

M. COM DEGREE END SEMESTER EXAMINATION - JULY 2021**SEMESTER 2 : COMMERCE****COURSE : 16P2COMT06 : ADVANCED FINANCIAL ACCOUNTING - II***(For Regular - 2020 Admission and Supplementary 2019/2018/2017/2016 Admissions)*

Time : Three Hours

Max. Marks: 75

PART A**Answer any 10 (2 marks each)**

1. What is the treatment of fictitious assets in the consolidated Balance sheet?
2. While preparing consolidated balance sheet how would you treat unrealised profits?
3. P Ltd. acquired 65% shares of Q Ltd, on 1-10-02. P&L a/c in the books of Q Ltd showed a debit balance of Rs. 40,000 on 1-4-02. On 31-3-03, the Balance Sheet of Q Ltd. showed P&L a/c balance of Rs. 1,20,000. Calculate capital profits and Revenue profits.
4. S Ltd. has capital of Rs. 15, 00,000 in shares of Rs. 100 each. Out of this H Ltd. purchased 75% shares at Rs. 17, 50,000. The profit of S Ltd. at the time of shares by H Ltd. was Rs. 750,000. S Ltd, decided to make a bonus issue. Calculate the cost of control after the issue of bonus shares.
5. How will you dispose excess of clear profit over reasonable return?
6. What is the amount to be capitalized in an electricity company if the cost of an asset is 1,00,000, replacement cost is 1,30,000 and amount spent on its replacement is 1,50,000.
7. What is the order of payment to be followed by the Liquidator?
8. T Ltd. went into liquidation with the following liabilities:
Secured Creditors; Rs. 40,000 (Security realised Rs. 50,000); Preferential Creditors Rs. 1,200; Unsecured Creditors Rs. 61,000. The liquidator is entitled to a remuneration of 3% of the amount realised including security in the hands of secured creditors and 1 .5% on the amount distributed to unsecured creditors. The various assets excluding security with secured creditors realised Rs. 52,000. Calculate Liquidator's Remuneration.
9. What is address commission?
10. A enters into a contract with B Ltd to under write its 5,000 shares of Rs. 10 each in consideration of 5% commission. He also enters into an agreement with C to sub-underwrite 1,000 shares of B Ltd at a commission of 3%. The public subscribes for 2,000 shares only and subsequently the shares were taken up by A, who sold his shares @ Rs.9 per share. The shares taken up by C were sold @ Rs.10 per share. Expenses of underwriting amounts to Rs.600. Prepare underwriting account in the books of A.
11. Discuss the meaning and scope of Green Accounting?
12. What are the features of Green Accounting?

(2 x 10 = 20)**PART B****Answer any 5 (5 marks each)**

13. H Ltd. acquired all the shares in S Ltd. on 1st January, 2019 and balances taken from the books of the two companies on March 2019 were as follows:

	H. Ltd	S. Ltd
I. Equity and liabilities		
(1)share holder's fund		
(a) share capital:	50,000	30,000
(b) Reserves and surplus :		
(i)general reserve 1-4-2018	20,000	15,000
(ii)surplus account	25,000	10,000
(2) current liabilities		
Sundry creditors	20,000	15,000
Total	1,15,000	70,000
II. Assets		
(1) non current assets		
(a) fixed assets :		

(i) Sundry Assets	65,000	70,000
(b) investment in shares of S. Ltd at cost	50,000	
(2) current assets		
(a) stock		
(b) debtors		
(c) cash		
Total	1,15,000	70,000

Surplus Account of S Ltd. had a credit balance of 3,000 on 1st April, 2018. Prepare a Consolidated Balance Sheet as on 31st March, 2019.

14. From the balance sheets given below prepare a consolidated Balance Sheet of A Ltd and its subsidiary company B Ltd.

Balance sheet as on 31st march 2011

Liabilities	A	B	Assets	A	B
Shares of Rs. 10 each	25,00,000	6,00,000	Land and build	6,40,000	2,00,000
General reserve	3,60,000	1,20,000	Machinery	12,60,000	3,40,000
Profit and loss account	2,40,000	1,80,000	Furniture	1,40,000	60,000
Trade creditors	3,50,000	1,00,000	40,000 shares in B Ltd	5,00,000	
			Stock in hand	4,10,000	2,50,000
			Debtors	3,80,000	1,00,000
			Bank Balance	1,20,000	50,000
	34,50,000	10,00,000		34,50,000	10,00,000

At the date of acquisition of A Ltd of its holding of 40,000 shares in B Ltd, the latter company had undistributed profits and reserves amounting to Rs. 1,00,00 none of which has been distributed since then.

15. Explain the following terms in the context of preparing consolidated balance sheet:
a) Cost of Control b) Intercompany Owings c) Dividend out of pre-acquisition profit d) Minority interest and e) Bonus issue out of post-acquisition profit.
16. What are the advantages and limitations of Double account system?
17. A Railway Station had to be replaced by a new one. The new station costs Rs.10,00,000 whereas the old one had cost only Rs.2,50,000, materials forming $\frac{3}{7}$ th of total expenditure and labour accounting for the rest. Prices of materials have doubled and wage rates have gone up by 150 % since the old station was built. Materials worth Rs.47,500 (included in the cost of the new station as given above) were used in the new station and sale proceeds of the old materials were Rs.13,750. Pass journal entries to record the above transactions.
18. What are the list to be attached to Statement of affairs?
19. The over-confident Ltd went into liquidation with the following liabilities:
a. Secured creditors Rs. 20,000 (securities realized Rs. 25,000)
b. Preferential creditors Rs.600.
c. Unsecured creditors Rs. 30,500.

Liquidator's expenses in connection with liquidation amounted to Rs.252. The liquidator is entitled a remuneration of 3% on every amount realized and 1.5% on the amount distributed to unsecured creditors except preferential creditors. The various assets (excluding securities in the hands of fully secured creditors) realized Rs. 26,000.

Prepare Liquidator's Account.

20. From the following information prepare "Crop Account" to ascertain the profit made by the crop division of the farm.

Particular	Wheat	Seeds	Fertilizers
Opening stock	5,000	1,000	1,500
Purchases		600	900
Closing stock	4,000	700	800

Particular	Amount
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Wages :	
Paid in cash	6,800
Paid in kind by giving wheat	4,600
Sales of wheat	35,400
Wheat consumed by the proprietor	1,600
Depreciation on farm machinery	2,000

(5 x 5 = 25)

PART C
Answer any 3 (10 marks each)

21. From the balance sheet given as at 31st March, 2019 and information given below, Prepare consolidated Balance Sheet

	H. Ltd	S. Ltd
I. Equity and Liabilities		
(1) shareholder's fund		
(a) share capital:		
Shares of Rs.10 each fully paid up	5,00,000	1,00,000
(b) reserves and surplus		
(i) reserves	60,000	30,000
(ii) surplus a/c	2,00,000	60,000
(2) current liabilities		
Trade creditors	1,10,000	60,000
Bills payable	—	15,000
total	8,70,000	2,65,000
II. Assets		
(1) Non-current assets		
(a) fixed assets	4,00,000	60,000
(b) investment :		
7,500 shares in S. Ltd at cost	75,000	—
(2) current assets		
Stock	3,00,000	1,20,000
Debtors	75,000	85,000
Bills receivable	20,000	—
total	8,70,000	2,65,000

Additional information's

- (1) The bills accepted by S. Ltd are all in favour of H. Ltd
 - (2) the stock of H. Ltd includes Rs. 25,000 bought from S. Ltd at a profit to the latter of 20% of sales
 - (3) All the surplus of S. Ltd has been earned since the shares were acquired by H. Ltd but there was a steady reserve of Rs. 30,000 at the date
22. City Electricity Ltd. earned Rs.16,90,000 during the year ended 30.3.2013. After debenture interest @ 7.5% on Rs.5,00,000. With the help of the figures given below show the disposal of profit.
1. Original cost of fixed assets Rs.2,00,00,000.
 2. Formation and other expenses Rs.10,00,000.
 3. Monthly average of current assets (net amount) Rs.50,00,000.
 4. Reserve fund (represent 4% government securities) Rs.20,00,000.
 5. Contingency reserve from investment Rs.5,00,000.
 6. Loan from Electricity Board is Rs.30,00,000
 7. Total depreciation written off to the date Rs.40,00,000.
 8. Tariff and dividend control reserve Rs.1,00,000.
 9. Security deposit received from customers Rs.4,00,000.

Assume bank rate is at 6%.

23. The position of Valueless Ltd on its liquidation is as under:

Issued and paid up capital:
3000, 11% Preference shares of Rs. 100 each fully paid
3000, Equity shares of Rs. 100 each, fully paid
1000, Equity shares of Rs. 50 each, Rs. 30 per share paid
Calls in arrears are Rs. 10000 and calls received in advance Rs. 5000

Preference Dividends are in arrears for one year.

Amount left with the liquidator after discharging all liabilities is Rs. 4, 13,000.

Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital.

You are required to prepare the liquidators final statement of Account.

24. Bharat Shipping Ltd. of Mumbai acquired a new ship, M.V. Jalabahi at a cost of ₹ 25,00,000. The ship was ready for service on January 1, 2019. Up to 31st March,2019. The ship had made 2 complete Voyages one to London and back and **was half way through the next to London**. The ship carried the following freight :

To London 7,500 tonnes @ ₹ 30 per tonne.

From London 9,000 tonnes @ ₹ 25 per tonne.

Unfinished voyage 9,500 tonnes @ 25 per tonne.

Following expenses were incurred :

	₹
Salaries and Wages of crew	80,000
Fuel	40,000
Sundry Stores	8,000
Port Dues :	
Mumbai ₹ 8,400	
London ₹ 6,000	14,400
Stevedoring @ ₹ 2 per tonne	52,000
Share of overhead for the ship for the period	30,000

You
are

further informed that 5% commission was paid to agents in addition to 1% Address commission. An insurance policy was taken out @ 2% per annum on the ship and freight was insured at a premium of ₹ 1,200 per annum.

You are required to prepare Voyage account for the period of three months ending on 31st March,2019.

25. What are the objectives, challenges, and concepts in Green Accounting?

(10 x 3 = 30)