

Name:.....Reg. No.....

P208

M COM DEGREE END SEMESTER EXAMINATION APRIL - 2016
SEMESTER - 2: COMMERCE

COURSE: P2COMT06- ADVANCED FINANCIAL ACCOUNTING - II
(Common for Regular- 2015 Admission /Supplementary-2014 Admission)

Time: Three Hours

Maximum Marks: 75

SECTION A

Answer **all** questions in this section. Each carries 2 marks

1. What is company winding up?
2. Define a Holding Company.
3. Write any two advantages of double accounts system.
4. Write any two notional transactions in agricultural farm accounts.
5. Write any two items appearing on the credit side of a voyage account.
6. Distinguish between Double Entry System and Double Account System.
7. What is Green Accounting?
8. Explain the meaning of firm underwriting.
9. What is minority interest?
10. Explain the types of contingent liabilities.

(2 x 10 = 20)

SECTION B

Answer **any five** questions in this section. Each carries 5 marks

11. Explain the contents of a statement of affairs.
12. Explain the objectives of farm accounting.
13. Explain the advantages and disadvantages of Green Accounting.
14. What is voyage in progress? How is it calculated?
15. H Ltd. acquires 3/4 of the share capital of SLtd. on 31 December 2014, when the balance sheets of the two companies are as under:

BALANCE SHEETS

ason 31 December, 2014

Liabilities	HLtd. Rs.	SLtd. Rs.	Assets	HLtd. Rs.	SLtd. Rs.
Share Capital (in Rs 10 shares)	20,000	10,000	Fixed Assets	20,000	10,000
General Reserve	5,000	3,000	Current Assets	13,000	12,000
	3,000	2,000		10,000	

Profit and Loss A/c		5,000	Shares in S		
10% Debentures	10,000	<u>2,000</u>	Ltd	43,000	22,000
		<u>5,000</u>			

You are required to prepare the consolidated balance sheet as on 31 December, 2014.

16. Following are the extracts from the balance sheet of HLtd. and its subsidiary S Ltd as on 31 December, 2014:

Liabilities	H Ltd. Rs	S Ltd. Rs	Assets	H Ltd. Rs	S Ltd. Rs
Share Capital (in Rs.10 shares) General Reserve 1 January,	50,00 0 10,00	10,00 0 5.000	Shares in S Ltd. (800 shares)	10,000	-

The shares are acquired by H.Ltd. on 1 July, 2014. On 31 December 2014, SLtd. decided to issue bonus shares out of general reserve in the ratio of 1 bonus share for every five held. No effect has yet been given in the books of both the companies regarding issue of bonus shares. You are required to calculate the cost of control and minority interest before and after issue of bonus shares.

17. The Balance Sheet of Bubble Ltd. As on 31st December, 2014 was as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital: 8,000 Preference shares of Rs. 12,000 Equity Shares of Rs. Each	80,000	Land and Other Fixed Stock	25,000 2,00,000 5,25,000
Bank Loan	4,00,000	Debtors	1,00,000
8 per cent Debentures	1,00,000	Profit and Loss	58,000
Interest outstanding on Creditors	8,000 2,00,000		
	<u>9,08,000</u>		<u>9,08,000</u>

The company went into liquidation on that date. Prepare Liquidator's Statement of Account after taking into account the following:

Liquidation expenses and liquidator's remuneration amounted to Rs. 3,000 and Rs. 10,000, respectively.

Bank loan was secured by pledge of stock.

Debentures and interest thereon are secured by a floating charge on all assets.

Fixed assets were realized at book values and current assets at 80 per cent of book values.

18. A Ltd. went into voluntary liquidation. The following are the details:

Assets realised	Rs 40,000
Liquidator's remuneration	5,000
Unsecured creditors	20,000

Preference share capital is Rs 20,000 (2,000 shares of Rs 10 each).

Equity share capital consists of:

1,000 shares of Rs 10 each, Rs 9 called and paid up Rs 9,000

2,000 shares of Rs 10 each, Rs 5 called and paid up Rs 10,000

You are required to prepare the "Liquidator's Statement of Account."

(5 x 5 = 25)

SECTION C

Answer **any two** questions in this section. Each carries 15 marks

19. A Ltd. acquired 2,000 Equity Shares of Rs. 100 each in B Ltd. on 31st December, 2013. The summarized Balance Sheets of the two companies as on 31st December, 2014 were as follows:

	A Ltd. Rs.	B Ltd. Rs.
Liabilities		
Equity Share Capital		
Shares of Rs. 100 each	8,00,000	2,50,000
Reserves	3,00,000	50,000
Profit and Loss Account	1,00,000	1,00,000
Creditors	<u>2,00,000</u>	<u>50,000</u>
	14,00,00	4,50,000
Assets		
Fixed Assets	7,00,000	2,50,000
Current Assets	4,00,000	2,00,000
2,000 Shares in B Ltd. at cost	3,00,000	
	<u>14,00,00</u>	<u>4,50,000</u>

B Ltd. had a credit balance of Rs., 50,000 in the Reserves and Rs. 20,000 in the Profit and Loss Account when A Ltd. acquired shares in B Ltd.

B Ltd. issued bonus shares in the ratio of one for every five shares held out of the profit earned during 2014. This is not shown in the above Balance Sheet of B Ltd.

Prepare a Consolidated Balance Sheet of A Ltd., and its subsidiary, on 31st December, 2014, giving all necessary working.

20. The Gurgaon Electricity Company Limited decides to replace one of its old plants with a modern one with a large capacity. The plant when installed in 1950 costed the company Rs 24 lakhs, the components of materials, labour and overheads being in the ratio of 5: 3 : 2. It is ascertained that the cost of materials and labour have gone up by 40 per cent and 80 per cent respectively. The proportion of overheads to total costs is expected to remain the same as before.

The cost of the new plant as per improved design is Rs 60 lakhs and in addition, material recovered from the old plant of a value of Rs 2,40,000 has been used in the construction of the new plant. The old plant was scrapped and sold for Rs 7,50,000.

The accounts of the company are maintained under Double Account System. Indicate how much would be capitalised and the amount that would be charged to revenue. Show the journal entries, and ledger accounts.

21. Insol Ltd. is to be liquidated. Their summarised Balance Sheet as at 30th September,

2013, appears as under:

Liabilities	Rs.
2,50,000 Equity shares of Rs. 10 each	25,00,000
Secured Debentures (on land and buildings)	10,00,000
Unsecured Loans	20,00,000
Trade Creditors	<u>35,00,000</u>
	<u>90,00,000</u>
Assets	
Land and Buildings	5,00,000
Other Fixed Assets	20,00,000
Current Assets	-
Profit and Loss A/c	<u>20,00,000</u>
	<u>90,00,000</u>

Contingent Liabilities are:
 For bills discounted 1,00,000
 For excise duty demands 1,50,000
 On investigation, it is found that the contingent liabilities are certain likely to be realised as follows:

	Rs.
Land and Buildings	11,00,000
Other Fixed Assets	18,00,000
Current Assets	35,00,000

Taking the above into accounts, prepare the statement of

22. Mr. Gopal has a five acre farmland. He grows rice on four acres. The balance area has mango trees. Other particulars about his activities during 2013-14 are :

	Amount
	Rs.
Opening stock of fertilizers	30,000
Rice saplings purchased	50,000
Water charges	12,000
Sprinkler system	60,000
Pump	30,000
Fertilizer purchases	90,000
Insecticide spraying charges	9,000
Wooden boxes purchased during the year	6,000
Jute bags purchased during the year	48,000
Agriculture labour wages	60,000
Orchard labour wages	24,000
Threshing machine	10,000
Dead trees sold	5,000
Salary to Manager	6,000

During the year, he obtained 90,000 mangoes from his trees, which he disposed of at Rs. 10 per dozen. All the boxes were used for packing. He also obtained 100 quintals rice per acre, half of which fetched him Rs. 7 per kilo and the rest Rs.5 per kilo. One-tenth quantity of the bags

purchased remained unutilised. Fertilizers worth Rs.20,000 remained in stock at the end of the year. Depreciation is to be provided at 10 percent. Rural development authority of his region monitors his performance and he needs to provide product wise profit and loss account to them. He apportions common expenses in proportion of the area under each product. Insecticide is required to be sprayed once in every three years on mango trees to keep them free from harmful insects. Prepare product wise Profit and Loss Account.

(15 x 2 = 30)
