

**M.Com 3rd Semester Examination, 2019**

**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*

**Write the answers to Questions of each Units in separate books wherever necessary**

**UNIT — I**

[ Marks : 20 ]

1. Answer any *two* of the following questions :  $2 \times 2$ 
  - (a) Do you think that only insolvent companies go into liquidation ?
  - (b) Write any two reasons for non-disclosure of

human resources in the traditional financial statements.

- (c) Write the capital productivity ratios in value added measurement and also mention their implications.
- (d) Write the name of the accounts with their schedule number in Balance Sheet preparation of a hotel company.

2. Answer any *two* of the following questions :  $4 \times 2$

- (a) From the following data prepare the following schedules (i) Income from Rooms, Restaurants, Banquets and other services (Schedule-9) and (ii) Other Expenditure on operations, Administration and Selling (Schedule-13)

	Amount(₹)
Power, Fuel and Water	7,88,24,077
Linen, Uniform, Laundry and Washing	1,49,61,179

	Amount(₹)
Housekeeping	39,98,509
Rates and Taxes	48,60,507
Insurance	52,32,389
Printing and stationary	19,56,667
Newspaper and Periodicals	14,06,227
Room rent received	33,43,02,676
Sale of Food and Beverages	17,18,97,082
Sale of other services(Telephone)	6,94,34,487

(b) From the following information calculate liquidator's remuneration payable and the amount to be paid to Debenture holders. The Liquidator is entitled to remuneration of 3% on all the assets realised ( except cash at bank) and 2% on the amount distributed among equity shareholders.

The assets realised were as under :

	₹
Land and Building (secured loan ₹100000 mortgage on Land and Building)	3,40,000

	₹
Plant and Machinery	3,60,000
Stock	1,20,000
Sundry Debtors	1,60,000
Amount available to the equity shareholders after distribution to preference shareholders (Total paid up capital of equity shareholders ₹5,10,000)	51,000
Total dues to 10% Debenture holders as on 31.3.2018 : Principal ₹2,00,000	
Interest ₹10,000	

Final payment to debenture holders were done on 30.6.2018.

Assume company has sufficient fund to pay debenture holders.

- (c) Illustrate environmental cost and benefits. Give a proforma of proposed environmental accounting statement.
- (d) Do you think that Value Added Accounting is more Justifiable than traditional profit and loss statement ? Explain.

3. Answer any *one* of the following : 8 × 1

(a) The following balances were extracted from the books of sudden Death Ltd. on 31st March, 2019, on which date winding up order was made :

	Amount(₹)
Share Capital :	
Equity shares 20,000 shares of ₹10 each, ₹8 per share called up	1,60,000
Preference shares-2000 shares of ₹100 each fully paid	2,00,000
Calls in arrear-Equity shares estimated to realise ₹600	1,000
15% Debentures secured by first floating charge on the assets	2,00,000
Bank overdraft secured by a second floating charge on the assets	1,00,000
Fully secured creditors(secured against Plant and Machinery)	60,000
Investments (estimated to realise ₹60,000)	80,000

	Amount(₹)
Plant and Machinery-Secured to creditors-estimated to realise ₹80,000	1,20,000
Land and Building-estimated to realise ₹80,000	40,000
Rent and Taxes	4,000
Wages and Salaries	3,000
Bills Payable	24,000
Sundry Creditors	60,000
Bills Receivable Estimated to realise ₹2000	6,000
Debtors-estimated to realise 60%	1,40,000
Bills discounted ₹30,000 likely to rank	8,000
Contingent liability likely to accrue	6,000
Stock in trade-estimated to produce ₹38,000	60,000
Cash in hand and Cash at bank	3,200

Entry for accrued salary of ₹4,000 and rent of ₹2,000 has still to be made in the books. Prepare statement of Affairs as regards contributories.

(b) From the following information calculate the value of different categories of employees under Lev and Scherwatz model.

Table showing different categories of Employees.

Age group (years)	Types of Employees	Skilled	Semi skilled	Unskilled	Professional	Total
20 - 29		3	-	-	2	5
30 - 39		2	-	2	2	6
40 - 49		-	2	2	1	5
50 - 59		-	-	2	-	2
		<u>5</u>	<u>2</u>	<u>6</u>	<u>5</u>	<u>18</u>

Table showing salary structure p.a. of different categories of employees.

Age group (years)	Types of Employees	Skilled (₹)	Semiskilled (₹)	Unskilled (₹)	Professional (₹)
20 - 29		12,00,000	8,00,000	4,00,000	13,00,000
30 - 39		14,00,000	10,00,000	5,00,000	15,00,000
40 - 49		17,00,000	12,00,000	7,00,000	20,00,000
50 - 59		20,00,000	13,00,000	8,00,000	22,00,000

Assume cost of capital of the company is 10% p.a. Present value of Re1 at 10% discount rate at the end of 10th year is .38. The annuity value of Re1 at 10% discount rate for 10 years is 6.13.

### UNIT – II

[ Marks : 20 ]

4. Answer any *two* questions from the following :  $2 \times 2$
- What is a subsidiary company in a chain holding ?
  - Define : Unexpired Risk Reserve.
  - Explain : CRAR.
  - How do we arrive at 'full insurance' in relation to a loan of profit policy ?
5. Answer any *two* from the following questions :  $4 \times 2$
- When is average clause applied ? How is it applied ?



(b) A fire occurred on 1st. October, 2018 in the premises of XYZ Ltd. The production hampers due to fire for 4 months. However, the insurance cover was for 2 months. The company made an insurance of Rs.5,00,000 for the year. Determine the gross claim from the following information :

(i) Statement of Turnover

Period	Amount of Turnover
1.4.17 to 31.3.18	Rs. 48,00,000
1.10.18 to 31.12.18	Rs. 3,00,000
1.10.17 to 31.3.18	Rs.25,00,000

(ii) Net Profit during the year ended 31.3.18 :  
Rs.10,00,000

(iii) Total standing charges : Rs.5,00,000

(iv) 60% of the standing charges was not insured

(v) Saving in standing charges due to occurrence of fire Rs.55,000

(vi) There is uptrend in sales @10% per annum.

(c) The following are the details of Small Bank Ltd., a commercial bank.

(i) Bills Purchased and discounted :  
Rs.1,50,000

(ii) Cash Credits and loans repayable on demand : Rs.2,00,000

(iii) Term Loans : Rs.50,000

(iv) Advances secured by tangible assets :  
Rs.3,00,000

(v) Advances covered by Bank, Government and ECGC guarantees : Rs.60,000

(vi) Unsecured advances : Rs.20,000

(vii) Doubtful debts : Rs.20,000

(viii) In case of doubtful debts the bank did not hold any security.

(ix) The total advances were outstanding from different sectors are as follows :

Public Sectors : Rs.30,000

Priority Sectors : Rs.1,60,000

Balance from others : Rs.2,10,000

Show the treatment of the above items of advances in the final accounts [including relevant schedule] of the Small Bank Ltd.

- (d) What is the difference between Re-insurance and Co-insurance in relation to risk management in insurance industry ?

6. Answer any *one* from the following questions : 8 × 1

- (a) From the following particulars, prepare the (i) Revenue account (ii) Profit and Loss Account and (iii) Balance Sheet of Sunlight Life Insurance Co. Ltd :

<u>Particulars</u>	<u>Amount(Rs.)</u>
Share Capital	1,50,00,000
Balance of Life Fund on	
1st. April, 2018	76,00,000
Unclaimed dividend	24,000
Profit and Loss Account (Cr.)	24,00,000
Sundry Creditors	1,26,000
Agents' Balance (Dr.)	14,64,000
Interest accrued but not paid	82,000

<u>Particulars</u>	<u>Amount(Rs.)</u>
Due to Reinsurers	6,00,000
Furniture and Fixture (cost Rs.1,12,600)	6,00,000
Stock of stationary	84,000
Expenses of management	25,000
Foreign Taxes and Interest	22,00,000
Outstanding premium	1,23,000
Donations Paid	2,12,000
Advance Income-tax payments	86,000
Sundry Debtors	6,20,000
Govt. of India security	92,000
Debentures of public bodies	92,00,000
Shares in limited company	18,00,000
State govt. securities	36,00,000
Claims less reinsurance	88,00,000
Premium less reinsurance	1,06,00,000
Commission paid	6,24,000
Interest and Dividend	24,00,000
Transfer fees received	60,000
Cash and Bank balances	9,44,000

Outstanding claims on 31st March, 2018 were Rs.14,00,000. The depreciation of furniture to be provided @20%p.a.

(b) Following are the extracts of Balance Sheet of H Ltd. and its subsidiary as on 31.3.2017.

<i>Liabilities</i>	H Ltd.(Rs.)	S Ltd.(Rs.)	<i>Assets</i>	H Ltd.(Rs)	S Ltd.(Rs.)
Share Capital (Rs.100 each)	7,00,000	1,00,000	Sundry Assets	7,50,000	1,50,000
General Reserve	2,00,000	70,000	Shares in S Ltd.(800 shares)	1,00,000	—
Profit for the year	75,000	35,000			

Provide treatment in the consolidated Balance Sheet for the following three cases :

- (i) The shares of S Ltd. were acquired by H Ltd. on 1st, September, 2016
- (ii) S Ltd. intends to propose 15% dividend from profit during the year
- (iii) On 31.3.2017, S Ltd. decided to issue Bonus Shares out of General Reserve in

the ratio of 1 Bonus Shares for every four shares held. No effect has been passed in the books of both companies regarding this.

You are required to calculate cost of control and minority interest after issue of Bonus Shares.

[ *Internal Assessment* : 10 Marks]

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