

2014

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 : 5×2
- (a) Illustrate the Replacement Cost model of human resource valuation.
 - (b) Write any five differences between Profit & Loss Statement and Value Added statement.
 - (c) The following is the Balance Sheet as at 31.3.2013 of Bad Luck Ltd. The Company is engaged in the manufacture and sale of electronic items. It has been felt that the depression in the industry is a thing of the past and suitable reconstruction of the company will enable it to recapture its position in the market.

(Turn Over)

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Share Capital :</i>		<i>Fixed Assets :</i>	
10,000 Eq. Shares of Rs. 100 each fully paid up	10,00,000	Goodwill 2,50,000 Others 3,00,000	5,50,000
2,000 10% Cumulative Pref. shares of Rs 100 each fully paid up	2,00,000	<i>Current Assets :</i>	
Sundry Creditors	3,00,000	Cash and Bank 50,000 Others 3,00,000	3,50,000
		<i>Miscellaneous Expenditure :</i>	
		Profit and Loss Account	6,00,000
	<u>15,00,000</u>		<u>15,00,000</u>

Note : Contingent liability not provided for arrears of preference dividend for four years.

It is expected that a realisation of the business will yield a net asset position of Rs. 3 lakhs.

As a financial adviser, suggest how the expected losses to be shared by different parties to formulate a suitable reconstruction scheme.

- (d) How Purchase Consideration is calculated according to AS-14 ?

2. Answer any one question :

10×1

(d) Hammer Ltd. and Grace Ltd. propose to amalgamate.
Their Balance Sheets as on 31.3.2014 were :

Liabilities	Hammer Ltd. (Rs)	Grace Ltd. (Rs)	Assets	Hammer Ltd. (Rs.)	Grace Ltd (Rs)
Share Capital : Equity Share of Rs. 100 each	5,00,000	2,00,000	Fixed Assets (Cost less Depreciation)	4,00,000	1,00,000
Reserve and Surplus :			Investments	1,00,000	
General Reserve	2,00,000	20,000	(Face Value Rs. 1,00,000; 6% Tax free G. P. Notes)		
Profit and Loss A/c	1,00,000	30,000	Current Assets :		
Current Liabilities :			Stock	2,00,000	1,30,000
Creditors	1,00,000	50,000	Debtors	1,70,000	60,000
			Cash and Bank Balances	30,000	10,000
	9,00,000	3,00,000		9,00,000	3,00,000

D Additional Information:

Net Profit (after taxation)	Hummer Ltd. (Rs.)	Grace Ltd. (Rs.)
2011-12	1,30,000	45,000
2012-13	1,25,000	40,000
2013-14	1,50,000	56,000

Goodwill may be taken as 4 year's purchase of average super trading profit. Normal profit to be calculated @ 15%

on closing trading capital invested. The stock of Hammer Ltd. and Grace Ltd. to be taken at Rs. 2,04,000 and Rs. 1,42,000 respectively for the purpose of amalgamation of both the companies.

Suggest a scheme of exchange of shares for amalgamation.

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(b) The following is the Balance Sheet of M/S Unfortunate Ltd. as on 31.12.2013

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
4,000, 6% Pref. Shares of Rs. 100 each fully paid-up	4,00,000	Land and Building	2,00,000
2,000 Equity. Shares of Rs. 100 each of Rs. 75 per share paid-up	1,50,000	Plant and Machinery	5,00,000
6,000 Equity. Shares of Rs. 100 each of Rs. 60 per share paid-up	3,60,000	Patents	80,000
5% Debentures (having a floating charge on all assets)	2,00,000	Stock at cost	1,10,000
Interest outstanding on debentures (also secured as above)	10,000	Sundry Debtors	2,20,000
Creditors	2,90,000	Cash at Bank	60,000
		Profit & Loss A/c	2,40,000
	14,10,000		14,10,000

On that date, the company went into voluntary liquidation. The dividends on preference shares were in arrear for the two years. Creditors include a loan of Rs. 1,00,000 on mortgage of land and buildings. The assets realised were as under :

	Rs.
Land and Buildings	2,40,000
Plant and Machinery	4,00,000
Patents	60,000
Stock	1,20,000
Sundry Debtors	1,60,000

The expenses of liquidation amounted to Rs. 21,800. The liquidator is entitled to a commission of 3% on all assets realised (except cash at bank) and commission of 2% on amounts distributed among unsecured creditors. Preferential Creditors amount to Rs. 30,000. All payments were made on 30.6.2014. Prepare the Liquidator's Final Statement of Account.

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Unit—II

[Marks : 25]

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

- (a) What are the different types of holding company? Write very short notes on each of those.
- (b) A fire occurred on 15th September, 2011 in the godown of M/s A and B. From the following figures, ascertain the claim to be budged.

	Rs.
Stock on 1.4.2011	1,05,300
Purchase from 1.4.11 to date of fire	3,50,400
Manufacturing expenses and wages	2,60,000
Sales from 1.4.11 to date of fire	6,76,000
Goods used by the partners themselves (at cost)	10,500
The stock salvaged was valued at Rs. 36,000.	

(c) From the following information find out stock to be shown in the balance sheet of X Ltd. :

- (i) X Ltd. is the owner of $\frac{3}{4}$ of Y Ltd. and $\frac{1}{4}$ of Z Ltd.
- (ii) Y Ltd is the owner of $\frac{2}{3}$ rd of Z Ltd.
- (iii) Stock-in-trade in the respective balance sheet :
X : 50,000; Y : 20,000; Z : 40,000.
- (iv) Rate of Profit X : 20%; Y : 10%; Z : 25%.
- (v) Out of Stock of Y and Z Ltd., X supplied goods worth Rs. 15,000 and Rs. 20,000 respectively.
- (vi) Out of stock of Z Ltd., Y supplied goods worth Rs. 5,000. 5

- (d) What is the basic difference between Revenue account and Profit & Loss Account of an Insurance Company? Write down the statutory format of Revenue Account of an Insurance Company. 1+4

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

- (a) You are requested to prepare
- (i) Cost of Control and
 - (ii) Minority Interest; from the following balance sheets and information of the holding company and subsidiary companies :

Balance Sheet as on 31.12.2012.

Liabilities	A. Ltd.		B. Ltd.		C. Ltd.		Assets	A. Ltd.		B. Ltd.		C. Ltd.	
	Rs.	Cr.	Rs.	Cr.	Rs.	Cr.		Rs.	Cr.	Rs.	Cr.	Rs.	Cr.
Share Capital	1,25,000		1,00,000		60,000		Fixed Assets	28,000		55,000		37,500	
Reserve	18,000		10,000		7,200		Investments						
Profit & Loss A/c	16,000		2,000		5,100		Shares in						
Sundry Creditors	10,300		12,000		—		B. Ltd.	85,000		—		—	
							C Ltd.	18,000	53,000			—	
							Stock	20,000					
							Debtors	18,300	16,000			34,800	
	1,69,300		1,24,000		72,300			1,69,300		1,24,000		72,300	

Information :

- (1) Shares of all companies were Rs. 100 each
- (2) A. Ltd. held 750 shares of B. Ltd. and 150 shares of C. Ltd.
- (3) B. Ltd. held 400 shares of C. Ltd.
- (4) All investments were made on 30.6.2012
- (5) The following balances were there on 1.1.2012

	B. Ltd.	C. Ltd.
	Rs. Cr.	Rs. Cr.
Reserve	9,000	6,000
Profit & Loss A/c	1,000	840

(b) The following are the details of advances of a Commercial Bank

	Rs.
Bill purchase and discounted	1,50,000
Cash credits, and loans repayable	2,00,000
Term loans on demand	50,000

The following are the after details of the above advances

Secured by tangible assets	3,00,800
covered by Bank, Govt. and	
ECGC guarantees	60,000
Unsecured	20,000
Doubtful debts	20,000

In case of doubtful debts the bank and not hold any security and they were are sanctioned to priority sectors in the terms of demand loans.

The total advances were outstanding from different sectors as follows :

Private sectors	1,60,000
Public sectors	30,000
Balance from others	2,10,000

Show the treatment of the above items advances in the Bank's Final Accounts.
