

**OLD**

**2015**

**MBA 3rd Semester Examination**

**ADVANCED FINANCIAL ACCOUNTING**

**(Specialisation : Financial Management)**

**PAPER—F-306**

*Full Marks : 50*

*Time : 1½ Hours*

*The figures in the margin indicate full marks.*

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

*Illustrate the answers wherever necessary.*

**Write the answers to Questions of each Half in separate books.**

**( First Half )**

**[Marks : 50]**

**1. Answer any four questions of the following : 4×5**

- (i) What is Holding Company? State the objectives of preparing consolidated Balance Sheet.

*(Turn Over)*

- (ii) State the objectives & functions of the Accounting Standard Board.
- (iii) Briefly enumerate the guidelines issued by the Institute of Chartered Accountants of India on "Revenue Recognition".
- (iv) What are the limitations of pooling of interest method ?
- (v) State the procedures of Capital Reduction.

2. Answer any *two* questions :

2×10

(a) The following are the summarised Balance Sheets of H Ltd. & its Subsidiary S Ltd. as at 31st December 2014 :

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Authorised & Issued Capital : Shares of Rs. 100 each fully paid	20,00,000	7,50,000	Freehold Premises	11,00,000	4,45,000
General Reserve	10,50,000	65,000	Plant & Machinery	5,75,000	1,60,000
Profit & Loss Account	7,50,000	4,00,000	Furniture	3,05,000	90,000
Sundry Creditors	2,00,000	2,97,250	Stock-in-trade	5,10,000	3,40,250
			Sundry Debtors	4,85,000	4,11,000
			Investment in S Ltd (5000 shares)	9,00,000	—
			Cash Balances	1,25,000	66,000
	40,00,000	15,12,250		40,00,000	15,12,250

You are to prepare a Consolidated Balance Sheet as at 31.12.2014 showing necessary adjustments and taking into consideration the following information :

- (i) H Ltd. acquired shares of S Ltd. on 1.4.2014.
  - (ii) On 1.1.2014 S Ltd. has Rs. 45,000 in General Reserve and Rs. 3,30,000 credit balance on Profit & Loss Account:
  - (iii) Creditors of Rs. 2,00,000 in the books of H Ltd. on 31.12.2014 included a sum of Rs. 1,20,000 payable to S Ltd. for credit purchase on which the later company made a profit of Rs. 30,000 in 2014.
  - (iv) S Ltd. declared and paid interim dividend of 20% per annum on 1.6.2014.
  - (v) Stock of Rs. 5,10,000 of H Ltd on 31.12.2014 included unsold goods purchased from S Ltd. at a cost of Rs. 90,000.
- (b) The following is the Balance Sheet of F & C Ltd as on December 31. 2014 :

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Issued & Fully			Fixed Assets		2,33,500
Paid Equity shares			Current Assets :		
of Rs. 10 each		5,00,000	Debtors	2,33,750	
10% Preference			Stock	4,06,200	
Shares of Rs. 100			Cash	<u>12,300</u>	6,52,250
each		2,00,000	Profit & Loss		
Reserve		2,26,750	Account		2,78,250
11% Debentures of					
Rs. 100 each		1,00,000			
Creditors		1,37,250			
		<u>11,64,000</u>			<u>11,64,000</u>

The company after the approval of the Court, puts the following scheme of reconstruction :

- (i) Each existing Preference Share is to be reduced to Rs. 35, of which Rs. 20 will be represented by new 12% preference shares and Rs. 15 by new Equity Shares.
- (ii) Each Debentures of Rs. 100 is to be exchanged for Rs. 50 of new 13% Debenture, one new 12% Preference share of Rs. 25 each and four new Equity Shares of Rs. 2.50 each.

- (iii) Each existing Equity Share is to be reduced to Rs. 2.50.

The reduction of capital and reserves are utilised for writing off losses, 50% Stock and Debtors and balance, if any, is used for writing down fixed assets.

Show the necessary journal entries and drawup the revised Balance Sheet.

- (c) The Balance Sheet of Moonlight Ltd. as on 31.12.2014 was as follows :

Liabilities	Rs.	Assets	Rs.
2000, 6% Preference shares		Goodwill	30,000
of Rs. 100 each fully paid	2,00,000	Land & Buildings	2,20,000
2000 Equity shares of		Machinery	2,00,000
Rs. 100 each fully paid	2,00,000	Stock	2,10,000
2000 Equity shares of		Debtors	60,000
Rs. 100 each Rs. 50 per		Cash at Bank	75,000
share paid	1,00,000	Preliminary Expenses	5,000
Reserve	74,000		
Profit & Loss Account	90,000		
5% Debentures	10,000		
Sundry Creditors	1,26,000		
	<u>8,00,000</u>		<u>8,00,000</u>

The following further information is available :

- (i) Land & Buildings & Machinery were revalued at Rs. 3,00,000 and Rs. 1,70,000 respectively.
- (ii) Normal return on capital employed for valuation of goodwill is 10%. Apart from this, depreciation to be charged on the revalued assets which are on Land and Buildings @ 5% and on machinery @ 10%. Average profit of the last 3 years was Rs. 1,00,500 (after deduction of tax @ 50%). The basis of valuation of goodwill is 3 years' purchase of super profits. Preference share dividend of Rs. 12,000 was in arrear which was included in Sundry Creditors. Similar companies are paying 10% Dividend on equity share.  
Find out the value of equity shares both on (a) Asset Backing Method and (b) Yield Method.

**[ Internal Assessment : 10 ]**

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