

2019

(2nd Semester)

COMMERCE

(Honours)

Paper : 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) What are wholly owned and partly owned subsidiaries of a holding company? What is the main purpose of Consolidated Financial Statement? Explain the important content of Consolidated Balance Sheet. 3+2+9=14

Or

(b) From the following Balance Sheets of H Ltd. and S Ltd. as on 31st December, 2018, prepare a Consolidated Balance Sheet :

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Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Share Capital :			Sundry		
Shares of			Assets	8,50,000	4,00,000
₹ 100 each	5,00,000	2,00,000	Investment		
Reserve Fund	1,00,000	50,000	in S Ltd.	1,50,000	—
Profit &					
Loss A/c	1,00,000	50,000			
Debentures	1,00,000	—			
Creditors	2,00,000	1,00,000			
	<u>10,00,000</u>	<u>4,00,000</u>		<u>10,00,000</u>	<u>4,00,000</u>

H Ltd. purchase 1500 shares in S Ltd. on 1st January, 2018 when there were no reserve or profit in S Ltd.

2. (a) Explain the types of amalgamation. What is purchase consideration? Explain the different methods of calculating purchase consideration.

4+2+8=14

Or

(b) (i) What is internal reconstruction? 4
(ii) The Balance Sheet of ABC Ltd. as on 31st March, 2018 appears as below :

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets	
150000 Equity Shares		at cost	20,00,000
of ₹ 10 each		Less : Depre-	
fully paid	15,00,000	ciation	
5000, 11% Preference		Reserve	15,00,000
Shares of ₹ 100 each		Stock and	5,00,000
fully paid	5,00,000	Stores	6,00,000
Secured Loans :		Receivables	14,50,000
11% Debentures	5,00,000	Other Current	
Interest Accrued		Assets	2,00,000
and due on Debentures	1,10,000	Miscellaneous	
Bank Overdraft	6,30,000	Expenditure :	
Unsecured		Profit &	
Loans	5,00,000	Loss A/c	16,40,000
Interest accrued			
due	1,50,000		
Current Liabilities	<u>6,50,000</u>		
	<u>43,90,000</u>		<u>43,90,000</u>

A scheme of reconstruction has been agreed amongst the shareholders and the creditors with the following salient features :

- (1) Interest due on unsecured loans is waived
- (2) 50% of the interest due on debentures is waived

(4)

- (3) The 11% Preference Shareholders' rights are to be reduced to 50% and converted into 15% debentures of ₹ 100 each
- (4) Current liabilities would be reduced by ₹ 50,000 on account of provision no longer required
- (5) The banks agree to the arrangement and to increase the cash credit/overdraft limits by ₹ 1,00,000 upon the shareholders agreeing to bring in a like amount by way of new equity
- (6) Besides additional subscription as above, the equity shareholders agree to convert the existing equity shares into new ₹ 10 shares of total value ₹ 4,00,000
- (7) The debit balance in the Profit & Loss a/c is to be wiped out. ₹ 2,60,000 provided for doubtful debts and the value of fixed assets increased by ₹ 4,00,000

Redraft the Balance Sheet of the company based on the above scheme of reconstruction.

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(5)

3. (a) Explain in detail the tools of financial analysis. 14

Or

- (b) Calculate stock turnover ratio in the following cases : 5+5+4=14

(i) Cost of Goods Sold—₹ 2,00,000
Average Stock—₹ 40,000

(ii) Sales—₹ 2,20,000
Average Stock—₹ 40,000
Sales Return—₹ 20,000
Gross Profit—20% on sales

(iii) Opening Stock—₹ 21,000
Closing Stock—₹ 29,000
Purchases—₹ 1,00,000
Wages—₹ 10,000

4. (a) Balance Sheets of M/s Deepa and M/s Diya as on 1st January, 2016 and 31st December, 2016 were as follows :

Balance Sheets

Liabilities	1.1.2016	31.12.2016	Assets	1.1.2016	31.12.2016
	₹	₹		₹	₹
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. Maya's Loan	25,000	—	Debtors	30,000	50,000
Loan from P. N. Bank	40,000	50,000	Stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			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>

(6)

During the year, a machine costing ₹ 10,000 (accumulated depreciation ₹ 3,000) was sold for ₹ 5,000. The provision for depreciation against machinery as on 1st January, 2016 was ₹ 25,000 and on 31st December, 2016 ₹ 40,000. Net Profit for the year 2016 amounted to ₹ 45,000

You are required to prepare Funds Flow Statement.

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Or

(b) You are required to prepare Cash Flow Statement from the Summarized Balance Sheets of ABC Ltd. :

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Liabilities	2015 ₹	2016 ₹	Assets	2015 ₹	2016 ₹
Share Capital	9,00,000	9,00,000	Fixed Assets	8,00,000	6,40,000
General Reserve	6,00,000	6,20,000	Investment	1,00,000	1,20,000
Profit & Loss A/c	1,12,000	1,36,000	Stock	4,80,000	4,20,000
Creditors	3,36,000	2,68,000	Debtors	4,20,000	9,10,000
Tax Provision	1,50,000	20,000	Bank	2,98,000	3,94,000
Mortgage Loan	—	5,40,000			
	<u>20,98,000</u>	<u>24,84,000</u>		<u>20,98,000</u>	<u>24,84,000</u>

Additional Details :

(i) Investments costing ₹ 8,000 were sold for ₹ 8,500

(7)

(ii) Tax provisions made during the year was ₹ 18,000

(iii) During the year, part of the fixed assets costing ₹ 20,000 was sold for ₹ 24,000 and the profit was included in Profit & Loss A/c

5. (a) What is inflation accounting? Explain in relation with Current Cost Accounting (CCA).

4+10=14

Or

(b) The following particulars relate to a Limited Company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Final A/c allowing for his remuneration @ 2% on the amount realized on assets and 2% on the amount distributed to unsecured creditors other than preferential creditors :

Particulars	Amount ₹
Unsecured Creditors	2,24,000
Preferential Creditors	70,000
Debentures	75,000

The assets realized the following sums :

	₹
Cash in Hand	20,000
Land and Buildings	1,30,000
Plant and Machinery	1,10,500
Fixtures and Fittings	7,500

(8)

The liquidation expenses amount to ₹ 2,000. A call of ₹ 2 per share on the partly paid 10000 equity shares was made and duly paid except in case of one shareholder owning 500 shares.

Show your workings.

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