.4.2008 to 1.8.2008	20,000
Sales from 1.4.2007 to 1.8.2008	50,000

There is a clear 10% upward trend in business.

(b) J. Ltd. purchased control of N Ltd. on 1.7.2008. Following are the Balance Sheets of two companies as at 31.12.2008.

Liabilities	J. Ltd. Rs.	N. Ltd. Rs.	Assets	J. Ltd. Rs.	N. Ltd. Rs.
Eq. Share Capital Rs.10 each	3,60,000	1,80,000	Plant and Machinery	1,20,000	1,08,000
General Reserve	36,000	30,000	Other Fixed Assets	66,000	84,000
Profit & Loss A/c	60,000	60,000	Investment in 13,500 shares of N. Ltd.	2,02,500	—
Creditors	60,000	48,000	Current Assets	1,27,500	1,26,000
	<b>5,16,000</b>	<b>3,18,000</b>		<b>5,16,000</b>	<b>3,18,000</b>

N. Ltd. had on 1.1.2008 Rs. 30,000 General Reserve and Rs. 36,000 (Cr.) in Profit and Loss Account 10%

dividend was received by J. Ltd. in July from N. Ltd. for 2007 and this amount was credited to Profit and Loss Account of holding company.

Plant and machinery standing in the books of N. Ltd. at Rs. 1,20,000 on the date of purchase was revalued at Rs. 1,44,000.

Calculate Pre-acquisition and Post acquisition Profit.

- (c) While closing the books of accounts on 31.3.09 of a commercial bank it was found that a term loan of Rs. 1,50,000, quarterly interest due on 29.6.08, 29.9.08, 29.12.08 and 29.3.09 has not been received.

Will this credit facilities be treated as NPA on 31.3.09? Give reasons in support of your answer.

- (d) From the following information, Prepare the Interest Earned schedule and Operating Expense Schedule of Oriental Bank Ltd. for the year ended 31.3.2009.

	Rs.
Interest on Loans	25,00,000
Interest on Fixed Deposits	27,50,000
Rebate on Bills Discounted	4,90,000
Commission	82,000
Salaries and allowances	5,40,000
Discount on Bills discounted (Net)	14,60,000
Interest on cash credit	22,30,000
Depreciation on Bank Property	4,20,000
Rent and Rates	1,80,000
Interest on overdraft	15,40,000
Directors' fees	30,000
Auditors' fees	12,000
Interest on Savings Bank Deposits	6,80,000
Postage and Telegrams	14,000
Printing and Stationery	29,000
Sundry charges	17,000
Bad debts to be written off amounted to	4,00,00

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

- (a) The books of Jai Hind Insurance Company Ltd. contained the following information in respect of fire insurance as on 31.3.2009 :

	<i>Rs. (in crores)</i>
Provision for unexpired risk on 1.4.2008	800
Estimated liability in respect of outstanding claims :	
on 1.4.2008	100
on 31.3.2009	150
Medical expenses regarding claims	10
Claims paid	700
Re-insurance premium	140
Re-insurance recoveries	15
Premiums	1,900
Commission on direct business	250
Commission on re-insurance ceded	30
Management expenses	550
Interests and dividends	80
Legal expenses regarding claims	15
Profit on sale of investments for the year ended 31.3.2009	7

Assuming closing Reserve for unexpired risk is 50% of Premium received, Prepare Revenue Account for the year ended 31.3.2009.

- (b) The following are the summarised balance sheets of three companies, F. Ltd., S. Ltd. and D. Ltd. as on 31.3.2009.

<i>Liabilities and Capital</i>	<i>F. Ltd. Rs.</i>	<i>F. Ltd. Rs.</i>	<i>F. Ltd. Rs.</i>
Share Capital (Shares of Rs. 10 each)	5,00,000	4,00,000	1,50,000
Profit and Loss Account	1,20,000	1,00,000	30,000
Creditors	2,00,000	2,50,000	1,02,000
	<b>8,20,000</b>	<b>7,50,000</b>	<b>2,82,000</b>

<i>Assets</i>	<i>F. Ltd.</i> <i>Rs.</i>	<i>S. Ltd.</i> <i>Rs.</i>	<i>D. Ltd.</i> <i>Rs.</i>
Goodwill	30,000	—	—
Other Fixed Assets	2,80,000	2,70,000	1,42,000
Investment :			
30,000 shares in S. Ltd.	3,50,000	—	—
12,000 shares in D. Ltd.	—	1,40,000	—
Stock	60,000	1,40,000	80,000
Other current Assets	1,00,000	2,00,000	60,000
	<b>8,20,000</b>	<b>7,50,000</b>	<b>2,82,000</b>

The investments were all acquired on 1.10.2008. On 1st April, the Profit and Loss Accounts showed the following balances:

	<i>Rs.</i>
F. Ltd.	80,000
S. Ltd.	48,000
D. Ltd.	10,000 (Debit Balance)

The proposed dividends for 2008-09 are : F. Ltd. 16%, S. Ltd. 15% and D. Ltd. 10% after transfer of Rs. 8,000 and Rs. 3,000 from Profit and Loss A/c to General Reserve by F. Ltd. and S. Ltd. respectively.

- Analyse the Profit into Capital and Revenue
- Calculate Goodwill.
- Calculate consolidated Profit and Loss balance.

*[ Internal Assessment : 10 Marks ]*