

2012

M. Com.

3rd Semester Examination
ADVANCE 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 the concept of

(i) Value Added (VA) and Economic Value Added (EVA)

(ii) Gross Value Added (GVA) and Net Value Added (NVA) 3+2

(b) Active Ltd. and Blunt Ltd. decide to amalgamate themselves into Sharp Ltd. The following are their agreed balance sheets as on 31.3.2012

Liabilities	Active Limited Rs.	Blunt Limited Rs.	Assets	Active Limited Rs.	Blunt Limited Rs.
Share Capital (Rs. 100 each)	5,00,000	4,00,000	Investments		
General Reserve	2,00,000	1,00,000	1000 shares in Blunt Ltd.	1,30,000	
13% Debenture	2,00,000	1,50,000	2000 shares in Active Ltd.		2,10,000
			Sundry Assets	7,70,000	4,40,000
	9,00,000	6,50,000		9,00,000	6,50,000

(Turn Over)

State the amount and composition of purchase consideration for each of these companies.

- (c) Illustrate competitive Bid Model of Human Resource valuation and its accounting as propounded by Hekimian and Jones.
- (d) The following are the balances in the accounts statements of value for Lovely Ltd., for the year 2012 :

	(Rs, '000)
Turnover	2,300
Loss on sale of Machine	75
Depreciation on Plant and Machinery	200
Dividends to ordinary shareholders	146
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 profits for the year	288
Rent, rates and taxes	165
Other expenses	85
Interest on borrowings	40
Income tax for the year	276
Wages and Salaries	327
Employees State Insurance	35
P. F. Contribution	28

Prepare a Value Added Statements either Generating Method or Disposal Method.

2. Answer any one of the following :

10×1

(a) The following is given :

**Balance Sheet of Peter Ltd.
as on 31.3.2012**

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital :		Land and Building	1,00,000
2,000, 6% Preference Shares of Rs. 100 each	2,00,000	Plant and Machinery	2,50,000
1,000 Equity Shares of Rs.100 each, Rs.75 paid	75,000	Patents	40,000
3,000 Equity Shares of Rs. 100 each, Rs. 60 paid	1,80,000	Stock at cost	55,000
5% Debentures (having a floating charge on all assets)	1,00,000	Sundry Debtors	1,10,000
Interest Outstanding	5,000	Cash at Bank	30,000
Creditors	1,45,000	Profit & Loss A/c	1,20,000
	7,05,000		7,05,000

The company went into liquidation on the above date. The preference dividends were in arrear for two years. The arrears are Payable automatically on liquidation. Creditors include a loan for Rs. 50,000 on the mortgage of Land and Buildings. The assets were realised as follows :

	Rs.
Land and Building	1,20,000
Plant and Machinery	2,00,000
Patents	30,000
Stock	60,000
Sundry Debtors	80,000

The expenses of liquidation amounted to Rs. 10,900. The liquidator is entitled to a commission of 3% on all assets realised except cash and a commission of 2% on amounts distributed among unsecured creditors. Preferential creditors amount of Rs. 15,000. Assume the payment was made on September 30, 2012.

Prepare Statement of Account in the books liquidator.

10

(b) The Balance Sheet of Unfortunate Ltd. as on 31st December, 2011, is as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
8% Cumulative Preference Shares of Rs. 100 each	5,00,000	Goodwill	2,50,000
Equity Shares of Rs. 100 each	7,50,000	Other Fixed Asset	6,70,000
Sundry Creditors	2,00,000	Cash in hand and at Bank	30,000
Contingent Liability : Arrear Preference Dividend for 4 years		Other Current Assets	3,00,000
		Profit & Loss A/c	2,00,000
		:	
	14,50,000		14,50,000

The business has passed through a depression but now it has turned the corner. The net assets appearing in the Balance Sheet as on 31st March 2011 are considered to be worth.

Calculate accumulated or expected losses to be written off and also show how that losses are to be shared by different contributors in respect to reconstruction of the company.

3+7

Unit—II**[Marks : 20]****3. Answer any two of the following :** 5×2

(a) (i) Is there any relation between loss of stock insurance and loss of profit insurance ?

(ii) What is the Principle of average clause in the computation of insurance claim.

(b) While closing its books of accounts on 31st March, 2012, a commercial bank finds that :

(i) On a term loan of Rs. one lakh, quarterly interest due on 29th September, 2011; 29th December, 2011 and 29th March, 2012 has not been received.

(ii) The outstanding balance of an overdraft account has been continuously in excess of the sanctioned limit of Rs. 1,50,000 since 15th May, 2011. Which of the above mentioned credit facilities will be treated as NPA on 31.3.12.

Give reasons in support of your answer. 5

(c) From the following information prepare schedules on Interest earned (Schedule-1) and operating expense (Schedule-4)

	Rs.
Interest on Loans	25,00,000
Interest on Fixed Deposits	27,50,000
Rebate on Bills Discounted	4,90,000
Commission	82,000
Salaries and Allowances	5,40,000
Discount on Bills Discounted (net)	14,60,000
Interest on cash-credit	22,30,000

(Contd.)

	Rs.
Depreciation on Bank Property	4,20,000
Rent and Rates	1,80,000
Interest on Overdraft	15,40,000
Director's fees	30,000
Auditors' fees	12,000
Interest on Savings Bank Deposits	6,80,000
Postage and Telegrams	14,000
Printing and Stationery	29,000
Sundry charges	17,000
	5

(d) The following are the summarised Balance Sheets of three companies, F Ltd., S Ltd., and D Ltd. as on March 31st, 2012.

<i>Liabilities</i>	<i>F. Ltd.</i> Rs.	<i>S. Ltd.</i> Rs.	<i>D. Ltd.</i> Rs.
Share Capital (Shares of Rs. 10 each)	5,00,000	4,00,000	1,50,000
Profit & Loss Account	1,20,000	1,00,000	30,000
Creditors	2,00,000	2,50,000	1,02,000
	<u>8,20,000</u>	<u>7,50,000</u>	<u>2,82,000</u>
<i>Assets</i>	<i>F. Ltd.</i> Rs.	<i>S. Ltd.</i> Rs.	<i>D. Ltd.</i> Rs.
Goodwill	30,000	—	—
Other Fixed Assets	2,80,000	2,70,000	1,42,000
Investment :			
30,000 shares in S. Ltd.	3,50,000	—	—
12,000 shares in D. Ltd.	—	1,40,000	—
Stock	60,000	1,40,000	80,000
Other current Assets	1,00,000	2,00,000	60,000
	<u>8,20,000</u>	<u>7,50,000</u>	<u>2,82,000</u>

The investments were all acquired on 1.10.2011. On 1st April, the Profit and Loss Accounts showed the following balances:

	Rs.
F. Ltd.	80,000
S. Ltd.	48,000
D. Ltd.	10,000 (Debit Balance)

The proposed dividends for 2011-12 were : F. Ltd. 16%, S. Ltd. 15% and D. Ltd. 10% after transfer of Rs. 8,000 and Rs. 3,000 from Profit and Loss A/c to General Reserve by F. Ltd. and S. Ltd. respectively.

You are required to :

- (i) Analyse profit segregated into Capital Profit and Revenue Profit.
- (ii) Consolidated Profit and Loss balance of F Ltd.

3+2

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

(a) Summarised Balance Sheets of X Ltd. and its subsidiary Y Ltd. as on 31st December, 2011 and given below :

Liabilities	X. Ltd. (Rs. '000)	Y. Ltd. (Rs. '000)	Assets	H. Ltd. (Rs. '000)	G. Ltd. (Rs. '000)
Equity Shares of Rs.10 each	1,200	400	Fixed Assets at cost less depreciation	920	750
7% Preference Shares of Rs. 10 each	—	300		Investments in Y Ltd.	
General Reserve	200	160	30,000 Equity Shares	660	—
Profit & Loss A/c	394	176	20,000 Preference Shares	205	—
Proposed Dividends :			Current Assets	715	450
Preference Shares	—	21			
Equity Shares	120	40			
Sundry Creditors	586	103			
	2,500	1,200		2,500	1,200

Relevant information :

- (i) X Ltd. Acquired the shares in Y Ltd. on 1st January, 2011.
- (ii) The balance in the Profit and Loss A/c of Y Ltd. is made up as follows :

	Rs.
Balance as on 1.1.2011	1,09,000
Add : Profit for the year 2011	1,28,000
	<hr/>
	2,37,000
	<hr/>
Less : Proposed Dividend	61,000
	<hr/>
	1,76,000
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The stock of Y Ltd. as on 31.12.2011 included Rs. 72,000 in respect of goods purchased from X Ltd. on which the latter company made a profit of 20% above cost.

- (iii) The balance in the Profit and Loss A/c of Y Ltd. as on 31.12.2010 is arrived at after providing for the Preference Dividend of Rs. 21,000 and a proposed Equity Dividend of Rs. 20,000, both of which were paid out and the proportionate amount due to X Ltd. was credited by it to its Profit and Loss A/c.
- (iv) On 31st December, 2011 Y Ltd. made an issue of Bonus shares for Rs. 80,000 by capitalising a part of the General Reserve. The transaction had not yet been shown in the books of Y Ltd. Compute Capital Profit, Revenue Profit, Cost of control and consolidated Profit and Loss A/c balance.

3+2+3+2

(b) The following Trial Balance was extracted from the books of the Goodluck Life Assurance Company Ltd. as on 31.3.2012 :

	Dr. Rs. in crore	Cr. Rs. in crore
Paid up capital 200 crore shares of Rs. 10 each		2,000
Life Assurance Fund as on 1.4.2011		59,446
Bonus to policyholders	630	
Premium received		3,330
Claims paid	3,940	
Commission paid	186	
Management expenses	546	
Mortgages in India	9,844	
Interest, dividends and rents		2,154
Agents' balances	186	
Investment properties- real estate	800	
Investments	46,100	
Loan on Company's Policies	3,472	
Cash on deposit	540	
Cash in hand and on current account	446	
Surrenders	240	
	66,930	66,930

You are required to prepare the company's revenue account for the year ended 31.3.2012 and its balance sheet as on that date after taking the following matters into consideration :

	<i>Rs. in crores</i>
(i) Claims admitted but not paid	186
(ii) Management expenses due	4
(iii) Interest accrued	386
(iv) Premium outstanding	240

5+5

[Internal Assessment : 10 Marks]
