

2016

(2nd Semester)

COMMERCE

(Honours)

Paper No. : BCAF-02

(Advanced Financial Accounting)

Full Marks : 70
Pass Marks : 45%

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) The following are the Balance Sheets of Sun Ltd. and Moon Ltd. as on 31st March, 2014 :

Balance Sheets

<i>Liabilities</i>	<i>Sun Ltd.</i>	<i>Moon Ltd.</i>	<i>Assets</i>	<i>Sun Ltd.</i>	<i>Moon Ltd.</i>
	<i>₹</i>	<i>₹</i>		<i>₹</i>	<i>₹</i>
Share Capital (Share of ₹ 10 each)	2,00,000	50,000	Fixed Assets	1,95,000	70,000
General Reserve	50,000	20,000	Investments :		
Profit & Loss A/c			Share in		
Balance (1.4.2013)	30,000	7,500	Moon Ltd.	60,000	
Creditors	20,000	10,000	Debtors	35,000	25,000
Profit for the Year	50,000	20,000	Other Current		
			Assets	60,000	12,500
	<u>3,50,000</u>	<u>1,07,500</u>		<u>3,50,000</u>	<u>1,07,500</u>

L16/435

(Turn Over)

(2)

Other Information :

- (i) Sun Ltd. purchased 4000 shares in Moon Ltd. on 1st October, 2013 at ₹ 15 each
- (ii) Stock in Moon Ltd. includes ₹ 7,500 worth of goods purchased from Sun Ltd. which the company sells at 25% above
- (iii) Creditors of Moon Ltd. include ₹ 500 due to Sun Ltd.

Prepare a Consolidated Balance Sheet as on 31st March, 2014.

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Or

- (b) Define holding company. What are the advantages of Consolidated Final Statement of Accounts of a holding company and its subsidiary companies?

4+10=14

2. (a) What do you mean by amalgamation in the light of the Accounting Standard-14 on accounting for amalgamation issued by the Institute of Chartered Accountants of India? Explain the types of amalgamation according to AS-14.

6+8=14

Or

- (b) White Ltd. agreed to acquire the business of Green Ltd. as on 31st December, 2013. The summarized Balance Sheet of Green Ltd. on that date was as follows :

<i>Balance Sheet</i>			
<i>Liabilities</i>	₹	<i>Assets</i>	₹
Share Capital in fully paid share of ₹ 10 each	6,00,000	Goodwill	1,00,000
General Reserve	1,70,000	Land, Building and Plant	6,40,000
Profit and Loss A/c	1,10,000	Stock	1,68,000
6% Debentures	1,00,000	Debtors	36,000
Creditors	20,000	Cash	56,000
	<u>10,00,000</u>		<u>10,00,000</u>

The consideration payable by White Ltd. was agreed as follows :

- (i) A cash payment equivalent to ₹ 2.50 for every ₹ 10 shares in Green Ltd.
- (ii) The issue of 90000 shares of ₹ 10 each fully paid in White Ltd., having an agreed value of ₹ 15 per share
- (iii) The issue of such amount of fully paid 5% debentures of White Ltd. at 96% as is sufficient to discharge the 6% debentures of Green Ltd. at a premium of 20%

When computing the agreed consideration, the Director of White Ltd. valued the Land, Building and Plant at ₹ 12,00,000, Stock at ₹ 1,42,000 and the Debtors at their face value subject to an allowance of 5% for Doubtful Debt. The cost of liquidation of Green Ltd. came to ₹ 5,000. Draft Journal entries in the books of Green Ltd. 14

3. (a) State the major user groups of Financial Statement Analysis. How does the ratio analysis technique help in financial statement analysis? 6+8=14

Or

- (b) The Balance Sheet of ABC Ltd. as on 31st March, 2014 is as follows :

Balance Sheet

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Equity Share Capital (₹ 10 each)	1,00,000	Land & Building	6,00,000
9% Preference Share Capital	1,00,000	Plant & Machinery	5,00,000
General Reserve	60,000	Furniture & Fixtures	1,00,000
Profit & Loss A/c	2,40,000		<u>12,00,000</u>
15% Debentures	8,00,000	Less : Depreciation	2,00,000
Trade Creditors	1,00,000		<u>10,00,000</u>
Bills Payable	30,000	Long-term Investments	1,00,000
Outstanding Expenses	20,000	Stock	95,000
Bank Overdraft	10,000	Debtors	3,70,000
Provision for Tax	2,40,000	Cash	10,000
		Bills Receivable	10,000

(5)

<i>Liabilities</i>	₹	<i>Assets</i>	₹
		Prepaid Expenses	15,000
		Preliminary Expenses	60,000
		Underwriting Commission	40,000
	<u>17,00,000</u>		<u>17,00,000</u>

Net sales for the year 2013-14 amounted to ₹ 19,00,000. Calculate—

- (i) quick ratio;
- (ii) debt-equity ratio;
- (iii) debtors' turnover ratio;
- (iv) proprietary ratio;
- (v) working capital turnover ratio;
- (vi) stock turnover ratio;
- (vii) total assets to debt ratio. $2 \times 7 = 14$

4. (a) The Balance Sheets of M/s. Black and Red as on 1st January, 2013 and 31st December, 2013 were as follows :

<i>Balance Sheets</i>					
<i>Liabilities</i>	<i>1st Jan. 2013</i>	<i>31st Dec. 2013</i>	<i>Assets</i>	<i>1st Jan. 2013</i>	<i>31st Dec. 2013</i>
	₹	₹		₹	₹
Capital	1,25,000	1,53,000	Cash	10,000	7,000
Loan from			Debtors	30,000	50,000
P. N. Bank	40,000	50,000	Stock	35,000	25,000
Mr. Red's Loan	25,000	—	Machinery	80,000	55,000
Creditors	40,000	44,000	Land	40,000	50,000
			Building	35,000	60,000
	<u>2,30,000</u>	<u>2,47,000</u>		<u>2,30,000</u>	<u>2,47,000</u>

During the year a machine costing ₹ 10,000 (accumulated depreciation ₹ 3,000) was sold for ₹ 5,000. The

(6)

provision for depreciation against machinery as on 1st January, 2013 was ₹ 25,000 and on 31st December, 2013 was ₹ 40,000. Net profit for the year 2013 amounted to ₹ 45,000.

You are required to prepare Fund Flow Statement.

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Or

(b) Following is the Summarized Balance Sheets of Z Ltd. as on 31st March, 2013 and 2014 :

<i>Liabilities</i>	<i>31st March</i>	<i>31st March</i>	<i>Assets</i>	<i>31st March</i>	<i>31st March</i>
	<i>2013</i>	<i>2014</i>		<i>2013</i>	<i>2014</i>
	<i>₹</i>	<i>₹</i>		<i>₹</i>	<i>₹</i>
Equity Share Capital	20,00,000	25,00,000	Land & Building	10,00,000	9,60,000
Capital Reserve	—	20,000	Machinery	15,00,000	18,40,000
General Reserve	5,00,000	6,00,000	Investment	2,00,000	1,00,000
Profit & Loss Account	3,00,000	3,60,000	Stock	6,00,000	5,60,000
Long-term Loan	10,00,000	8,00,000	Sundry Debtors	8,00,000	8,40,000
Sundry Creditors	10,00,000	8,00,000	Cash in Hand	4,00,000	3,30,000
Provision for Taxation	1,00,000	1,20,000	Cash at Bank	6,00,000	8,20,000
Proposed Dividends	2,00,000	2,50,000			
	<u>51,00,000</u>	<u>54,50,000</u>		<u>51,00,000</u>	<u>54,50,000</u>

From the above particulars, prepare Cash Flow Statement for the year ended on 31st March, 2014 as per AS-3 (Revised) indirect method with the additional information given below : 14

(i) Dividend of ₹ 2,00,000 was paid during the year ended on 31st March, 2014

- (ii) Machinery purchased during the year—₹ 2,50,000
- (iii) Income tax provided during the year—₹ 1,10,000
- (iv) There was no sale of Machinery during the year
- (v) Depreciation written off on Land and Building—₹ 40,000

5. (a) What are the objectives of Inflation Accounting? What approaches have generally been recommended for dealing with the problems of changes in purchasing power of money? 7+7=14

Or

(b) Following is the Balance Sheet of BG Ltd. as on 31st December, 2014 :

Balance Sheet

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Paid-up Capital :		Fixes Assets :	
1000, 6% Preference		Land & Building	2,00,000
Shares of ₹ 100 each	1,00,000	Plant & Machinery	2,20,000
2000 Equity Shares		Current Assets :	
of ₹ 100 each		Stock	1,00,000
fully paid	2,00,000	Debtors	1,00,000
3000 Equity Shares		Cash at Bank	30,000
of ₹ 100 each,		Profit & Loss A/c	1,00,000
₹ 50 paid	1,50,000		

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<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Secured Loan :			
6% Debentures (Floating Charges on all Assets)	1,00,000		
Others (Mortgage on Land & Building)	1,00,000		
Current Liabilities :			
Sundry Creditors	90,000		
Income Tax	10,000		
	<u>7,50,000</u>		<u>7,50,000</u>

The company went into liquidation on 1st January, 2015. The preference dividends were in arrears for three years. The arrears are payable on liquidation. The assets were realized as follows :

	₹
Land and Building	2,40,000
Plant and Machinery	1,80,000
Stock	70,000
Debtors	60,000

The expenses of liquidation amounted to ₹ 8,000.

The liquidator is entitled to a commission at 2% on all assets realized and 3% on amount distributed to unsecured creditor.

All payments were made on 30th June, 2015.

Prepare Liquidator's Final Statement of Account.

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