

**2015**

**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 : 25]**

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

**(a) Following are the Balance Sheets of A Ltd. and B Ltd. as on 31.3.2015 :**

*(Turn Over)*

Assets	A. Ltd. (₹)	B. Ltd (₹)
<i>Fixed Assets :</i>		
Machinery	5,00,000	2,50,000
Motor Car	80,000	20,000
Furniture	20,000	5,000
<i>Investment :</i>		
Shares in B. Ltd.	1,25,000	
Shares in A Ltd.		60,000
<i>Current Assets :</i>		
Stock	3,75,000	2,25,000
Debtors	3,00,000	3,40,000
Cash at Bank	1,00,000	1,00,000
	15,00,000	10,00,000
<i>Liabilities :</i>		
<i>Issued, Subscribed and paid-up Capital :</i>		
Equity Share of Rs.10 each fully paid up	10,00,000	5,00,000
<i>Reserve and Surplus :</i>		
Profit and Loss account	3,00,000	1,50,000
<i>Current Liabilities and Provisions :</i>		
Sundry Creditors	2,00,000	3,50,000
	15,00,000	10,00,000

A Ltd. holds 1000 shares in B. Ltd. and B. Ltd. holds 500 shares in A Ltd.

The two companies agree on an amalgamation on the following basis :

- (i) A new company is to be formed named as AB Ltd.
- (ii) The goodwill is valued for A Ltd. at ₹ 2,50,000 and for B. Ltd. at ₹ 1,25,000.
- (iii) The shares of AB Ltd. are to be of nominal value of ₹ 10 each.

Prepare a Statement showing calculations for arriving at the share capital and number of shares to be issued by AB Ltd. to the Liquidators of A Ltd. and B Ltd. respectively. 5

- (b) Write the implications of productivity ratios of labour and capital related with value added. 5
- (c) What is Social Accounting? Give a proforma of the proposed Social Accounting. 2+3
- (d) The following are the balances in the accounts statements of value of Money Ltd. for the year, 2014.

	(₹ 000)
Turnover	2,300
Loss on sale of machine	75
Depreciation on Plant & Machinery	200
Dividend to Ordinary Shareholders	146

(₹ 000)

Total Stock of all materials, WIP  
and Finished Goods :

Opening Stock	160
Closing Stock	200
Raw materials purchased	625
Printing and Stationery	22
Auditors remuneration	28
Retained Profit for the year	288
Rent, Rates and Taxes	165
Other expenses	85
Interest of borrowings	40
Income Tax for the year	276
Wages and Salaries	327
Employees State Insurance	35
P.F. Contribution	28

Prepare Value Added Statement both under Subtractive  
and Additive Methods for the year 2014.

2. Answer any *one* question : 1×10

(b) Aravind Ltd. went into voluntary liquidation on  
1st March, 2015. The following balances are extracted  
from its books on that date :

<i>Liabilities</i>	<i>Amt.(₹)</i>	<i>Assets</i>	<i>Amt.(₹)</i>
Capital :		Buildings	1,50,000
50,000 equity Shares of Rs. 10 each.	5,00,000	Plant and Machinery	2,10,000
Debentures (secured by a floating charge)	2,00,000	Stock in Trade	95,000
Bank Overdraft	30,000	Book Debts 75,000	
Creditors	40,000	Less: Provisions 10,000	65,000
		Calls in arrears	1,00,000
		Cash in hand	10,000
		Profit and Loss Account	1,40,000
	<u>7,70,000</u>		<u>7,70,000</u>

Plant and Machinery and Building are valued at ₹ 1,50,000 and ₹ 1,20,000 respectively. On realisation losses of ₹ 15,000 are expected on stock. Book Debts will realise ₹ 70,000. Calls in arrears are expected to realise 90%. Bank Overdraft is secured against Building. Preferential Creditors for Taxes and Wages ₹ 6,000 and Miscellaneous expenses outstanding ₹ 2,000.

Prepare Statement of Affairs.

10

- (b) From the following information calculate the human resource value of different categories of employees present in the organization and the total human resource value using Lev and scherwatz Model :

*Different categories of employees belonging to different age groups in the organization are as follows :*

Age Group/Types of Employees (Year)	Skilled	Unskilled	Total
20-29	5	-	5
30-39	-	-	-
40-49	1	2	3
50-59	-	1	1
	<u>6</u>	<u>3</u>	<u>9</u>

*Annual Salary structures of different categories of employees belonging to different age groups are as follows :*

Age Group\Types of Employees (Year)	Skilled (Rs.)	Unskilled (Rs.)
20-29	80,000	50,000
30-39	1,00,000	70,000
40-49	1,40,000	1,00,000
50-59	2,00,000	1,20,000

You are given that cost of capital of the firm is 10%; annuity value of Re 1 at 10% discount rate is 6.734 and Present value of Rs.1 for 10 year at 10% discount rate is .589.

**Unit—II**

[Marks : 25]

3. Answer any *two* questions from the following :

- (a) What is Cross holding in case of an acquisition? What are the differences between cross holding and chain holding in case of acquisition of companies? 2+3

- (b) Prepare two appropriate schedules from the following information in case of Final Account of an insurance Company :

	₹
(i) Premium during the year	28 Cr.
(ii) Commission on item no. (i)	3 Cr.
(iii) Renewal premium	95 Cr.
(iv) Commission on item no (iii)	10 Cr.
(v) Premium Received on remunarence accepted	5 Cr.
(vi) Commission on item nc. (v)	1 Cr.
(vii) Premium paid on re-insurance ceded	12 Cr.
(viii) Commission on item no. (vii)	2 Cr.
(ix) Single Premium Received	2 Cr.
(x) Commission on item no (ix)	1 Cr.

2+3

- (c) Draw a format of Balance Sheet of XYZ Banking Ltd. with hypothetical figure as per Banking Regulation Act. 5

- (d) Prepare the schedule of operating expenses of PQR Insurance Company Ltd. from the following information. as per Insurance Act, 2002 as at 31.3.2015.

	₹
(i) Rent :	24 Cr.
(ii) Electricity charges :	2 Cr.
(iii) Salary to permanent staffs	28 Cr.
(iv) Payment to casual workers	1.5 Cr.
(v) Audit Fees	1 Cr.
(vi) Commission to marketing staffs	4 Cr.
(vii) Depreciation	2.1 Cr.
(viii) Legal expenses	2 Cr.
(ix) Stationary	1.2 Cr.
(x) Bad Debt	1.1 Cr.

The above figure pertain to year ended 31.3.2014 and assume there was a 10% growth in Salary, Commission, and Stationary in the year 2015. The devreciation was 10% lower in 2015. All other items remained the same. 5

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

- (a) Big Boss Ltd. had taken out a loss of profit policy for 3,00,000 being ₹ 1,30,000 for net profit and ₹ 1,70,000 for fixed expenses. Expenses to the extent of



₹ 30,000 were not insured. During 2013 the company earned a net profit of ₹ 90,000 after charging ₹ 2,00,000 as standing charges on a sale of ₹ 26,00,000. On 1st June 2014, there was a fire as a result of which suffered a great extent for a period of six months. The details were as under :

<i>Months</i>	<i>2013</i>	<i>2014</i>
	₹	₹
January-February	2,50,000	2,75,000
March - April	4,00,000	4,40,000
May - June	5,60,000	3,80,000
July - August	6,40,000	1,10,000
September - October	4,50,000	1,90,000
November - December	3,00,000	2,30,000

The indemnity period according to the policy was 4 months. ₹ 2,000 was spent on putting the fire out and additional expenses as a consequence of five were ₹ 16,000 but there was a saving of ₹ 3,000 in the process. Find out gross claim and net claim for the above information.

- (b) (i) Following are the Balance Sheets of Two Companies — X Ltd. and Y Ltd. as on 31st March, 2015 :

## Balance Sheet as at 31.3.2015

	<i>X Ltd.</i>	<i>Y Ltd.</i>
	₹	₹
<i>Liabilities :</i>		
Shares of Rs. 100 each	10,00,000	5,00,000
Reserve & Surplus	3,00,000	2,00,000
Creditors	1,00,000	1,00,000
	14,00,000	8,00,000
<i>Assets :</i>		
Sundry Assets	9,00,000	6,90,000
Investment in shares	5,00,000	1,10,000
	14,00,000	8,00,000

X Ltd. acquired 4,000 shares of Y Ltd. on 1.4.2014 when reserve in Y Ltd. stood at ₹ 1,20,000 and reserve in X Ltd. at ₹ 1,80,000. Y Ltd. acquired 1,000 shares of X Ltd. on 1st April 2013.

Prepare the Reserve & Surplus account in the Consolidated Balance Sheet of X Ltd. as at 31.3.2015.

- (ii) Write the treatment of the following in the consolidated Financial Statement of holding Co. :
- (a) Proposed dividend declared by subsidiary Co. and showing in the Balance Sheet of Subsidiary Co.
  - (b) Dividend received by holding company from Subsidiary Company out of capital profit wrongly credited to Profit & Loss of Holding Co.

6+2×2

**[Internal Assessment : 10 Marks]**