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(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) Describe the salient features of the accounts of Holding Company. Indicate the main purpose of preparing a Consolidated Balance Sheet. 9+5=14

Or

- (b) From the following Balance Sheets of H Ltd. and its subsidiary S Ltd., prepare a Consolidated Balance Sheet as on 31.12.2014 : 14

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>	<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹		₹	₹
Share Capital (share of ₹ 10 each)	4,00,000	2,00,000	Goodwill Plant and Machinery	80,000 1,60,000	20,000 1,80,000

L7/360

(Turn Over)

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>	<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹		₹	₹
General Reserve	60,000	20,000	Investments (15000 shares in S Ltd.)	1,61,000	—
Profit & Loss A/c	80,000	60,000	Stock	70,000	81,000
Sundry Creditors	40,000	25,000	Debtors	59,000	25,000
Bills Payable	45,000	15,000	Bills Receivable	80,000	10,000
Outstanding Expenses	5,000	—	Cash at Bank	20,000	4,000
	<u>6,30,000</u>	<u>3,20,000</u>		<u>6,30,000</u>	<u>3,20,000</u>

Additional Information :

- (i) H Ltd. purchased the shares in S Ltd. on 1st July, 2014
- (ii) On 01.01.2014, S Ltd. had ₹ 10,000 in General Reserve and ₹ 30,000 in Profit & Loss a/c
- (iii) Bills Payable of S Ltd. are all in favour of H Ltd.
- (iv) Sundry Creditors of H Ltd. include ₹ 20,000 from S Ltd.
- (v) Stock of S Ltd. includes ₹ 20,000 from H Ltd. which includes 25% profit on cost

2. (a) What is Amalgamation? What are its types? What are different methods for calculating purchase consideration?

2+2+10=14

Or

(b) A Ltd. and B Ltd. were amalgamated on 1st April, 2015. A new company AB Ltd. was formed to take over the business of existing companies. The Balance Sheets of A Ltd. and B Ltd. are given below :

Liabilities	A Ltd. ₹	B Ltd. ₹	Assets	A Ltd. ₹	B Ltd. ₹
Equity Shares			Land	2,00,000	3,00,000
Capital of ₹ 10 each	3,60,000	2,40,000	Building	80,000	20,000
Capital Reserve	80,000	60,000	Investment	1,60,000	60,000
General			Stock	2,00,000	60,000
Reserve	1,20,000	60,000	Debtors	1,60,000	20,000
Profit &			Bank	1,20,000	60,000
Loss A/c	40,000	20,000	Cash	40,000	—
Secured Loan	1,60,000	80,000			
Trade Creditors	1,20,000	40,000			
Tax Provision	80,000	20,000			
	<u>9,60,000</u>	<u>5,20,000</u>		<u>9,60,000</u>	<u>5,20,000</u>

Additional Information :

- (i) Both the companies land value increased by 20% and building of A Ltd. decreased by 15% and B Ltd. by 10%
- (ii) The investment value of B Ltd. increased to ₹ 75,000 and A Ltd. reduced by ₹ 10,000
- (iii) Sundry debtors of A Ltd. provided. Provision for doubtful debts at 5% and B Ltd. ₹ 5,000 treated as bad
- (iv) Both the companies stock value reduced by 5%

The new company issued shares to existing company at ₹ 15 per share for purchase consideration of both the companies.

Calculate the purchase consideration and numbers of shares of A Ltd. and B Ltd. Also prepare Balance Sheet of new company of AB Ltd. assuming that the amalgamations in the nature of purchase. 4+10=14

3. (a) Explain the interpretation of the ratio analysis. What are the limitations of ratio analysis? 6+8=14

Or

- (b) The following information is given about XY Ltd. for the year ending 31st March, 2014 :

Stock turnover ratio—6 times

Gross profit ratio—20% on sales

Sales for the year—₹ 3,00,000

Closing stock is ₹ 10,000 more than opening stock

Opening creditors—₹ 20,000

Closing creditors—₹ 30,000

Trade debtors at the end—₹ 60,000

Net working capital—₹ 50,000

Indirect expenses—₹ 20,000

Find out—

- (i) average stock;
- (ii) purchases;
- (iii) creditors' turnover ratio;
- (iv) average payment period;
- (v) average collection period;
- (vi) working capital turnover ratio;
- (vii) net profit ratio. 2×7=14

4. (a) Explain the significance of Fund Flow Statement. What are the differences between fund flow statement and cash flow statement? 7+7=14

Or

- (b) The following details are available from a company :

Liabilities .	31.12.14	31.12.15	Assets	31.12.14	31.12.15
	₹	₹		₹	₹
Share Capital	70,000	74,000	Goodwill	10,000	5,000
Debenture	12,000	6,000	Land	20,000	30,000
Provision for Doubtful Debts	700	800	Stock	49,200	42,700
Trade Creditors	10,360	11,840	Debtors	14,900	17,700
Profit & Loss A/c	10,040	10,560	Cash	9,000	7,800
	<u>1,03,100</u>	<u>1,03,200</u>		<u>1,03,100</u>	<u>1,03,200</u>

In addition, you are given the following :

- (i) Dividend paid during the year ₹ 3,500

- (ii) Land was purchased for ₹ 10,000
- (iii) Amount provided for amortization of goodwill ₹ 5,000
- (iv) Debentures paid off ₹ 6,000 at 10% redemption premium

Prepare Cash Flow Statement as per AS-3 (Revised). 14

5. (a) What is inflation accounting? Explain with reference to current cost accounting. 2+12=14

Or

- (b) The Dimapur Co. Ltd. went into voluntary liquidation on 31st March, 2014. The Balance Sheet of the company as on that date is as follows :

Liabilities	Amount ₹	Assets	Amount ₹
Issued Capital :		Land and	
5000, 6% Cum.		Building	2,50,000
Preference Shares	5,00,000	Plant and	
2500 Equity Shares		Machinery	6,25,000
₹ 100 each		Patents	1,00,000
paid ₹ 75	1,87,500	Stock	1,37,500
7500 Equity Shares		Sundry Debtors	2,75,000
of ₹ 100 each		Cast at Bank	75,000
paid ₹ 60	4,50,000	Profit & Loss A/c	3,00,000

(7)

<i>Liabilities</i>	<i>Amount</i> ₹	<i>Assets</i>	<i>Amount</i> ₹
5% Mortgage Debentures	2,50,000		
Interest Outstanding	12,500		
Creditors	3,62,500		
	<u>17,62,500</u>		<u>17,62,500</u>

The liquidator is entitled to commission of 3% on all assets realized except cash at bank and 2% on amounts distributed among unsecured creditors other than preferential creditors. Creditors include preferential creditors ₹ 37,500 and a loan for ₹ 1,25,000 secured by a mortgage on land and buildings. The preferential dividends were in arrears for two years. The assets realized as follows :

	₹
Land and Building	3,00,000
Plant and Machinery	5,00,000
Patents	75,000
Stock	1,50,000
Sundry Debtors	2,00,000

The expenses of liquidation amounted to ₹ 27,250.

Prepare the Liquidator's Final Statement of Accounts.

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