

2009

COMMERCE

Group—I

(Accounting & Control)

*(Advanced Financial Accounting and
Contemporary Issues in Accounting)*

PAPER—X

Full Marks : 100

Time : 4 hours

The figures in the right-hand margin indicate marks

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

Illustrate the answers wherever necessary

FIRST HALF

(Financial Accounting)

[Marks : 50]

Answer Q.No.1 and any other *two* from the rest

(Turn Over)

1. The following is the abridged balance sheet of H Ltd. as at 31.3.2009.

<i>Liabilities</i>	<i>Amount Rs.</i>	<i>Assets</i>	<i>Amount Rs.</i>
Paid up capital :		Goodwill at Cost	35000
15000 Equity shares of Rs. 10 each	1,50,000	Net Tangible Assets	1,52,000
10,000 6% cumulative preference shares of Rs. 10 each	1,00,000	Profit and Loss A/c	63,000
	<u>2,50,000</u>		<u>2,50,000</u>

The preference dividend is in arrears for three years. The net tangible assets are estimate to be worth Rs. 136000. On the expectation that the annual profits will be Rs 15000. Draft a scheme of reconstruction to be submitted to the directors mentioning the important matters which would require consideration and state the effect of such proposal on the two classes of shareholders. Redraft the balance sheet.

20

Or

The following are the balance of H Ltd. and S Ltd. as on 31.3.2009 :

<i>Liabilities</i>	H Ltd.(Rs.)	S Ltd. (Rs.)
Share capital of Rs. 100 each	10,00,000	7,00,000
Reserves and Surplus :		
General Reserve	2,00,000	3,00,000
Profit and Loss Account	3,00,000	3,00,000
Current Liabilities	3,00,000	9,00,000
	<u>20,00,000</u>	<u>22,00,000</u>
Assets		
Fixed Assets	8,00,000	9,00,000
Investment in S Ltd	5,00,000	—
Current Assets	7,00,000	13,00,000
	<u>20,00,000</u>	<u>22,00,000</u>

The following further information is furnished :

(i) H Ltd. acquired 3,000 shares in S Ltd. on 1.4.2008 when the Reserve and Surplus position of S Ltd. Was as under :

(a) General Reserve Rs. 5,00,000

(b) Profit and Loss A/c (Cr.) Rs. 2,00,000 .

(ii) On 1.10.2008, S Ltd. issued 2 shares for every 5 shares held as bonus shares at face value of Rs. 100 per share. No entry is made in the books of H Ltd. for the receipt of these bonus shares.

(iii) On 30.06.2008, S Ltd. declared a dividend, out of Pre-acquisition profit at 20% and H Ltd. credited the receipt of dividend to its Profit and Loss Account.

(iv) S Ltd. owed H Ltd. Rs. 1,25,000 for purchase of stock from H Ltd. The entire stock is held by S Ltd. on 31.3.09, H Ltd. made a profit of 20% on transferred value.

(v) H Ltd. transferred a machine to S Ltd. for Rs. 1,00,000. The book value of the machine to H Ltd. was Rs. 75,000.

Prepare Consolidate Balance Sheet as at 31st March, 2009.

2. (a) Write the differences between Compulsory Liquidation and Voluntary liquidation of corporate bodies.

(b) The position of Undone Ltd. which went into voluntary liquidation on 30.6.2008 is furnished below :

	Rs.
Equity share capital	
20,000 Equity shares of	
Rs 100 each, Rs. 50 paid-up	10,00,000
7% Preference share capital	
20,000 Equity shares of	
Rs 100 each	20,00,000
6% First Mortgage Debentures	
Secured by floating charge upon the	
whole of assets	15,00,000
Fully secured Creditors	
(value of securities Rs. 3,50,000)	3,00,000
Partly secured Creditors	
(value of securities Rs. 1,00,000)	2,00,000
Preference Creditors for Rent, Taxes	50,000

	Rs.
Bills Payable	10,00,000
Unsecured Creditors	7,00,000
Bank Overdraft	1,00,000
Bills Discounted (one bill for Rs. 1,00,000 estimated to be bad)	3,00,000
Bills Receivable in hand	1,50,000
Investment (deposited with secured creditors, estimated value Rs. 3,50,000)	5,00,000
G.P. Notes (estimated value Rs. 1,00,000) deposited with partly secured creditors	1,50,000

	Rs.	
Book Debts : Good	1,00,000	
Doubtful (estimated to produce 50 paise in a rupee)	70,000	
Bad	<u>60,000</u>	2,30,000

	Rs.
Land and Building (estimated to produce Rs. 10,00,000)	15,00,000
Stock-in-trade (estimated to produce Rs. 4,00,000)	5,00,000
Machinery and Tools (estimated to produce Rs. 20,000)	50,000
Cash in hand	1,000

Prepare a Statement of Affairs (i) as regards creditors and (ii) as regards contributions. 3 + 12

3. Following are the Balances from the books of Commerce Bank Ltd. as on 31.3.2009 :

	Rs.
Current Deposits	2,27,50,000
Savings Accounts	82,60,000
Fixed and Time Deposits	1,75,90,000

	Rs.
Compulsory Deposits of	
Income Tax payers	10,00,000
Sundry Creditors	2,27,500
Debts due to Banks (secured)	61,00,000
Bills Receivables being bills for collection	90,50,000
Customers' liability for acceptances	75,84,000
Rebate on bills discounted	7,500
Branch Adjustments (credit)	22,77,500
Reserve Fund	62,50,000
Capital (authorised, issued, subscribed and paid up	50,00,000
Interest and Discount received	29,00,000
Exchange and commission received	8,77,500
Profit and Loss Account balance as on 1.4.2008	4,26,000
Cash in hand	6,53,500
Cash with other banks	30,00,000

	Rs.
Bills for collection	90,50,000
Liabilities for customer's	
Acceptances	75,84,000
Investments :	
Govt. Securities	1,70,00,000
Shares	79,50,000
Interest accrued on Investments	4,37,500
Loans	2,08,50,000
Bills purchased and Discounted	1,77,50,000
Furniture, Fixtures and	
office Equipments	2,50,000
Depreciation on Assets	2,50,000
Interest paid	6,00,000
Exchange and Commission paid	50,000
Salaries	12,00,000
Directors' fees	50,000
Stationery, Postage etc.	2,00,000
Miscellaneous expenses	1,50,000
Land and Building	15,00,000
Money at call	7,50,000
Non-banking assets	25,000

Prepare the Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date after taking note of the following : Provision for taxation needed Rs. 5, 00,000. Current account include Rs. 42,50,000 debit balances being overdraft. One of the accounts Rs. 50,000 (including interest Rs. 5,000) is doubtful. During the year, a property was acquired in satisfaction of a claim amounting to Rs. 25,000 and was sold for Rs. 18,000. The loss resulting therefrom remained unadjusted in the books.

15

4. (a) The following balances relate to Bijlee Electric Co. Ltd. and pertains to the accounts for the year ended on 31.12.2008 considering Electricity(Supply) Act, 1948. Calculate the following :
- (i) Capital Base
 - (ii) Reasonable return
 - (iii) Clear Profit

(iv) Amounts available for dividends and contributions to tariff and dividend control reserve and consumer's rebate reserve.

	Rs. (in lakhs)
Share Capital	200
Fixed Assets	400
Average current Assets	40
Reserve Fund (invested in 6% Govt. securities Face value Rs. 120 lakhs)	120
6% Investment of the contingencies Reserve	40
Loan from Electricity Board	60
Development Reserve	20
10% Debenture	16
Depreciation Reserve on Fixed Assets	160
Security Deposits of customers	150

	Rs. (in lakhs)
Customers' Contribution to Mainlines	4
Preliminary expenses	10
Tariffs and Dividend Control Reserve	12

The company earned a profit on Rs. 22 lakhs before charging debenture interest. Assuming the Reserve Bank of India rate on the relevant date was 8%.

(b) Write short notes on Tariff and Dividend Control Reserve of an Electricity Supply Co.

12 + 3

5. The following trial balance was extracted from the books of the Goodluck Life Assurance Company Ltd. as on 31 st March, 2009 :

	Dr.	Cr.
	Rs. in crores	Rs. in crores
Paid-up Capital 200 crore shares of Rs. 10 each		2,000

	Dr.	Cr.
	Rs. in crores	Rs. in crores
Life Assurance Fund as on 1.4.2008		59,446
Bonus to		
policiesholders	630	
Premium received		3,230
Claims paid	3,940	
Commission paid	186	
Management expenses	646	
Mortgages in India	9,844	
Interest, dividends and rents		2,254
Agents' balances	186	
Investment		
Properties-real estate	800	
Investments	46,100	
Loans on Company's policies	3,472	
Cash on deposit	540	
Cash in hand and on current account	446	
Surrenders	140	
	66,930	66,930

You are required to prepare the company's revenue account for the year ended 31 st March, 2009 and its balance sheet as on that date after taking the following matters also into consideration :

	Rs. (in crores)
(i) Claims admitted but not paid	186
(ii) Management expenses due	4
(iii) Interest accrued	386
(iv) Premium outstanding	240
	15

SECOND HALF

(*Contemporary Issues in Accounting*)

[*Marks : 50*]

Answer **Q.No.6** and any *two*
from the rest, taking *one* from each Group

6. Answer any *four* of the following : 5 x 4

(a) Explain the Enterprise Theory of Accounting.

- (b) What is Human Resource Accounting? State the importance of it.
- (c) Explain with examples The Doctrine of Conservatism.
- (d) Enumerate the relationship between Environment Accounting and Social Accounting.
- (e) Differentiate between the terms Gross Value Added and Net Value Added.
- (f) Following are the balances are taken from the balance sheet of Orion Company Ltd. prepared according to the Current Cost Accounting Method. Calculate the Gearing Adjustment from the following :

	<u>1.4.2007</u>	<u>31.3.2008</u>
	Rs.	Rs.
9% Debentures	2,50,000	3,00,000
Paid-up Share Capital	3,75,000	5,00,000

	<u>1.4.2007</u>	<u>31.3.2008</u>
	Rs.	Rs.
General Reserves	75,000	1,25,000
Cash	25,000	50,000
Bank Overdraft	1,50,000	2,00,000

The other relevant information regarding the different adjustments made by the company—

	Rs.
Cost of Sales adjustment	50,000
Monetary working capital adjustment	37,500
Depreciation adjustment	12,500

(g) Write down the basic features of Current Cost Accounting (CCA).

(h) Give a brief note on the Accounting Standard setting process followed in India.

GROUP—A

7. Define 'Research' and Development' Write down the important provisions for accounting of R and D Costs in Financial Accounting as per A/S-8. What are the main disclosure requirements on R & D Costs in Financial Accounting. 3 + 8 + 4
8. The following are the balances in the accounts statements of Rimo and Co. for the year ended, 2009.

	Rs. '000
Turnover	2300
Plant and Machinery (net)	1080
Loss on sale of Machine	75
Depreciation on Plant & Machinery	200
Dividend to ordinare shareholders	146
Debtors	195
Creditors	127
Stock of materials, WIP and finished goods :	
Opening	160
Closing	200

	Rs. '000
Raw material purchased	625
Cash at Bank	98
Printing and Stationery	22
Auditors remuneration	28
Retained profits (opening balance)	994
Retained profits for the year	228
Rent, rates & taxes	165
Other expenses	85
Ordinary share capital	1500
Interest on borrowings	40
Income tax for the year	276
Wages and salaries	327
Employees State Insurance	35
P.F. contributions	28

Prepare a Value Added Statement of the company for 2009 together with ratios that would be of interest to the employees of the company who are 100 in number.

15

GROUP—B

9. (a) Derive the following under Diminishing Balance Method of depreciation.

$$r = 1 - \sqrt[n]{\frac{S}{C}}$$

- (b) Is depreciation a source of Working Capital? 10 + 5

10. (a) Briefly discuss the major heads for social reporting purposes.

- (b) Distinguish between Cost Method and Economic Valuation Method under Human Resource Accounting. 7 + 8