

**Bc/AFA (BFCA)-02**

**2 0 1 5**

( 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 summarized Balance Sheet of H Ltd. and S Ltd. as on 31st December, 2014 :

*Balance Sheet*

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>	<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹		₹	₹
Share Capital in shares of ₹ 10 each	2,00,000	50,000	Sundry Assets	1,80,000	1,20,000
Reserves	30,000	10,000	Shares in S Ltd.	2,30,000	—
Profit & Loss A/c :			Cash at Bank	20,000	10,000
Balance on (01.01.2014)	60,000	30,000			

L15—1000/549

( Turn Over )

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>	<i>Assets</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	₹	₹		₹	₹
Profit for the year	40,000	10,000			
Creditors	1,00,000	30,000			
	<u>4,30,000</u>	<u>1,30,000</u>		<u>4,30,000</u>	<u>1,30,000</u>

*H Ltd.* acquired 80% of the shares in *S Ltd.* on 1st July, 2014. Included in the assets of *H Ltd.* there is ₹ 30,000 loan to *S Ltd.*, shown as creditors in *S Ltd.* Sundry assets of *S Ltd.* include furniture and fittings of ₹ 40,000 to be revalued at ₹ 50,000 being over-depreciated as on 1st July, 2014.

Prepare Consolidated Balance Sheet of *H Ltd.* as on 31st December, 2014. 14

Or

(b) What is holding company? Explain the principles of consolidation. 2+12=14

2. (a) The Balance Sheet of two companies as on 31st December, 2014 are as shown :

<i>A Ltd.</i>			
	₹		₹
Share Capital : @ ₹ 10 shares fully paid	15,00,000	Goodwill	1,50,000
Share Premium A/c	4,500	Freehold Property	4,00,000
General Reserve	1,00,000	Plant & Machinery	3,50,000
		Stock	6,82,000

( 3 )

	₹		₹
Profit & Loss A/c	1,65,650	Sundry Debtors	2,58,500
8% Debentures	3,50,000	Bank	3,37,500
Sundry Creditors	57,850		
	<u>21,78,000</u>		<u>21,78,000</u>

*B Ltd.*

	₹		₹
Share Capital		Goodwill	50,000
@ ₹ 10 shares		Freehold Property	1,80,000
fully paid	3,90,000	Plant and	
10% Debentures	70,000	Machinery	1,00,000
Bank Overdraft	6,000	Stock	1,62,000
Sundry Creditors	2,57,000	Sundry Debtors	95,000
		Profit & Loss A/c	1,36,000
	<u>7,23,000</u>		<u>7,23,000</u>

The two companies decided to amalgamate as on 31st December, 2014 and a new company, called *AB Ltd.*, was formed with an authorized capital of ₹ 25,00,000 in shares of ₹ 10 each. The terms of amalgamation were as follows :

*A Ltd.*

- (i) 6 shares of ₹ 10 each fully paid in the new company in exchange for every 5 shares in *A Ltd.* and ₹ 10,000 in cash
- (ii) The debenture holders were to be allowed such debentures in the new company bearing interest @ 7% per annum as would bring the same amount of interest

*B Ltd.* :

- (i) 1 share of ₹ 10 each fully paid in the new company in exchange for every 3 shares in *B Ltd.* and ₹ 5,000 in cash
- (ii) Debenture holders were to be allotted such debentures in the new company bearing interest @ 7% per annum as would bring the same amount of interest

The new company took over all the assets and liabilities of the two existing companies

Show Journal Entries in the book of *AB Ltd.*, giving effect to the arrangement and prepare its opening Balance Sheet. 14

*Or*

- (b) Define amalgamation. Explain the methods for calculating purchase consideration. 4+10=14

3. (a) What do you understand by Financial Statements Analysis? State its uses. 10+4=14

Or

(b) The directors of Bharucha Enterprises Ltd. ask you to ascertain—

- (i) Proprietors' Funds;
- (ii) Fixed Assets;
- (iii) Closing Debtors;
- (iv) Closing Creditors;
- (v) Closing Stock;
- (vi) Share Capital;
- (vii) Cash and bank balance;

from the following information :

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- (1) Inventory turnover ratio is 6 times (year end debtors are outstanding for 2 months; year end creditors are outstanding for 73 days)
- (2) Ratio of cost of goods sold to  
(A) proprietors' funds is 2 : 1  
(B) fixed assets is 4 : 1
- (3) Ratio of gross profit to sales is 20%
- (4) Closing stock is greater than the opening stock by ₹ 10,000
- (5) The gross profit for the year ended on 31st March, 2014 is ₹ 1,20,000
- (6) Reserve and Surplus appearing in the Balance Sheet as on 31st March, 2014 total to ₹ 40,000

4. (a) The following are the Summarized Balance Sheet of X Ltd. as on 31st March, 2013 and 2014 :

<i>Liabilities</i>	31.03.13	31.03.14	<i>Assets</i>	31.03.13	31.03.14
	₹	₹		₹	₹
Equity Share Capital	10,00,000	12,50,000	Land and Building	5,00,000	4,80,000
Capital Reserve	—	10,000	Machinery	7,50,000	9,20,000
General Reserve	2,50,000	3,00,000	Investment	1,00,000	50,000
Profit & Loss A/c	1,50,000	1,80,000	Stock	3,00,000	2,80,000
Long-term Loan from Bank	5,00,000	4,00,000	Sundry Debtors	4,00,000	4,20,000
Sundry Creditors	5,00,000	4,00,000	Cash in Hand	2,00,000	1,65,000
Provision for Taxation	50,000	60,000	Cash at Bank	3,00,000	4,10,000
Proposed Dividend	1,00,000	1,25,000			
	<u>25,50,000</u>	<u>27,25,000</u>		<u>25,50,000</u>	<u>27,25,000</u>

*Additional Information :*

- (i) Dividend of ₹ 1,00,000 was paid during the year ended on 31st March, 2014
- (ii) Machinery was purchased during the year for ₹ 1,25,000
- (iii) Machinery of another company was purchased for a consideration of ₹ 1,00,000 payable in Equity Shares

- (iv) Income tax provided during the year—₹ 55,000
- (v) Company sold some investment at a profit of ₹ 10,000 which was credited to Capital Reserve
- (vi) There was no sale of machinery during the year
- (vii) Depreciation written off on Land and Building—₹ 20,000

From the above particulars, prepare a Cash Flow Statement for the year ended on 31st March, 2014 as per AS-3. 14

Or

- (b) Following balances are extracted from R. C. Co. Ltd. as on 31st December, 2013 and 2014 :

<i>Liabilities</i>	2013	2014	<i>Assets</i>	2013	2014
	₹	₹		₹	₹
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
General Reserve	14,000	18,000	Plant and		
Profit &			Machinery	37,000	36,000
Loss A/c	16,000	13,000	Investment	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
Bills Payable	1,200	800	Bills Receivable	2,000	3,200
Provision for			Debtors	18,000	19,000
Taxation	16,000	18,000	Cash at Bank	6,600	15,200
Provision for			Preliminary		
Doubtful Debts	400	600	Expenses	12,000	10,000
	<u>1,55,600</u>	<u>1,65,800</u>		<u>1,55,600</u>	<u>1,65,800</u>

*Additional Information :*

- (i) Depreciation charged on Plant was ₹ 4,000

- (ii) Provision for Taxation was made ₹ 19,000 during the year 2014
- (iii) Interim dividend of ₹ 8,000 was paid during the year
- (iv) A piece of machinery was sold for ₹ 8,000 during the year 2014. It had costed ₹ 12,000, depreciation of ₹ 7,000 has been provided on it

You are required to prepare a Schedule of Changes in Working Capital and a Fund Flow Statement.

5. (a) Chenab Textiles Ltd. went into voluntary liquidation on 31st December, 2014. The Balance Sheet of the company on that day was as under :

*Balance Sheet*

<i>Liabilities</i>	<i>Amount</i> ₹	<i>Assets</i>	<i>Amount</i> ₹
3000, 6% Cumulative Preference Shares of ₹ 100 each fully paid	3,00,000	Land and Building	2,00,000
2500 Equity Shares of ₹ 100 each fully paid	2,50,000	Machinery	6,00,000
7500 Equity Shares of ₹ 60 per share paid	4,50,000	Patents	1,50,000
6% Mortgage Debentures	3,00,000	Stock	2,00,000
Interest Outstanding	18,000	Sundry Debtors	2,50,000
Creditors	4,07,000	Cash at Bank	10,000
		Profit & Loss A/c	3,15,000
	<u>17,25,000</u>		<u>17,25,000</u>



Creditors include ₹ 32,000 preferential creditors and a creditor of ₹ 1,25,000 secured by a mortgage on Land and Building. Preference Dividends are in arrear for two years. The arrears are payable on liquidation. The liquidator is entitled to a commission of 3% on all assets realized except cash and 2% on amounts distributed to unsecured creditors other than preferential creditors.

The assets realized was as under :

Land and Building—₹ 3,00,000

Machinery and Plant—₹ 2,00,000

Patents—₹ 1,75,000

Stock—₹ 2,25,000

Sundry Debtors—₹ 1,25,000

The expenses of liquidation

amounted to ₹ 28,000

Prepare Liquidator's Final Statement of Account.

14

Or

(b) What is inflation accounting? Explain, in detail, with reference to current cost accounting.

4+10=14

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