

**M.Com. 3rd Semester Examination, 2018**

**ADVANCED FINANCIAL ACCOUNTING**

**PAPER – COM-305(AF)**

*Full Marks : 50*

*Time : 2 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*

**UNIT – I**

1. Answer any two of the following : 5 × 2

(c) Illustrate the Hekimian and Jones competitive Bid model in human resource valuation and its accounting. 5

(b) (i) Mr. Jones arrives in New Delhi and occupies a room in a five star hotel at 10 a.m. on 11.10.2018 on European plan

*( Turn Over )*

( 2 )

at ₹ 180 for a stay of 24 hours or a part there of. You are required to calculate the amount payable by Mr. Jones in the following circumstances assuming that GST is also payable at 10% in addition to room rent.

(I) If Mr. Jones checks out at 8 p.m. on 11th October, 2018 itself;

(II) If Mr. Jones checks out at 9 a.m. on 13th October, 2018.

(ii) A three star hotel in Mumbai has 330 rooms in all, out of which 28 rooms are used for operational purpose and 2 rooms are used by the departmental managers. If 250 rooms are occupied by the guests on 02.11.2018. Calculate the room occupancy rate. 3 + 2

(c) Define social cost, social benefit and write the needs of social accounting. 1 + 1 + 3

(d) Distinguish between Profit and Loss statement and value added statement. 5

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

(a) The Balance Sheet of Undone Ltd. as on 31.12.2017 was as follows :

<u>Sources of Fund</u>	<u>Amount(₹)</u>
<i>Non-current liabilities</i>	
1,000, 6% preference shares of ₹ 100 each	1,00,000
2,000 equity shares of ₹ 100 each fully paid	2,00,000
3,000 equity shares of ₹ 100 each ₹ 50 paid	1,50,000
Secured Loan :	
6% debentures (floating charge on all assets)	1,00,000
Other loans (Mortgage on Land and Building)	1,00,000
<i>Current Liabilities :</i>	
Sundry creditors	90,000
Income tax	10,000
<b>Total sources of fund</b>	<b><u><u>7,50,000</u></u></b>

<u>Application of Fund</u>	<u>Amount(₹)</u>
<i>Non-current Assets :</i>	
Land and Building	2,00,000
Plant and Machinery	2,20,000
<i>Current Assets :</i>	
Stock	1,00,000
Debtors	1,00,000
Cash at Bank	30,000
Misc. expenditure :	
Profit and Loss A/c	1,00,000
<b>Total Application of fund</b>	<b><u><u>7,50,000</u></u></b>

The company went into liquidation on 1.1.2018.

The preference dividends were in arrear for 3 years. The arrears are payable on liquidation.

The assets were realised as follows :

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

The expenses of liquidation amounted to ₹ 8,000.

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

All payments were made on 30.6.2018  
Prepare Liquidator's Final Statement of Account.

10

(b) The following are the balances in the accounts statement of Chaban Ltd. for the year 2017 :

	(₹ '000)
Turnover	2,300
Plant and Machinery net	1,080
Loss on sale of machine	75
Depreciation on Plant and Machinery	200
Dividend to ordinary shareholders	146
Debtors	195
Creditors	127
<u>Stock of finished goods</u>	
Opening stock	160
Closing stock	200
Raw material purchased	550
Cash at bank	98

	( ₹ '000)
Printing and stationery	22
Auditors remuneration	15
Retained profit (opening balance)	994
Retained profit for the year	298
Directors sitting fees	25
Consumable stores	50
Staff welfare expenses	13
Rent, Rates and Taxes	165
Other expenses	85
MD's remuneration	22
Packing material	25
Interest on borrowings	40
Income tax for the year	276
Wages and salaries	280
Employees state insurance	35
Employees P.F. contribution	28
Subsidy received from Govt.	10

Prepare value added statement both generating and distributive methods. Assume capital employed of the firm is ₹ 3,500. (Shareholders Fund ₹ 2,500 and Debt. capital ₹ 1,000) Calculate necessary capital productivity ratios. (4 + 3) + 3

## UNIT – II

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

(a) Write down the process of preparing candidated Balance Sheet of a Holding Company in brief. 5

(b) From the following information prepare profit and loss accounts of North India Bank Ltd. as on 31st March, 2017 : 5

	(Rs. lacs)
Interest & discount paid	4,045
Income from investment	115
Int. on Balances with R.B.I.	180
Commission, exchange and brokerage	50
Profit on sale of investments	1,225
Interest on deposits	2,137
Interest to R.B.I.	161
Payment and provision for employees	1,012
Rent, Taxes and lighting	210

	(Rs. lacs)
Printing and stationary	180
Advertisement and publicity	95
Depreciation	92
Director's fees	16
Auditor's fees	45
Loan charges	70
Postage, telegram and telephone	05
Insurance	48
Repairs and maintenance	56

- (c) (i) Prepare a Revenue Account for Fire Insurance Company Business from the following details for the year 2016 :

	<u>Rs.</u>
Premium earned	52,00,000
Change in provision of unexpected risk	4,25,000
Interest, dividend of rent (Received)	5,90,000
Profit on sale of assets	40,000
Claims settled	46,00,000
Commission and brokerage	2,32,000
Managerial expenses	4,15,000
Bad debts written off	34,000
Taxes	1,08,000



(ii) What is the basic difference between maintaining books of accounts of an insurance company and a manufacturing company? 3 + 2

(d) Write short notes on :  $2\frac{1}{2} + 2\frac{1}{2}$

(i) CRAR

(ii) Statutory Liquidity Ratio.

4. Answer any *one* from the following questions :  $10 \times 1$

(a) Following are the balance sheet of two companies of X Ltd. and Y Ltd. as on 31.12.2015. Prepare consolidated balance sheet of X Co. Ltd. :

<i>Particulars</i>	<i>Amount as at 31.3.2015</i>	
	<u>X Ltd.(Rs.)</u>	<u>Y Ltd.(Rs.)</u>
<b>I. Equity &amp; Liabilities</b>		
I. Equity capital	50,00,000	25,00,000
Reserve & surplus	15,00,000	10,00,000
<b>Current liabilities :</b>		
Trade payable	5,00,000	5,00,000
<b>Total</b>	<u>70,00,000</u>	<u>40,00,000</u>

II. *Assets*

Non-current assets	25,00,000	5,50,000
Other assets	45,00,000	34,50,000
Total	<u>70,00,000</u>	<u>40,00,000</u>

*Additional Information :*

- (i) X Ltd. acquired 2,00,000 equity shares of Y Ltd. at a cost of Rs. 25,00,000 and earlier Y Ltd. acquired shares of H Ltd. at cost of Rs. 5,50,000. The nominal value of equity shares is Rs. 10 each.
- (ii) X Ltd. acquired the shares of Y Ltd. on 1.7.2014 when reserve in Y Ltd. stood at Rs. 6,00,000 and in X Ltd. at Rs. 9,00,000. Y Ltd. acquired the shares in X Ltd. on 1.4.2010.
- (iii) An amount of Rs. 1,00,000 is due to X Ltd. by Y Ltd. 10
- (b) (1) Mr. P, a businessman of the State of Kashmir was suffering from loss for a period of 3 months affected by earthquake

on Dec. 26, 2014. His business was insured under a loss of profit policy for Rs. 14,000 with an indemnity period of 4 months. You are required to compute the amount of claim under the loss of profit policy after considering the following information :

	<u>Rs.</u>
(i) Turnover for the year ended Mar 31, 2014	: 3,20,000
(ii) Net loss for the year Mar 31, 2014	: 60,000
(iii) Insured standing charges	: 40,000
(iv) Uninsured standing charges	: 60,000
(v) Turnover from 26.12.14 to 25.3.15	: 4,000
(vi) Turnover from 26.12.14 to 25.3.15	: 44,000

(vii) Turnover from 26.12.13 Rs.  
to 25.12.14 : 5,60,000

(viii) There was a 10% uptrend of sales during the period.

(b) (II) What is average clause in relation to loss of profit policy ? 7 + 3

[ *Internal Assessment* – 10 marks ]