2018

(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)* Define holding company. Explain the advantages and disadvantages of holding company. 4+5+5=14

Or

(b) Following are the liabilities and assets of *H* Ltd. and *S* Ltd. as on 31st March, 2014 :

Liabilities	*H Ltd.* ₹	*S Ltd.* ₹	*Assets*	*H Ltd.* ₹	*S Ltd.* ₹
Share Capital : ₹ 10 shares each fully paid	3,00,000	1,50,000	Freehold Premises	2,56,000	90,000
			Machinery	60,000	81,300
			Stock	68,000	60,600
General Reserve	1,90,000	6,000	Sundry Debtors	56,000	47,400
Surplus Account	1,60,000	1,08,000	Cash	60,000	33,000

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Sundry Creditors	30,000	48,300	Investment in shares of S Ltd. at cost	1,80,000	—
	6,80,000	3,12,300		6,80,000	3,12,300

H Ltd. acquired 12000 shares of *S* Ltd. on 1.4.2013 at the total cost of ₹ 1,80,000. On scrutiny of the liabilities and assets of *H* Ltd., as at 31.3.2014, the following details are obtained :

(i) Surplus account includes the interim dividend at the rate of 10% p.a. free from tax from *S* Ltd.

(ii) Stock includes ₹ 6,000 of stock at cost purchased from *S* Ltd.

(iii) Sundry creditors include ₹ 18,000 for purchases from *S* Ltd. on which the latter company made a profit of ₹ 4,500

It is further stated that on 1.4.2013 Surplus Account of *S* Ltd. stood at ₹ 76,000 and the General Reserve at ₹ 4,500. No final dividends are yet proposed to be declared by *S* Ltd.

Prepare a Consolidated Balance Sheet as on 31st March, 2014. 14

2. *(a)* State the features of Amalgamation. Distinguish between Amalgamation in the nature of merger and Amalgamation in the nature of purchase. What factors should be considered while making accounting entries under purchase method? 4+4+6=14

Or

(b) Ajanta Limited agreed to acquire the business of Elora Ltd. as on 31st March, 2014. Liabilities and assets of Elora Limited as on that date were as under :

Liabilities	₹	*Assets*	₹
Paid-up Capital :		Fixed Assets :	
10000, 6% Preference Share of ₹ 10 each	1,00,000	Land & Building	2,00,000
		Machineries	1,00,000
20000 Equity Shares of ₹ 10 each	2,00,000	Current Assets :	
		Stock	2,00,000
		Debtors	50,000
Reserve	20,000	Cash and Bank Balances	35,000
Surplus Account	30,000	Discount on Shares	15,000
7% Debenture	1,00,000		
Sundry Creditors	1,50,000		
	6,00,000		6,00,000

The consideration payable by Ajanta Limited was agreed as under :

(i) The preference shareholders of Elora Limited were to be allotted 8% Preference Shares of ₹ 1,10,000

(ii) Equity shareholders to be allotted six Equity Shares of ₹ 10 each issued at a premium of 10% and ₹ 3 cash against every five shares held

(iii) 7% Debentureholders of Elora Limited to be taken over by the transferee company

While arriving at the agreed consideration, the directors of Ajanta Limited valued land and building at ₹ 2,50,000, stock at ₹ 2,20,000 and debtors at their book value subject to an allowance of 4% to cover doubtful debts. The machineries were valued at book value. Debtors of Elora Limited included ₹ 10,000 due from Ajanta Limited.

It was agreed that before acquisition Elora Limited will pay dividend at 10% on equity shares and will also retain ₹ 5,000 for liquidation expenses.

Draft Journal Entries necessary to close the books of Elora Limited. 14

3. (a) Define financial statements. Explain the importance of financial statements. What are the advantages of accounting ratios? 2+6+6=14

Or

(b) Calculate gross profit ratio in each of the following alternative cases : 2×7=14

Case (i) :

Sales—₹ 3,30,000; Sales return—₹ 30,000; Opening stock—₹ 80,000; Net purchases—₹ 1,50,000; Closing stock—₹ 30,000

Case (ii) :

Sales—₹ 4,00,000; Gross profit 25% on cost

Case (iii) :

Stock at the beginning of the year ₹ 60,000; Stock at the end of the year—₹ 1,00,000; Stock turnover ratio 8 times; Selling price 25% above cost

Case (iv) :

Cash sales—₹ 1,00,000; Credit sales—₹ 4,10,000; Sales return—₹ 10,000; Cost of goods sold—₹ 4,60,000

Case (v) :

Opening stock—₹ 30,000; Closing stock—₹ 40,000; Purchases—₹ 6,00,000; Returns inward—₹ 50,000; Cash sales—₹ 2,00,000; Credit sales—₹ 6,00,000; Wages—₹ 20,000; Returns outward—₹ 10,000

Case (vi) :

A trader carries an average stock of ₹ 40,000. His stock turnover ratio is 8 times. He sells goods at a profit of 25% on cost.

Case (vii) :

A company earns a gross profit of 20% on cost. Its credit sales are twice its cash sales, if the credit sales are ₹ 4,00,000

4. *(a)* Following balances are extracted from *XYZ* Co. Ltd. as on 31st December, 2015 and 2016 :

Liabilities	*2015* ₹	*2016* ₹	*Assets*	*2015* ₹	*2016* ₹
Share Capital	2,00,000	2,20,000	Building	80,000	76,000
General Reserve	28,000	36,000	Plant and Machinery	74,000	72,000
Profit and Loss Account	32,000	26,000	Investment	20,000	42,000

Liabilities	*2015*	*2016*	*Assets*	*2015*	*2016*
	₹	₹		₹	₹
Creditors	16,000	10,800	Stock	60,000	46,800
Bills Payable	2,400	1,600	Bills Receivable	4,000	6,400
Provision for Tax	32,000	36,000	Debtors	36,000	38,000
Provision for			Cash at Bank	13,200	30,400
Doubtful Debt	800	1,200	Preliminary		
			Expenses	24,000	20,000
	3,11,200	3,31,600		3,11,200	3,31,600

Additional Information :

(i) Depreciation charged on plant was ₹ 8,000

(ii) Provision for taxation was made ₹ 38,000 during the year, 2016

(iii) Interim dividend of ₹ 16,000 was paid during the year

(iv) A piece of machinery was sold for ₹ 16,000 during the year 2016. It had costed ₹ 24,000, depreciation of ₹ 14,000 has been provided on it.

You are required to prepare a schedule of charges in working capital and a funds flow statement. 14

Or

(b) The following are the summaries of the Balance Sheets of a limited company as on 31st March :

Liabilities	*2016* ₹	*2017* ₹	*Assets*	*2016* ₹	*2017* ₹
Share Capital	2,00,000	2,60,000	Cash at Bank	2,500	2,700
Sundry Creditors	39,500	41,135	Debtors	85,175	72,625
Bills Payable	33,780	11,525	Advances	2,315	735
Bank Overdraft	59,510	—	Stock	1,11,040	97,370
Provision for Tax	40,000	50,000	Plant and Machinery	1,12,950	1,16,200
Reserves	50,000	50,000	Land and Building	1,48,500	1,44,250
Profit and Loss Account	39,690	41,220	Goodwill	—	20,000
	4,62,480	4,53,880		4,62,480	4,53,880

The following additional informations are made available from the books :

(i) During the year ending 31st March, 2017 an additional dividend of ₹ 26,000 was paid

(ii) The assets of another company were purchased for ₹ 60,000 payable in fully paid shares of the company. These assets consisted of Stock—₹ 21,640; Machinery—₹ 18,360 and Goodwill—₹ 20,000. In addition, a plant was purchased amounting ₹ 5,650

(Continued)

(iii) Income tax paid during 2016-17 was ₹ 25,000

(iv) The net profit for the year before tax was ₹ 62,530

Prepare the cash flow statement for the year ended 31st March, 2017 as per AS-3 (Revised) indirect method. Show all the workings. 14

5. (a) What are the objectives of Inflation Accounting? What approaches have generally been recommended for dealing with problems of changes in purchasing power of money? 6+8=14

Or

(b) The Balance Sheet of Aman Ltd. as on 31st December, 2016 was as follows :

Liabilities	₹	*Assets*	₹
Share Capital :		Land and Building	25,000
8000 Preference Shares of ₹ 10 each	80,000	Other Fixed Assets	2,00,000
12000 Equity Shares of ₹ 10 each	1,20,000	Stock	5,25,000
Bank Loan	4,00,000	Debtors	1,00,000
8% Debenture	1,00,000	Profit and Loss A/c	58,000
Interest Outstanding on Debenture	8,000		
Creditors	2,00,000		
	9,08,000		9,08,000

The company went into liquidation on that date. Prepare liquidator's statement of account after taking into account the following : 14

(i) Liquidation expenses and liquidator's remuneration amounted to ₹ 3,000 and ₹ 10,000 respectively

(ii) Bank loan was secured by pledge of stock

(iii) Debenture and interest thereon are secured by a floating charge on all assets

(iv) Fixed assets were realised at book values and current assets at 80% of book values

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