

**2017**

**M. Phil.**

**1st Semester Examination**

**COMMERCE**

**RECENT ADVANCES IN ACCOUNTING**

**AND FINANCE**

**PAPER—COM-113**

*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.*

- 1. Answer any four questions from the following : 4×5**
- (a) Briefly explain the qualitative characteristics of Financial Statements.
  - (b) Describe the general features of Financial Statements in Corporate Reporting.
  - (c) Explain the features of Income Statement of Micro Finance Institutions.
  - (d) Write notes on Portfolio report prepared by Micro Finance Institutions.

*(Turn Over)*

- (e) Explain the term 'true and fair view' of the financial statements as per Companies Act, 2013.
- (f) Write the guidelines of maintaining companies books of accounts in electronic form as per Companies Act, 2013.
- (g) Write the contents of Stock Register maintained by NGOs.
- (h) Write the major books maintained by the NGOs for book keeping and briefly write their essential features.
2. Answer any *two* questions from the following : 2×10
- (a) (i) Given the following figures, compute the distance to default.
- Book value of liabilities : \$ 5.95 billion
- Estimated default point : \$ 4.15 billion
- Market value of equity : \$ 12.4 billion
- Market value of firm : \$ 18.4 billion
- Volatility of firm value : 24%
- (ii) The following information is available for the equity stock of Praksh Limited :
- Price of Stock now,  $S_0$  = Rs. 120

Exercise price,  $E = \text{Rs. } 110$

Risk-free interest rate per annum = 0.12

Standard deviation of continuously compounded annual return,  $\sigma = 0.40$

Calculate the price of a 6 month call option as per the Black-Scholes model. 4+6

(b) Write the accounting treatment for the following as per Companies Act, 2013.

- (i) Proposed dividend of Subsidiary Company shown in the Balance Sheet.
- (ii) Bonus dividend declared and paid by the Subsidiary Company.
- (iii) Cash dividend declared and paid by the Subsidiary Company, which was wrongly credited by Subsidiary Co. to its Profit and Loss A/c.
- (iv) Expenditure of Subsidiary Company wrongly debited to Profit and Loss A/c of holding Company and nothing done in Subsidiary Company's books.
- (v) Appreciation in the value of fixed assets of Subsidiary Company as on the acquisition date.

## (c) Balance Sheet as at 31.03.2017.

Liabilities	A Ltd Rs.	B Ltd Rs.	Assets	A Ltd Rs.	B Ltd Rs.
Equity Share Capital (Rs. 10 each)	7,00,000	3,00,000	Fixed Assets	4,80,000	1,80,000
General Reserves	80,000	40,000	Investment in B.Ltd. (18,000 shares)	2,60,000	—
Profit & Loss A/c	60,000	30,000	Stock	80,000	70,000
Creditors	50,000	30,000	Debtors	90,000	1,20,000
Processed Dividend	40,000	30,000	Cas at Bank	20,000	60,000
	<u>9,30,000</u>	<u>4,30,000</u>		<u>9,30,000</u>	<u>4,30,000</u>

*Other information :*

- (i) A Ltd. acquired the shares in B. Ltd. on 01.10.2016 on 01.04.2016 general reserves and Profit & Loss A/c balances of B. Ltd. stood at Rs. 20,000 and Rs. 40,000 (Cr.) respectively;
- (ii) In November 2017, B. Ltd. declared and paid 10% dividend for the year 2015-16 from its P & L A/c. A. Ltd. credited the dividend received from B. Ltd. in its Profit & Loss A/c;
- (iii) Fixed Assets of B. Ltd. which stood at Rs. 2,00,000 on 01.04.2016 were revalued at Rs. 2,40,000 on 01.10.2016. However, the effect of this revaluation has not yet been shown in the books of B. Ltd.
- (iv) Creditors of B. Ltd. include Rs. 16,000 payable to A. Ltd. while debtors of A. Ltd. include Rs. 18,500 due from B. Ltd.

(v) There is a cash in-transit of Rs. 2,500 from B. Ltd. to A. Ltd. as on 31.03.2017.

(a) Pre-acquisition profit;

(b) Post-acquisition profit;

(c) Value of goodwill/capital reserve;

(d) The Trial Balance of PQ Ltd. as at 31.03.2017  
is given below : 3+3+4

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
Stock	68,000	Equity Share capital (share @ Rs. 10 each)	2,50,000
Furniture	50,000	11% Debenture	50,000
Discount	4,000	Bank Loan	64,500
Loan to Directors	8,000	Bills Payable	12,500
Advertisement	2,000	Creditors	15,600
Bad debts	3,500	Sales	4,26,800
Commission	12,000	Rent received	4,600
Purchases	2,31,900	Transfer fees	1,000
Plant & Machinery	86,000	P/L Appropriation A/C	13,900
Rentals	2,500	Provision for depreciation of Plant & Machinery	14,600
Current Account	4,500		
Cash	800		
Interest on bank loan	11,600		
Preliminary expenses	1,000		

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
Wages	90,000		
Consumables	8,400		
Freehold land	1,54,600		
Tools & equipments	24,500		
Goodwill	26,500		
Debtors	28,700		
Bills receivable	15,300		
Dealer Aids	2,100		
Transit insurance	3,000		
Trade expenses	7,200		
Distribution freight	5,400		
Debenture interest	2,000		
	<u>8,53,500</u>		<u>8,53,500</u>

**Additional information :**

- (i) Closing stock as on 31.03.2017 : Rs. 82,300.
- (ii) Depreciation of furniture @ 5%, freehold land @ 2% and tools and equipments @ 5% to be provided.

You are required to prepare financial statements from the given trial balance. 10

**[ Internal Assessment : 10 Marks ]**