

2022

(2nd Semester)

COMMERCE

(Honours)

Paper : BCAF-02

(Advance 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 main purpose of preparing a Consolidated Balance Sheet. 4+10=14

Or

- (b) From the Balance Sheets of A Ltd. and B Ltd. as on 31st March, 2020 and information given below, prepare a Consolidated Balance Sheet : 14

Balance Sheets of A Ltd. and B Ltd.

Particulars	A Ltd. ₹	B Ltd. ₹
I. Equity and Liabilities :		
1. Shareholders' Funds :		
(a) Share Capital :		
Shares of ₹ 10 each	5,00,000	1,00,000
(b) Reserves and Surplus :		
General Reserve	60,000	30,000
Surplus A/c	2,00,000	60,000
2. Current Liabilities :		
Bills Payable	—	15,000
Creditors	1,10,000	60,000
Total Equity and Liabilities	<u>8,70,000</u>	<u>2,65,000</u>

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(Turn Over)

<i>Particulars</i>	<i>A Ltd.</i> ₹	<i>B Ltd.</i> ₹
II. Assets :		
1. Fixed Assets :		
Tangible Assets	4,00,000	60,000
2. Non-Current Investment :		
Shares in B Ltd., 7500 at cost	75,000	—
3. Current Assets :		
Stock	3,00,000	1,20,000
Debtors	75,000	85,000
Bills Receivables	20,000	—
Total Assets	<u>8,70,000</u>	<u>2,65,000</u>

Additional Information :

(i) The bills accepted by B Ltd. are all in favour of A Ltd.

(ii) The stock of A Ltd. includes ₹ 25,000 bought from B Ltd. at a profit to the later of 20% of sales

(iii) All the surplus of B Ltd. have been earned since the shares were acquired by A Ltd. but there was already the reserve of ₹ 30,000 at that date

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) A Ltd. acquired the undertaking of B Ltd. on 31.03.2020 for a purchase consideration of ₹ 2,50,00,000 to be paid by fully paid equity shares of ₹ 10 each. Equity and liabilities and assets of the two companies on the date of acquisition were as follows :

Particulars	A Ltd. ₹	B Ltd. ₹
I. Equity and Liabilities :		
1. Shareholders' Funds :		
(a) Share Capital :		
Equity Shares of ₹ 10 each fully paid up	2,50,00,000	1,50,00,000
(b) Reserves and Surplus :		
General Reserve	1,20,00,000	18,00,000
Development Rebate Reserve		
Workers' Compensation Fund	15,00,000	24,00,000
Surplus A/c	20,00,000	90,00,000
2. Current Liabilities :		
Sundry Creditors	25,00,000	50,00,000
Bills Payable	20,00,000	45,00,000
Total Equity and Liabilities	<u>4,50,00,000</u>	<u>3,77,00,000</u>
II. Assets :		
1. Fixed Assets :		
Land and Building	1,20,00,000	80,00,000
Plant and Machinery	2,00,00,000	1,80,00,000
Furniture and Fixtures	10,00,000	20,00,000
2. Current Assets :		
Stock	55,00,000	40,00,000
Debtors	45,00,000	40,00,000
Bank Balances	20,00,000	17,00,000
Total Assets	<u>4,50,00,000</u>	<u>3,77,00,000</u>

Pass the necessary Journal entries in the books of A Ltd. when amalgamation is in the nature of Merger and also prepare the Balance Sheet of A Ltd. after amalgamation assuming that Development Rebate Reserve and Workers' Compensation Fund of B Ltd. are required to be continued in the books of A Ltd. 7+7=14

3. (a) What do you mean by Analysis of Financial Statements? Explain the types of Financial Statement Analysis. Briefly discuss the techniques that can be used in connection with analysis and interpretation of financial statements.

2+6+6=14

Or

- (b) From the following Balance Sheet of Naruto Enterprise Ltd. as on 31st March, 2019, calculate—

- (i) current ratio;
- (ii) quick ratio;
- (iii) absolute liquidity ratio;
- (iv) debt to equity ratio;
- (v) proprietary ratio;

(vi) capital gearing ratio;

(vii) fixed assets ratio.

2×7=14

Particulars

I. Equity and Liabilities :

1. Shareholders' Funds :

(a) Share Capital :

Equity Share Capital

10,00,000

6% Preference Share Capital

5,00,000

(b) Reserves and Surplus :

General Reserve

1,00,000

Surplus A/c

4,00,000

2. Non-Current Liabilities :

12% Debentures

5,00,000

3. Current Liabilities :

Creditors

80,000

Bills Payable

1,24,000

Bank Overdraft

20,000

Provision for Taxation

1,76,000

Total Equity and Liabilities

29,00,000

II. Assets :

1. Non-Current Assets :

Land and Building

7,00,000

Plant and Machinery

6,00,000

Furniture and Fixtures

1,00,000

Goodwill

5,00,000

2. Current Assets :

Marketable Securities

20,000

Stock

6,00,000

Debtors

1,50,000

Bills Receivable

30,000

Bank

2,00,000

Total Assets

29,00,000

4. (a) Why is Cash Flow Statement preferred as compared to Funds Flow Statement?

Explain the main points of differences between the Cash Flow Statement and Funds Flow Statement.

6+8=14

Or

(b) From the following Balance Sheets extracted from R. C. Company Ltd. as on 31st December, 2019 and 2020, you are required to prepare Cash Flow Statement :

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<i>Particulars</i>	<i>2019</i>	<i>2020</i>
	₹	₹
I. Equity and Liabilities :		
1. Shareholders' Funds :		
(a) Share Capital :		
Shares of ₹ 100 each	1,00,000	1,10,000
(b) Reserves and Surplus :		
General Reserve	14,000	18,000
Surplus A/c	4,000	3,000
2. Non-Current Liabilities :		
Provision for Tax		
(Treating it as non-current)	16,000	18,000
3. Current Liabilities :		
Creditors	8,000	5,400
Bills Payable	1,200	800
Total Equity and Liabilities	<u>1,43,200</u>	<u>1,55,200</u>
II. Assets :		
1. Non-Current Assets :		
Building	40,000	38,000
Plant and Machinery	37,000	36,000
2. Investment (Long-term)	10,000	21,000
3. Current Assets :		
Stock	30,000	23,400
Debtors	17,600	18,400
Bills Receivable	2,000	3,200
Cash at Bank	6,600	15,200
Total Assets	<u>1,43,200</u>	<u>1,55,200</u>

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(Continued)

Additional Information :

- (i) Depreciation charged on Plant was ₹ 4,000
- (ii) Provision for Taxation of ₹ 8,000 was made during the year 2020
- (iii) Interim Dividend of ₹ 8,000 was paid during the year
- (iv) A piece of Machinery was sold for ₹ 8,000 during the year 2020. It had costed ₹ 12,000, depreciation of ₹ 7,000 has been provided on it

5. (a) What do you mean by Accounting for changing prices? Explain the main approaches to price level accounting at present. 4+10=14

Or

- (b) Following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Final Statement of Account allowing for his remuneration @ 3% on the amount realised and 2% on the amount paid to the Unsecured Creditors :

14

Share Capital Issued :

1000 Preference Shares of ₹ 100 each fully paid

20000 Equity Shares of ₹ 10 each
fully paid

4000 Equity Shares of ₹ 10 each,
₹ 8 paid up

Assets realised ₹ 3,08,000
excluding amount realised by sale
of securities held by Secured
Creditors

Secured Creditors (securities
realised ₹ 54,000)—₹ 46,000

Unsecured Creditors—₹ 2,83,698

Preferential Creditors—₹ 8,000

Debentures having floating charge
on the assets—₹ 1,00,000

Expenses of liquidation amounted
to ₹ 3,000. A call of ₹ 2 per share
on the partly paid Equity Shares
was duly paid except in case of one
shareholder owning 400 shares.
