

2013**M. Com.****3rd Semester Examination****ADVANCED FINANCIAL ACCOUNTING****PAPER — COM-304 (AF)**

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.**Illustrate the answers wherever necessary.***Unit--I****[Marks : 20]**1. Answer any two of the following : 5×2

(a) Distinguish between :

(i) Amalgamation and Absorption.

(ii) External Reconstruction and Internal Reconstruction 2+3

(b) From the following information calculate liquidators remuneration.

The Liquidator realised the assets as follows :

	₹
Land and Building mortgage to the partly secured creditors	35,000
Plant and Machinery	51,000
Stock	39,000
Sundry Debtors	58,500
Cash	2,500

(Turn Over)

The structure of Sundry Creditors is as follows :

	₹
Preferential	24,200
Partly Secured	55,310
Unsecured	99,790
Bank Overdraft (Unsecured)	12,000
	1,91,300

The expenses of liquidation amount to ₹ 1,000 and the Liquidator's remuneration was agreed to $2\frac{1}{2}\%$ on the amount realised, except cash and 2% on the amount paid to unsecured creditors.

- (c) From the following information calculate value added productivity ratios and also write their respective implications.

	₹
Gross Value Added	13,20,000
Number of Employees worked	13,200
Number of hours worked in the organisation to create value added	10,000
Capital Employed	10,00,000
Fixed Capital Employed	7,00,000
Working Capital Employed	3,00,000

- (d) You are presented with the following Balance Sheets of A Ltd. and B Ltd. as at 30.6.2013.

Liabilities	A Ltd (₹)	B Ltd (₹)	Assets	A Ltd (₹)	B Ltd (₹)
Share Capital : Share of ₹100 each fully paid	6,00,000	3,00,000	Fixed Assets (excluding Goodwill)	8,30,000	2,50,000
Reserve	2,00,000	60,000	Current Assets	4,00,000	2,30,000
6% Debenture	2,00,000	1,00,000	1,000 shares in A Ltd.		1,20,000
Creditors	2,50,000	1,50,000	Preliminary expenses	20,000	10,000
	12,50,000	6,10,000		12,50,000	6,10,000

Goodwill of A is valued at ₹ 1,20,000 and that of B Ltd at ₹ 40,000. A Ltd. absorbs B Ltd. on the basis of the intrinsic value of the shares. State the number of shares to be issued as Purchase consideration.

2. Answer any one question : 10×1

(a) Raja Ltd. is appointed liquidator of a company in voluntary liquidation on 1st July 2013 and the following balances are extracted from the books on that date :

Liabilities and capital	₹	Assets	₹
Capital :		Machinery	30,000
16,000, Shares		Leasehold Properties	40,000
of ₹. 5 each	80,000	Stock in trade	1,000
Reserve for Bad Debts	10,000	Book Debts	60,000
Debentures	50,000	Investments	6,000
Bank Overdraft	18,000	Calls-in-Arrears	5,000
Liability for purchases	20,000	Cash in hand	1,000
		Profit and Loss A/c	35,000
	1,78,000		1,78,000

Prepare a statement of affairs to be submitted to the meeting of the creditors. The machinery is valued at ₹ 60,000, the Leasehold Properties at ₹ 73,000, Investment at ₹ 4,000, Stock-in-Trade at ₹ 2,000; Bad debts are ₹ 2,000, Doubtful debts are ₹ 4,000 estimated to realise ₹ 2,000. The Bank Overdraft is secured by deposit of title deeds of Leasehold properties. Preferential creditors for taxes and wages ₹ 1,000, Telephone rent owing is ₹ 80.

- (b) From the following information calculate different categories of employees value in the organisation using Lev and Schwartz model

*Table of different categories of employees
belonging to different age groups*

Age Group (Years)	Type of Employee	
	Semi-skilled	Skilled
20-29	—	10
30-39	2	50
40-49	5	20
50-59	1	—
Total	8	80

*Table of salary of different types of employees
belonging to different age groups*

Age Group	Salary (₹) p.a	
	Semi-skilled	Skilled
20-29	1,00,000	2,50,000
30-39	1,40,000	3,20,000
40-49	1,90,000	4,00,000
50-59	2,00,000	4,50,000

Assume the retirement age of the employees is 60 years. Present value of ₹ 1 at 10% discount rate at the end of 10th year is 0.386 and Annuity value of ₹ 1 at 10% discount rate for 10 years is 6.145. 10

Unit—II

[Marks : 20]

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

(a) Write the accounting treatment of 'Proposed Dividend' declared by subsidiary company, in the consolidated financial Statement prepared by the holding company if

(i) It is shown in the liability side of the balance sheet of the subsidiary Co.,

(ii) It is shown in the additional information and not in the Balance Sheet of the subsidiary Co.

(b) Below is given the Balance Sheet of Rich Ltd., Poor Ltd. and Solvent Ltd. as at 30.6.2013.

Assets	Rich Ltd. ₹	Poor Ltd. ₹	Solvent Ltd. ₹
Fixed Assets (at cost less depreciation)	2,00,000	2,50,000	2,00,000
Investments :			
3,200 Equity Shares in Poor Ltd.	3,50,000	—	—
1,500 Equity Shares in Solvent Ltd.	2,00,000	—	—
400 Equity Shares in Poor Ltd.	—	—	45,000

(Contd.)

<i>Current Assets :</i>			
Debtors	20,000	90,000	40,000
Stock	20,000	70,000	50,000
Cash and Bank Balance	10,000	1,65,000	45,000
Total Assets	8,00,000	5,75,000	3,80,000
<i>Liabilities</i>			
	<i>Rich Ltd.</i>	<i>Poor Ltd.</i>	<i>Solvent Ltd.</i>
	₹	₹	₹
Equity Share Capital (₹ 100 each)	5,00,000	4,00,000	2,50,000
Profit and Loss Account	2,50,000	1,00,000	30,000
<i>Current Liabilities :</i>			
Sundry Creditors	46,000	67,000	80,000
Bills Payable	4,000	8,000	20,000
	8,00,000	5,75,000	3,80,000

Additional Information :

- Profit and Loss Account of Poor Ltd. includes ₹ 25,000 as pre-acquisition profits, the balance representing Post-acquisition profits.
- The balance in the Profit and Loss Account of solvent Ltd. is arrived at after setting off ₹ 7,500 being Pre-acquisition loss against the post acquisition profit of ₹ 37,500.
- Rich Ltd. and Solvent Ltd. acquired the shares of Poor Ltd. on the same date.

You are required to :

- Analyse the Profit of Poor and Solvent Ltd., and
- Calculate cost of control

3+2

(c) Explain the following terms in respect of Insurance business :

- (i) Life Assurance Fund;
 (ii) Reserve for unexpired risk;
 (iii) Indemnity period. 2+2+1

(d) From the following details, calculate Gross Claim under Loss of Profit Policy :

Indemnity period — 5 months. Policy Value ₹ 20,000.
 Date of fire is 1st April, 2013. Dislocation upto 1st August, 2013.

	₹
Sales for 2011-12 accounting year	1,20,000
Net profit for 2011-12 accounting year	13,000
Standing charges for 2011-12 accounting year	20,000
(uninsured ₹ 1,000 and insured ₹ 19,000)	
Sales from 1.4.2012 to 31.3.2013	1,60,000
Sales from 1.4.2013 to 1.8.2013	20,000
Sales from 1.4.2012 upto 1.8.2012	50,000

There is a clear 10% upward trend in business.

4. Answer any one of the following : 10×1

(a) From the following information of Goodluck Bank Ltd. prepare :

- (i) Reserve and Surplus Statement (Schedule 2)
 (ii) Deposit Statement (Schedule 3)
 (iii) Investment Statement (Schedule 8)
 (iv) Advance Statement (Schedule 9)

Assume year ended on 31.3.2013.

	₹
Current Deposit	2,25,50,000
Savings Deposit	82,50,000
Fixed and Time Deposits	1,75,80,000
Profit and Loss Account	
balance as on 1.4. 2012	4,26,000
Net Profit during 2012-13	
transfer to Balance Sheet	5,76,400
Transfer to Statutory Reserve	
during 2012-13	1,44,100
Statutory Reserve Fund on 1.4.2012	62,50,000
Revenue Reserve on 1.4.2012	3,00,000
Investments :	
Shares	78,00,000
Government securities	1,75,00,000
Debentures	25,00,000
Bills Purchased and Discounted	1,75,00,000
Term Loans	50,00,000
Cash-credit, overdraft	2,50,00,000
	3+2+2+3

- (b) On 1st January, 2010, A Ltd. acquired 8,000 shares B Ltd. of ₹ 10 each for ₹ 90,000. Their respective Balance Sheets as on 31st December, 2012 were :

Liabilities	A. Ltd. (₹)	B. Ltd. (₹)	Assets	A. Ltd. (₹)	B. Ltd. (₹)
Share Capital ₹ 10 each	1,00,000	1,00,000	Fixed Assets	60,000	1,10,000
Reserve	40,000	26,000	Investment	1,00,000	15,000
Profit and Loss Account	36,000	35,000	Debtors	25,000	20,000
Creditors	71,000	48,000	Stock	30,000	40,000
			Bank	32,000	24,000
	2,47,000	2,09,000		2,47,000	2,09,000

Additional Information :

- (i) At the time of acquiring the share, B Ltd. had ₹ 24,000 in Reserve and ₹ 15,000 in Profit and Loss Account.
- (ii) B Ltd. Paid 10% dividend in 2010, 12% in 2011, 15% in 2012 for the years 2009, 2010 and 2011 respectively. All dividends received have been credited to the Profit and Loss Account of A Ltd.
- (iii) One bonus share for every five fully paid shares held has been declared by B Ltd. out of pre-acquisition reserve on 31st December, 2012. No Effect has been given to that in the above accounts.
- (iv) On 1.1.2010, Building of B Ltd., which stood in the books at ₹ 1,50,000 was revalued at ₹ 1,60,000; but no adjustment has been made in the books. Depreciation has been charged @ 10% p.a. on reducing balance method.

Calculate :

- (i) Pre-acquisition profit;
- (ii) Revenue profit;
- (iii) Cost of control and
- (iv) Consolidated Profit and Loss Account balance.

3+2+2+3

[Internal Assessment : 10 Marks]
