

2016

**ADVANCED FINANCIAL ACCOUNTING**

[ Honours ]

PAPER – AH3

*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*

[ NEW SYLLABUS ]

GROUP – A

*( Accounting Standards and IFRSs )*

[ Marks : 18 ]

1. Answer any *three* questions : 6 × 3
- (a) What do you mean by Accounting Standard ?  
Why is it needed ? 2 + 4
- (b) Discuss any two mandatory accounting standards. 3 × 2
- (c) State the functions of Accounting Standard Board (ASB). 6
- (d) State the objectives of IASB. 6
- (e) What is IFRS ? Explain in brief about implementation of IFRS in India. 2 + 4
- (f) What are needs for valuation of shares ? State any two methods. 4 + 2

GROUP – B

( *Advanced Financial Accounting* )

[ *Marks : 72* ]

2. Answer any *four* questions : 4 × 4
- (a) Discuss briefly the super profit method for valuation of goodwill. 4

- (b) What is Fair Value ? 4
- (c) On 1.1.2008, ABC Ltd, issued 4000, 6% Debenture of Rs.100 each at a discount of 10% repayable in 4 years by annual equal instalments.  
Show the Debenture Account till the date of redemption. 4
- (d) What do you mean by Purchase Consideration ? How it is calculated ? 2 + 2
- (e) Distinguish between Amalgamation and Absorption. 4
- (f) Briefly discuss the objectives of Financial statements. 4
- (g) What is Associated Company ? How does it differ from a Holding Company ? 2 + 2
3. Answer any *four* questions : 8 × 4
- (a) Agarwal & Co. has a loss of profit insurance policy of Rs.2,10,000. The period of indemnity is 3 months. A fire occurred on 31st March, 2010.

The following information are given below :

<u>Sales</u>	<u>Rs.</u>
For the year ended 31st December, 2009	7,00,000
For the period from 1st April 2009 to 31st March,	
2010	8,00,000
For the period from 1st April 2009 to 30th June, 2009	1,80,000
For the period from 1st April 2010 to 30th June, 2010	12,000
Standing charger for the year 2009	1,60,000
Profit for the year 2009	50,000
Saving in standing charger because of fire	5,000
Additional expenses to reduce loss of turnover	10,000

Assuming no adjustment has to be made for the upward trend in turnover, compute the claim to be made on the insurance company.

8

(b) Discuss with suitable example the concept of Minimum Rent and shortworkings related to Royalties Account.

4 + 4

(c) On 1.1.2011, X Ltd. issued 4,000, 8% debentures of Rs.100 each at a discount of 5% and these debentures were redeemed at a premium of 10% at the end of three years. Show the necessary Journal entries.

8

(d) From the following information calculate the value of goodwill by the capitalised value of super profit method :

8

(i) Average capital employed in the business Rs.7,00,000.

(ii) Net trading profit of the firm for the past three years are : Rs.1,47,600; Rs.1,48,100 and Rs.1,52,500.

(iii) Rate of interest expected from capital having regard to the risk involved is 18 %.

(iv) Fair remuneration to the partners for their services is Rs.12,000 p.a.

(v) Sundry assets (excluding goodwill) of the firm is Rs.7,54,762.

(vi) Sundry liabilities Rs.31,329.

(e) AY pharma Ltd., who had patented a medicine, granted DBC Ltd. a license for ten years to manufacture and sell the medicine on the following terms :

8

(i) DBC Ltd. to pay a royalty of Rs.10 for every medicine sold with a minimum

payment of Rs.20,000 p.a. Accounts to be settled annually on 31st December.

- (ii) The shortfall in any year may be recouped from any excess of royalties over the minimum sum in the next two years subject to a maximum of Rs.8,000 p.a. The number of medicine sold for the first five years was as follows :

Year ended on 31st December

2009	400
2010	2200
2011	5200
2012	800
2013	4400

You are required to show the Royalty A/c and Shortfall A/c in the books of DBC Ltd.

- (f) Discuss the necessity for the valuation of shares of a company. 8

4. Answer any *two* questions : 12 × 2

- (a) Blue Ltd. and Green Ltd. agreed to amalgamate and to form a new company BG Ltd. On 31.3.2010, the Balance Sheet of the two companies were as follows :

<u>Liabilities</u>	<u>Blue Ltd.</u>	<u>Green Ltd.</u>	<u>Assets</u>	<u>Blue Ltd.</u>	<u>Green Ltd.</u>
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
<b>Share Capital :</b>					
Eq. Sh. of Rs.10 each	1,50,000	80,000	Property	1,05,000	60,000
General Reserve	80,000	—	Plant & Machinery	25,000	15,000
P/LA/c	20,000	20,000	Motor Vehicies	10,000	—
5% Debentures	—	60,000	Stock	60,000	78,000
Creditors	75,000	32,000	Debtors	82,000	21,000
Investment			Cash	43,000	26,000
Allowance Reserve	—	8,000			
	<u>3,25,000</u>	<u>2,00,000</u>		<u>3,25,000</u>	<u>2,00,000</u>

The Assets and Liabilities are to be taken over at book values with the following exceptions :

- (i) Goodwill of Blue Ltd. and Green Ltd. to be valued at Rs.80,000 and Rs.30,000 respectively.
- (ii) Motor vehicles of Blue Ltd. are to be valued at Rs.30,000.
- (iii) Debentures of Green Ltd. are to be discharged by the issue of 5% Debentures of BG Ltd. at a premium of 4%.

(iv) Debtors and cash of Green Ltd. are to be retained by the liquidator and creditors are to be paid out of proceeds thereof.

Compute the basis on which shares of Rs.10 each in BG Ltd. will be issued to shareholders in the existing companies.

Show the journal entries in the books of BG Ltd. and draw up its initial Balance Sheet on 1.4.2010.

12

(b) The Balance Sheet of GEMCO STEEL Casting Ltd. as at 31st December, 2000 is given below :

<u>Liabilities</u>	<u>Amount</u> (Rs.)	<u>Assets</u>	<u>Amount</u> (Rs.)
<u>Share Capital :</u>		<u>Fixed Assets :</u>	
Issued and Fully paid shares :		Land & Building	1,00,000
500 Redeemable preference		Plant	30,000
sh. of Rs.100 each	50,000	Furniture	2,000
9,000 Equity sh. of Rs.10 each	90,000		<u>1,32,000</u>
<u>Reserve &amp; Surplus :</u>		<u>Current Assets :</u>	
Share premium	10,000	Stock 60,000	
Capital Redemption Reserve	30,000	Debtors 15,000	
General Reserve	20,000	Investments 28,000	
Profit & loss A/c	25,000	Bank <u>20,000</u>	
Current Liabilities	30,000		1,23,000
	<u>2,55,000</u>		<u>2,55,000</u>



The Company decided to redeem its preference shares at a premium of 5% on 1st January, 2001. The capital redemption reserve appearing in the Balance Sheet is the reserve created as a result of redemption which took place in the year 1996.

A fresh issue of 1000 equity shares of Rs.10 each was made at Rs.12 per share payable in full on 1st January, 2001. These were fully subscribed and all the money were duly collected. All the investments were sold out realising Rs.27,000. The directors wish that only a minimum reduction should be made in the general reserve.

Show the journal entries including those relating to cash to record the above transactions and prepare a Balance Sheet as it would appear after redemption of preference shares.

12

- (c) The Balance Sheets of Mitra Ltd. and its subsidiary Basu Ltd. on 31st December, 2010 were as follows :

<u>Liabilities</u>	<u>Mitra Ltd.</u> (Rs.)	<u>Basu Ltd.</u> (Rs.)	<u>Assets</u>	<u>Mitra Ltd.</u> (Rs.)	<u>Basu Ltd.</u> (Rs.)
Share Capital :					
Eq. Sh. of			Land & Build-		
Rs.100 each	10,00,000	4,00,000	-ings at cost	3,10,000	1,60,000
General Reserve	1,00,000	50,000	Machinery less		
P/LA/c :			10% depreciation	2,70,000	1,35,000
Balance on 1.1.10	40,000	30,000	3,000 shares in		
Profit for 2010	2,00,000	80,000	Basu Ltd.	4,50,000	—
Creditors	1,50,000	1,70,000	Stock at cost	2,20,000	1,50,000
			Debtors	1,55,000	90,000
			Cash & Bank	8,5000	1,95,000
	<u>14,90,000</u>	<u>7,30,000</u>		<u>14,90,000</u>	<u>7,30,000</u>

Mitra Ltd acquired 3000 shares in Basu Ltd. on 1st July, 2010. As on the date of acquisition. Mitra Ltd. found that the value of Land and Buildings and Machinery should have been Rs.1,50,000 and Rs.1,92,500 respectively. Effect is yet to be given. Prepare the consolidated Balance Sheet as on 31.12.2010.

12

(d) Discuss the objectives and Elements for preparation of External Reconstruction.

12

[ Internal Assessment : 10 Marks ]

67/6/A  
( 11 )

## বঙ্গানুবাদ

দক্ষিণ-প্রান্তস্থ সংখ্যাগুলি প্রশ্নমান নির্দেশক

পরীক্ষার্থীদের যথাসম্ভব নিজের ভাষায় উত্তর দেওয়া প্রয়োজন

(নূতন পাঠক্রম)

বিভাগ—ক

( Accounting Standards and IFRSs )

[ মান : ১৮ ]

- ১। যে কোন তিনটি প্রশ্নের উত্তর দাও : ৬ × ৩
- (ক) Accounting Standard বলতে কি বোঝ ? এটি  
প্রয়োজন কেন ? ২ + ৪
- (খ) যে কোন দুটি বাধ্যতামূলক Accounting Standard  
এর সংক্ষিপ্ত বর্ণনা দাও । ৩ × ২
- (গ) ASB এর কার্যকলাপগুলি আলোচনা কর । ৬
- (ঘ) IASB এর উদ্দেশ্যগুলি আলোচনা কর । ৬
- (ঙ) IFRS বলতে কি বোঝ ? ভারতবর্ষে IFRS প্রয়োজনের  
সম্বন্ধে সংক্ষেপে বর্ণনা কর । ২ + ৪

- (চ) Share মূল্যায়নের প্রয়োজনীয়তা কী ? যে কোন দুটি পদ্ধতি উল্লেখ কর । 8 + 2

বিভাগ — খ

( *Advanced Financial Accounting* )

[ মান : ৭২ ]

- ২। যে কোন চারটি প্রশ্নের উত্তর দাও : 8 × 8

(ক) Goodwill মূল্যায়নের জন্য super profit method টি সংক্ষেপে আলোচনা কর । 8

(খ) Fair Value বলতে কি বোঝ ? 8

(গ) On 1.1.2008, ABC Ltd, issued 4000, 6% Debenture of Rs.100 each at a discount of 10% repayable in 4 years by annual equal instalments.

Show the Debenture Account till the date of redemption. 8

(ঘ) Purchase Consideration বলতে কি বোঝ ? কিভাবে এটি নিরূপণ করা হয় ? ২ + ২

(ঙ) Amalgamation এবং Absorption এর মধ্যে পার্থক্য কর । 8

- (চ) Financial Statement এর উদ্দেশ্যগুলি সংক্ষেপে আলোচনা কর । 8
- (ছ) Associated Company কাকে বলে ? Holding Company এর সঙ্গে এর পার্থক্য কী ? ২ + ২
- ৩। যে কোন চারটি প্রশ্নের উত্তর দাও : ৮ × ৪
- (ক) Agarwal & Co. has a loss of profit insurance policy of Rs.2,10,000. The period of indemnity is 3 months. A fire occurred on 31st March, 2010.  
The following information are given below :

<u>Sales</u>	<u>Rs.</u>
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Standing charger for the year 2009	1,60,000
Profit for the year 2009	50,000
Saving in standing charger because of fire	5,000
Additional expenses to reduce loss of turnover	10,000

Assuming no adjustment has to be made for the upward trend in turnover, compute the claim to be made on the insurance company.

৮

(খ) স্বল্পভাড়া সম্পর্কিত ন্যূনতম রাজনা এবং ঘাটতি উৎপাদন সংক্রান্ত ধারণাগুলি উপযুক্ত উদাহরণসহযোগে বর্ণনা কর ।

৪ + ৪

(গ) On 1.1.2011, X Ltd. issued 4,000, 8% debentures of Rs.100 each at a discount of 5% and these debentures were redeemed at a premium of 10% at the end of three years. Show the necessary Journal entries.

৮

(ঘ) From the following information calculate the value of goodwill by the capitalised value of super profit method :

৮

(i) Average capital employed in the business Rs.7,00,000.

(ii) Net trading profit of the firm for the past three years are : Rs.1,47,600; Rs.1,48,100 and Rs.1,52,500.

- (iii) Rate of interest expected from capital having regard to the risk involved is 18 %.
  - (iv) Fair remuneration to the partners for their services is Rs.12,000 p.a.
  - (v) Sundry assets (excluding goodwill) of the firm is Rs.7,54,762.
  - (vi) Sundry liabilities Rs.31,329.
- (g) AY pharma Ltd., who had patented a medicine, granted DBC Ltd. a license for ten years to manufacture and sell the medicine on the following terms :
- (i) DBC Ltd. to pay a royalty of Rs.10 for every medicine sold with a minimum payment of Rs.20,000 p.a. Accounts to be settled annually on 31st December.
  - (ii) The shortfall in any year may be recouped from any excess of royalties over the minimum sum in the next two

years subject to a maximum of Rs.8,000 p.a. The number of medicine sold for the first five years was as follows :

Year ended on 31st December

2009	400
2010	2200
2011	5200
2012	800
2013	4400

You are required to show the Royalty A/c and Shortfall A/c in the books of DBC Ltd.

(চ) একটি কোম্পানীর share মূল্যায়নের প্রয়োজনীয়তা সম্পর্কে আলোচনা কর ।

৮

৪। যে কোন দুটি প্রশ্নের উত্তর দাও :

১২ × ২

(ক) Blue Ltd. and Green Ltd. agreed to amalgamate and to form a new company BG Ltd. On 31.3.2010, the Balance Sheet of the two companies were as follows :



<u>Liabilities</u>	<u>Blue Ltd.</u>	<u>Green Ltd.</u>	<u>Assets</u>	<u>Blue Ltd.</u>	<u>Green Ltd.</u>
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
<b>Share Capital :</b>					
Eq. Sh. of			Property	1,05,000	60,000
Rs.10 each	1,50,000	80,000	Plant &		
General Reserve	80,000	—	Machinery	25,000	15,000
P/LA/c	20,000	20,000	Motor Vehicles	10,000	—
5% Debentures	—	60,000	Stock	60,000	78,000
Creditors	75,000	32,000	Debtors	82,000	21,000
Investment			Cash	43,000	26,000
Allowance Reserve	—	8,000			
	<u>3,25,000</u>	<u>2,00,000</u>		<u>3,25,000</u>	<u>2,00,000</u>

The Assets and Liabilities are to be taken over at book values with the following exceptions :

- (i) Goodwill of Blue Ltd. and Green Ltd. to be valued at Rs.80,000 and Rs.30,000 respectively.
- (ii) Motor vehicles of Blue Ltd. are to be valued at Rs.30,000.
- (iii) Debentures of Green Ltd. are to be discharged by the issue of 5% Debentures of BG Ltd. at a premium of 4%.

(iv) Debtors and cash of Green Ltd. are to be retained by the liquidator and creditors are to be paid out of proceeds thereof.

Compute the basis on which shares of Rs.10 each in BG Ltd. will be issued to shareholders in the existing companies.

Show the journal entries in the books of BG Ltd. and draw up its initial Balance Sheet on 1.4.2010.

१२

(४) The Balance Sheet of GEMCO STEEL Casting Ltd. as at 31st December, 2000 is given below :

<u>Liabilities</u>	<u>Amount</u> (Rs.)	<u>Assets</u>	<u>Amount</u> (Rs.)
<u>Share Capital :</u>		<u>Fixed Assets :</u>	
Issued and Fully paid shares :		Land & Building	1,00,000
500 Redeemable preference		Plant	30,000
sh. of Rs.100 each	50,000	Furniture	2,000
9,000 Equity sh. of Rs.10 each	90,000		<u>1,32,000</u>
<u>Reserve &amp; Surplus :</u>		<u>Current Assets :</u>	
Share premium	10,000	Stock	60,000
Capital Redemption Reserve	30,000	Debtors	15,000
General Reserve	20,000	Investments	28,000
Profit & loss A/c	25,000	Bank	<u>20,000</u>
Current Liabilities	30,000		1,23,000
	<u>2,55,000</u>		<u>2,55,000</u>

The Company decided to redeem its preference shares at a premium of 5% on 1st January, 2001. The capital redemption reserve appearing in the Balance Sheet is the reserve created as a result of redemption which took place in the year 1996.

A fresh issue of 1000 equity shares of Rs.10 each was made at Rs.12 per share payable in full on 1st January, 2001. These were fully subscribed and all the money were duly collected. All the investments were sold out realising Rs.27,000. The directors wish that only a minimum reduction should be made in the general reserve.

Show the journal entries including those relating to cash to record the above transactions and prepare a Balance sheet as it would appear after redemption of preference shares.

३२

- (११) The Balance Sheets of Mitra Ltd. and its subsidiary Basu Ltd. on 31st December, 2010 were as follows :

<u>Liabilities</u>	<u>Mitra Ltd.</u> (Rs.)	<u>Basu Ltd.</u> (Rs.)	<u>Assets</u>	<u>Mitra Ltd.</u> (Rs.)	<u>Basu Ltd.</u> (Rs.)
<b>Share Capital :</b>					
Eq. Sh. of Rs.100 each	10,00,000	4,00,000	Land & Build- -ings at cost	3,10,000	1,60,000
General Reserve	1,00,000	50,000	Machinery less 10% depreciation	2,70,000	1,35,000
P/LA/c :			3,000 shares in Basu Ltd.	4,50,000	—
Balance on 1.1.10	40,000	30,000	Stock at cost	2,20,000	1,50,000
Profit for 2010	2,00,000	80,000	Debtors	1,55,000	90,000
Creditors	1,50,000	1,70,000	Cash & Bank	8,50,000	1,95,000
	<u>14,90,000</u>	<u>7,30,000</u>		<u>14,90,000</u>	<u>7,30,000</u>

Mitra Ltd acquired 3000 shares in Basu Ltd. on 1st July, 2010. As on the date of acquisition. Mitra Ltd. found that the value of Land and Buildings and Machinery should have been Rs.1,50,000 and Rs.1,92,500 respectively. Effect is yet to be given. Prepare the consolidated Balance Sheet as on 31.12.2010.

১২

(ঘ) Reconstruction এর প্রস্তুতি এবং উদ্দেশ্য উদাহরণ-  
সহযোগে ব্যাখ্যা কর ।

১২

[ অভ্যন্তরীণ মূল্যায়ন : ১০ নম্বর ]