

2017

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 IFRS)

[*Marks : 18*]

1. Answer any *three* questions : 6 × 3

(a) Discuss briefly the procedure of setting Accounting Standard(AS) in India. 6

- (b) Who are the members of Accounting Standard Board (ASB) ? 6
- (c) Write a short note on Ind AS2. 6
- (d) What do you mean by IFRS ? State any four Indian IFRS ? 2 + 4
- (e) Mention any three advantages of Accounting Standard. 6
- (f) What do you mean by IASB ? What are the contents of accounting standards ? 2 + 4

GROUP – B

(Advanced Financial Accounting)

[Marks : 72]

2. Answer any *four* questions : 4 × 4
- (a) Discuss briefly two methods of valuation of goodwill. 4
- (b) What do you understand by minimum rent ? 4

- (c) Explain with suitable example the formula of average clause applicable in case of Fire Insurance claim. 4
- (d) What do you understand by Cum-dividend and Ex-dividend purchase of Investment ? 4
- (e) What do you mean by shortworking in case of Royalty ? How can it be recouped ? 2 + 2
- (f) Discuss briefly the 'Yield Method' for valuation of shares. 4
- (g) What do you mean by Absorption ? 4
3. Answer any *four* questions : 8 × 4
- (a) TIREX Ltd. issued 50,000 Equity shares of Rs.10 each and 3000 Redeemable preference shares of Rs.100 each, all shares being fully called and paid-up. On 31.03.2015, profit and Loss A/c showed an undistributed profit of Rs.50,000 and General Reserve Account stood at Rs.1,20,000. On 2.4.2015, the directors decided to issue 1500 6% equity shares of Rs.100 each for cash and to redeem the existing preference shares at Rs. 105 utilising as much profits as would

be required for the purpose. On 31.3.2015, cash balance amounted to Rs.1,85,000 and Sundry creditors stood at Rs.87,000.

Show the journal entries to record these transactions. Prepare also of summarised Balance Sheet showing the position of the company on completion of the redemption. 8

(b) What do you mean by Minimum Rent ? Give the Journal entries with imaginary figures when royalty is less than minimum rent. 2 + 6

(c) The Balance sheet of S Ltd. was as :

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
7,500 pref. sh. of Rs.100 each	7,50,000	Patents	8,50,000
5,000 eq. sh. of Rs.10 each	5,00,000	Building	1,30,800
Sundry creditors	30,000	Plant & Machinery	42,000
Bank Overdraft	20,000	Sundry Debtors	75,200
		Stock	56,500
		Disc. on issue of sh.	20,000
		Preliminary exp.	10,000
		P & L A/c	1,15,000
		cash in hand	500
	<u>13,00,000</u>		<u>13,00,000</u>

The following scheme of capital reduction was adopted :

- (i) Pref. Sh. be reduced to an equal no. of fully paid shares of Rs.50 each.
- (ii) Equity Shares be reduced to 25 % of their present value.
- (iii) The amount available be used to write off Rs.30,800 from Building, Rs.15,000 of stock, 20% of Plant and Machinery and Sundry Debtors. The balance available will be utilised in writing off Patents after the remaining intangible assets being written off in full.

Journalise the above transactions in the Books of S Ltd.

8

- (d) The following particulars are available in relation to DECOR Ltd. :
 - (i) Capital : 450, 6% preference shares of Rs.100 each fully paid and 4500 Equity shares of Rs.10 each fully paid.
 - (ii) External Liabilities Rs.7,500.

- (iii) Reserve and Surplus Rs.3,500.
- (iv) The average expected profit (after taxation) earned by the company Rs.8,500.
- (v) The normal profit earned on the market value of Equity Shares (fully paid) of the same type of companies is 9%.
- (vi) 10% of the net profits after tax is transferred to Reserve.

Calculate the intrinsic value per equity share and the value per share according to dividend yield basis. Assume that out of total assets, assets worth Rs.350 as fictitious. 8

- (e) What is goodwill? What are the factors that give rise to the goodwill of a business? 2 + 6
- (f) On 1st January, 2008, 1000, 12% debentures of Rs.100 each of BD Ltd. were held as investments by Mr. GG at a cost of Rs.91,000. Interest is payable on 31st December.

On 1.4.2008, Rs.20,000 of such debentures were purchased by GG @ Rs.98 cum -interest.

On 1.9.2008, Rs.30,000 of such debentures were sold by GG @ Rs.96 ex-interest.

On 1.12.2005, Rs.50,000 of such debentures were sold at Rs.99 cum-interest.

Interest was received on due dates.

Prepare the Investment Account for 12 % debentures. Valuing closing stock as on 31st December 2008 applying AS13. The debentures were quoted at Rs.93 on 31st December, 2005.

8

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

(a) What is Reconstruction ? Distinguish between internal and external reconstruction. 2 + 10

(b) There was a fire in the premises of M/S AYZ on 1st september, 2009. Their business activities were interrupted until 31st December, 2009, when normal trading

conditions were re-established. M/S AYZ is insured under the loss of profits policy for Rs.42,000, the period of indemnity being six months.

You have been able to ascertain the following information :

- (i) The net profit for the year ended 31st December, 2008, was Rs.20,000.
- (ii) The annual insurable standing charges amounted to Rs.34,000 of which Rs.6,000 were not included in the definition of insured standing charges under the policy.
- (iii) The additional cost of working in order to mitigate the damage caused by the fire amounted to Rs.1,200, but for this expenditure, the business would have had to be shut down.
- (iv) The saving in insured charges in consequence of the fire amounted to Rs.1,500.

- (v) The turnover for the periods of four months ended April 30th, August 31st, and December 31st in each of the years 2008 and 2009 were as under :

	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
2008	65,000	80,000	95,000
2009	70,000	80,000	15,000

You are required to compute the relevant claim under the terms of the loss of profits policy.

12

- (c) S. Ltd. and M. Ltd. agreed upon an amalgamation when their Balance Sheets were as follows :

12

<u>Liabilities</u>	S. Ltd	M. Ltd.	<u>Assets</u>	S Ltd	M. Ltd.
	<u>(Rs.)</u>	<u>(Rs.)</u>		<u>(Rs.)</u>	<u>(Rs.)</u>
Issued capital	30,000	24,000	Furniture	9,000	6,300
(Shares of Rs.10 each)			Debtors	14,400	18,000
			Bank	18,360	12,240
Reserve	—	1,500	Profit &		
Profit & Loss A/c	—	3,600	Loss A/c	1,140	
Sundry Creditors	12,900	7,440			
	<u>42,900</u>	<u>36,540</u>		<u>42,900</u>	<u>36,540</u>

The assets of S Ltd. are taken over at book values except furniture which is to be written down by Rs.3060, those of M Ltd. are to be taken at book values, except that Debtors are to be considered worth Rs.9,900. The share capital of the new company (i.e. DD Ltd.) is to be 2400 preference shares of Rs.10 each fully paid and ordinary shares of Rs.5 each fully paid. The allocation of the shares is equal except that the surplus capital of S. Ltd is to be satisfied by preference shares.

Show the Balance Sheet of the new Company (i.e., DD Ltd.) and the details of exchange of shares.

- (d) Prepare a consolidated Balance Sheet from the Balance Sheets of Earth Ltd. and Moon Ltd.

Balance Sheets as on the 31st December, 2006

<u>Liabilities</u>	Earth. Ltd. <u>(Rs.)</u>	Moon. Ltd. <u>(Rs.)</u>	<u>Assets</u>	Earth Ltd. <u>(Rs.)</u>	Moon Ltd. <u>(Rs.)</u>
Share capital (of Rs.10 each)	5,00,000	3,00,000	Buildings	2,00,000	1,00,000
General Reserve	40,000	---	Machinery	1,50,000	2,00,000
Profit & Loss A/c	70,000	---	Investments 2700 shares in Moon Ltd. at cost	2,97,000	---
Bills Payable A/c	50,000	25,000	Stock	40,000	30,000
Sundry Creditors	2,40,000	75,000	Debtors	1,50,000	50,000
			Bills		
			Receivable	63,000	10,000
			Profit & Loss A/c	---	10,000
	<u>9,00,000</u>	<u>4,00,000</u>		<u>9,00,000</u>	<u>4,00,000</u>

Additional Information :

- (i) At the date of acquisition, Moon Ltd. had Rs.20,000 in the credit of its profit and Loss A/c.
- (ii) Sundry Debtors of Moon Ltd. include Rs.40,000 owing from Earth Ltd.

- (iii) Acceptance of Moon Ltd. include Rs.22,000 issued in favour of Earth Ltd. which has endorsed Rs.2,000 of them to a creditor.

12

[*Internal Assessment* : 10 Marks]

বঙ্গানুবাদ

দক্ষিণ-প্রান্তস্থ সংখ্যাগুলি প্রশ্রমান নির্দেশক

পরীক্ষার্থীদের যথাসম্ভব নিজের ভাষায় উত্তর দেওয়া প্রয়োজন

(নূতন পাঠক্রম)

বিভাগ — ক

(*Accounting Standards and IFRS*)

[মান : ১৮]

১। যে কোনো তিনটি প্রশ্নের উত্তর দাও : ৬ × ৩

(ক) ভারতে হিসাবনিকাশ করণের মান (AS) নির্ধারণ করার পদ্ধতি সংক্ষেপে বর্ণনা কর । ৬

(খ) Accounting Standard Board (ASB)—এর সদস্য কাহারো ? ৬

- (গ) Ind AS2-এর উপর সংক্ষিপ্ত টীকা লেখ। ৬
- (ঘ) IFRS বলতে কি বোঝ ? যে কোন চারটি ভারতীয় IFRS এর উল্লেখ কর। ২ + ৪
- (ঙ) হিসাব সংক্রান্ত মান নির্ধারণের তিনটি সুবিধা উল্লেখ কর। ৬
- (চ) IASB বলতে কি বোঝ ? হিসাব সংক্রান্ত মান নির্ধারণ সূচী কি ? ২ + ৪

বিভাগ — খ

(Advanced Financial Accounting)

[মান : ৭২]

- ২। যে কোনো চারটি প্রশ্নের উত্তর দাও : ৪ × ৪
- (ক) সুনামের মূল্যায়নের যে কোন দুটি পদ্ধতি সংক্ষেপে উল্লেখ কর। ৪
- (খ) ন্যূনতম ঋজুনা বলিতে কি বোঝ ? ৪
- (গ) অগ্নিবীমা দাবীর ক্ষেত্রে Average Clause এর সূত্রটি উদাহরণসহ বর্ণনা কর। ৪

- (ঘ) Cum-dividend and Ex-dividend বিনিয়োগ ক্রম বলতে কি বোঝ ? 8
- (ঙ) ভাড়াস্বত্ব সম্পর্কিত ঘাটতি উৎপাদন বলতে কি বোঝ ?
এটি কিভাবে পূরণ করা যায় ? ২ + ২
- (চ) Shares মূল্যায়নের জন্য 'Yield Method' টি সংক্ষেপে আলোচনা কর । 8
- (ছ) Absorption বলতে কি বোঝ ? 8

৩। যে কোনো চারটি প্রশ্নের উত্তর দাও : ৮ × ৪

(ক) TIREX Ltd. issued 50,000 Equity shares of Rs.10 each and 3000 Redeemable preference shares of Rs.100 each, all shares being fully called and paid-up. On 31.03.2015, profit and Loss A/c showed an undistributed profit of Rs.50,000 and General Reserve Account stood at Rs.1,20,000. On 2.4.2015, the directors decided to issue 1500 6% equity shares of Rs.100 each for cash and to redeem the existing preference shares at Rs. 105 utilising as much profits as would be required for the purpose. On 31.3.2015,

cash balance amounted to Rs.1,85,000 and Sundry creditors stood at Rs.87,000.

Show the journal entries to record these transactions. Prepare also a summarised Balance Sheet showing the position of the company on completion of the redemption. ৮

- (খ) ন্যূনতম ঋজনা বলতে কি বোঝ? স্বল্পভাড়া যখন ন্যূনতম ঋজনা অপেক্ষা কম হয় তখন কাল্পনিক অঙ্ক সহযোগে জ্ঞাবেদা দাখিলা দেখাও। ২ + ৬

(গ) The Balance Sheet of S Ltd. was as :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
7,500 pref. sh. of Rs.100 each	7,50,000	Patents	8,50,000
5,000 eq. sh. of Rs.10 each	5,00,000	Building	1,30,800
Sundry creditors	30,000	Plant & Machinery	42,000
Bank Overdraft	20,000	Sundry Debtors	75,200
		Stock	56,500
		Disc. on Issue of sh.	20,000
		Preliminary exp.	10,000
		P & L A/c	1,15,000
		cash in hand	500
	<u>13,00,000</u>		<u>13,00,000</u>

The following scheme of capital reduction was adopted :

- (i) Pref. Sh. be reduced to an equal no. of fully paid shares of Rs.50 each.
- (ii) Equity Shares be reduced to 25 % of their present value.
- (iii) The amount available be used to write off Rs.30,800 from Building, Rs.15,000 of stock, 20% of Plant and Machinery and Sundry Debtors. The balance available will be utilised in writing off Patents after the remaining intangible assets being written off in full.

Journalise the above transactions in the Books of S Ltd.

- (7) The following particulars are available in relation DECOR Ltd. :
- (i) Capital : 450, 6% preference shares of Rs.100 each fully paid and 4500 Equity shares of Rs.10 each fully paid.
 - (ii) External Liabilities Rs.7,500.

(iii) Reserve and Surplus Rs.3,500.

(iv) The average expected profit (after taxation) earned by the company Rs.8,500.

(v) The normal profit earned on the market value of Equity Shares (fully paid) of the same type of companies is 9%.

(vi) 10% of the net profits after tax is transferred to Reserve.

Calculate the intrinsic value per equity share and the value per share according to dividend yield basis. Assume that out of total assets, assets worth Rs.350 as fictitious. ৮

(৫) সুনাম কি ? সুনামের উত্থানের জন্য প্রয়োজনীয় উপাদানগুলি বর্ণনা কর । ২ + ৬

(৫) On 1st January, 2008, 1000, 12% debentures of Rs.100 each of BD Ltd. were held as investments by Mr. GG at a cost of Rs.91,000. Interest is payable on 31st December.

On 1.4.2008, Rs.20,000 of such debentures were purchased by GG @ Rs.98 cum -interest.

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৪। যে কোনো দুটি প্রশ্নের উত্তর দাও :

১২ × ২

(ক) পূর্ণগঠন বলতে কি বোঝ ? আভ্যন্তরীণ ও বাহ্যিক পূর্ণগঠনের মধ্যে পার্থক্য নির্ণয় কর ।

২ + ১০

(খ) There was a fire in the premises of M/S AYZ on 1st september, 2009. Their business activities were interrupted until 31st December, 2009, when normal trading

conditions were re-established. M/S AYZ is insured under the loss of profits policy for Rs.42,000, the period of indemnity being six months.

You have been able to ascertain the following information :

- (i) The net profit for the year ended 31st December, 2008, was Rs.20,000.
- (ii) The annual insurable standing charger amounted to Rs.34,000 of which Rs.6,000 were not included in the definition of insured standing charger under the policy.
- (iii) The additional cost of working in order to mitigate the damage caused by the fire amounted to Rs.1,200, but for this expenditure, the business would have had to be shut down.
- (iv) The saving in insured charger in consequence of the fire amounted to Rs.1,500.

- (v) The turnover for the periods of four months ended April 30th, August 31st, and December 31st in each of the years 2008 and 2009 were as under :

	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
2008	65,000	80,000	95,000
2009	70,000	80,000	15,000

You are required to compute the relevant claim under the terms of the loss of profits policy.

- (7) S. Ltd. and M. Ltd. agreed upon an amalgamation when their Balance Sheets were as follows :

<u>Liabilities</u>	S. Ltd (Rs.)	M. Ltd. (Rs.)	<u>Assets</u>	S Ltd (Rs.)	M. Ltd. (Rs.)
Issued capital (Shares of Rs.10 each)	30,000	24,000	Furniture	9,000	6,300
Reserve	—	1,500	Debtors	14,400	18,000
Profit & Loss A/c	—	3,600	Bank	18,360	12,240
Sundry Creditors	12,900	7,440	Profit & Loss A/c	1,140	
	<u>42,900</u>	<u>36,540</u>		<u>42,900</u>	<u>36,540</u>

The assets of S Ltd. are taken over at book values except furniture which is to be written down by Rs.3060, those of M Ltd. are to be taken at book values, except that Debtors are to be considered worth Rs.9,900. The share capital of the new company (i.e. DD Ltd.) is to be 2400 preference shares of Rs.10 each fully paid and ordinary shares of Rs.5 each fully paid. The allocation of the shares is equal except that the surplus capital of S. Ltd is to be satisfied by preference shares.

Show the Balance Sheet of the new Company (i.e., DD Ltd.) and the details of exchange of shares.

- (7) Prepare a consolidated Balance Sheet from the Balance Sheets of Earth Ltd. and Moon Ltd.

Balance Sheets as on the 31st December, 2006

<u>Liabilities</u>	Earth. Ltd. (Rs.)	Moon. Ltd. (Rs.)	<u>Assets</u>	Earth Ltd. (Rs.)	Moon Ltd. (Rs.)
Share capital (of Rs.10 each)	5,00,000	3,00,000	Buildings	2,00,000	1,00,000
General Reserve	40,000	—	Machinery	1,50,000	2,00,000
Profit & Loss A/c	70,000	—	Investments 2700 shares in Moon Ltd. at cost	2,97,000	—
Bills Payable A/c	50,000	25,000	Stock	40,000	30,000
Sundry Creditors	2,40,000	75,000	Debtors	1,50,000	50,000
			Bills Receivable	63,000	10,000
			Profit & Loss A/c	—	10,000
	<u>9,00,000</u>	<u>4,00,000</u>		<u>9,00,000</u>	<u>4,00,000</u>

Additional Information :

- (i) At the date of acquisition, Moon Ltd. had Rs.20,000 in the credit of its profit and Loss A/c.
- (ii) Sundry Debtors of Moon Ltd. include Rs.40,000 owing from Earth Ltd.

(iii) Acceptance of Moon Ltd. include Rs.22,000 issued in favour of Earth Ltd. which has endorsed Rs.2,000 of them to a creditor.

১২

[অভ্যন্তরীণ মূল্যায়ন : ১০ নম্বর]

