

**M. COM. DEGREE END SEMESTER EXAMINATION : MARCH 2023****SEMESTER 2 : COMMERCE****COURSE : 21P2COMT06: ADVANCED FINANCIAL ACCOUNTING – II***(For Regular - 2022 Admission and Supplementary - 2021 Admission)*

Duration : Three Hours

Max. Weights: 30

**PART A****Answer any 8 questions****Weight: 1**

1. How will you dispose excess of clear profit over reasonable return? (U, CO 3)
2. Compute Liquidator's Remuneration from the information given below:  
Secured Creditors: Rs. 80,000 (Securities realised: Rs. 1, 00,000)  
Other Assets Realised: Rs. 1, 00,000 (A, CO 2, CO 3)  
Liquidator's Remuneration: 2 ½% on the amounts realised (including securities with creditors)
3. What are the needs of adopting Green Accounting? (U, CO 5, CO 6)
4. PLtd. 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. (A, CO 3)
5. What is address commission? ( )
6. Explain briefly the position of forensic accounting in India. (U, CO 6)
7. State the challenges in India for implementation of AI in any industry? (U, CO 6)
8. 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. (A, CO 3)
9. How will you treat revaluation of subsidiary's assets by Holding company in consolidated Balance Sheet? (U, CO 3)
10. Explain the treatment of calls in arrear in statement of affairs. (U, CO 2, CO 3)  
**(1 x 8 = 8)**

**PART B****Answer any 6 questions****Weights: 2**

11. A water supply concern had to replace a quarter of the mains and lay an auxiliary main for the remaining length in order to augment supply water to a locality, The total cost of original mains was 8,00,000. The auxiliary main cost Rs. 9,00,000 and new main cost 3,50,000. It is estimated that cost of laying a main has gone up by 30%. Parts of the old mains realised 15,000. Pass journal entries to record the above and prepare Replacement account. (A, CO 3)
12. Explain Elimination of Common Transactions in Consolidated Balance Sheet. (U, CO 3)
13. The stock of H includes Rs.50,000 bought from S at a profit to the latter of 25 per cent on cost. A enters into a contract with X Ltd., to underwrite its 5,000 shares of Rs.100 each in consideration of 5% commission. He also enters into an agreement with C to sub-underwrite 2,000 shares of X Ltd. at a commission on 2%. The public subscribes for 2,500 shares only and subsequently the shares were taken up by A who sold his shares @ Rs.90 per (A, CO 4)

share. The shares taken up by C were sold @ Rs.100 per share. Expenses of underwriting amounts to Rs.600. Prepare Underwriting Account in the books of A.

14. Sree Ram Ltd. went into voluntary liquidation on 1<sup>st</sup> March 2016. The following balances are extracted from its books on that date:

Liabilities	₹	Assets	₹
50,000 shares of ₹ 10	5,00,000	Buildings	1,50,000
Debenture (secured by a floating charge)	2,00,000	Plant and Machinery	2,10,000
Bank overdraft	30,000	Stock in Trade	95,000
Creditors	40,000	Book debts 75,000 Less: Provision           10,000	65,000
		Calls in arrears	1,00,000
		Cash on hand	10,000
		Profit and Loss Account	1,40,000
	<b>7,70,000</b>		<b>7,70,000</b>

(A, CO 2, CO 3)

Plant and Machinery and Buildings are valued at ₹ 1,50,000 and ₹ 1,20,000 respectively. On realisation, losses of ₹ 15,000 are expected on stock. Book debts will realise ₹ 70,000. Calls in arrears are expected to realise 90%. Bank overdraft is secured against Buildings. Preferential creditors for taxes and wages are ₹ 6,000 and Miscellaneous expenses outstanding ₹ 2,000. Creditors realised 80%.

You are required to prepare a Statement of Affairs to be submitted to the meeting of creditors.

15. H Ltd acquired 80% shares of S Ltd on 31st March 2017, on which date the Balance Sheet of H Ltd and S Ltd appears as follows. Prepare a consolidated Balance sheet as on 31st March 2017.

Balance Sheet  
As on 31st March 2017

	H. Ltd	S. Ltd
I. Equity and liabilities		
(1)share holder's fund		
(a) share capital:		
Shares of Rs. 10 each fully paid	200,000	100,000
(b) Reserves and surplus :		
(i)general reserve (01.04.2016)	40,000	20,000
(ii) Profit and Loss Account	60,000	
(2) current liabilities		
Sundry creditors	1,50,000	80,000
<b>Total</b>	<b>4,50,000</b>	<b>200,000</b>
II. Assets		
(1) non current assets		
(a) fixed assets :		
(b) investment in shares of S. Ltd at cost	1,30,000	
(2) current assets		
(a) stock	200,000	70,000
(b) debtors	100,000	50,000

(A, CO 2, CO 3)

(c) cash	20,000	50,000
(d) Preliminary expenses		30,000
<b>Total</b>	<b>4,50,000</b>	<b>2,00,000</b>

16. The checkout time of a hotel is 11 a.m. In that hotel, a guest checks in @ 2 p.m. on 23rd June, 2015 hiring a room on European plan @ 1,800 per day plus service charge @ 10%. You are required to calculate the amount payable by him in each one of the following cases:

a) if guest checks out at 8 a.m. on 24<sup>th</sup> June, 2015.

b) if guest checks out at 11 a.m. on 24<sup>th</sup> June, 2015.

c) if guest checks out at 2 p.m. on 24<sup>th</sup> June, 2015.

d) if guest checks out at 10 a.m. on 25<sup>th</sup> June, 2015.

(A, CO 4)

**and**

A Five Star Hotel in Madras has 320 lettable rooms on a particular day. 240 rooms are occupied by 300 guests. Calculate the double occupancy rate

17. Explain the reasons and categories of committing frauds.

(U, CO 6)

18. Discuss the meaning and scope of Green Accounting?

(R, CO 5, CO 6)  
(2 x 6 = 12)

### PART C

#### Answer any 2 questions

**Weights: 5**

19. Following balances relate to Bijlee Electric Co. Ltd and pertains to its account for the year ended on 31-3-2019:

Particulars	Rs (in lakhs)	Particulars	Rs (in lakhs)
Share capital	200	Development Reserve	20
Fixed Assets	400	10% Debentures	16
Average of current assets	40	Depreciation Reserve on Fixed Assets	160
Reserve Fund (invested in 6% Govt. Securities F.V Rs 120 Lakhs)	120	Security Deposits of Customers	150
6% Investments of the contingency reserve	40	Customers' Contribution to main lines	4
Loans from electricity board	60	Preliminary Expenses	10
		Tariffs & Dividend Control Reserve	12

(A, CO 3)

The company earned profit of Rs 22 lakhs before charging debenture interest.

Indicate the disposal of profit, bearing in mind the provisions of the electricity (supply) Act, 1948, assuming the RBI rate on the relevant date was 8%.

20. A Ltd acquired 1600 equity share of Rs. 100 each in B Ltd on 31-12-2013. The summarized Balance Sheets of A Ltd and B Ltd as on that date were as under:

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Capital:			Land and building	1,50,000	1,80,000
5,000 equity shares of 100 each	5,00,000				
2,000 equity shares of 100 each		2,00,000	Plant and machinery	2,40,000	1,09,000
Capital reserve		1,20,000	Investment in shares of B Ltd (at cost)	3,40,000	
General reserve	2,40,000		Stock	1,20,000	36,000
Profit and loss account	57,200	36,000	Debtors	44,000	40,000
Bank overdraft	80,000		Bill receivable (including 3,000 from B Ltd)	15,800	
Bill payable (including Rs 4,000 to A Ltd)		8,400	Cash at bank	14,500	8,400
creditors	47,100	9,000			
	9,24,300	3,73,400		9,24,300	3,73,400

(A, CO 3)

You are also supplied the following information:

- B Ltd had made a bonus issue on 31-12-2013 of one equity share for every 2 shares held by its shareholders. Effect has yet to be given in the accounts for this issue
- The directors are advised that land and building of B Ltd are undervalued by Rs.20,000 and plant and machinery of B Ltd overvalued by Rs.10,000. Value of these assets have to be adjusted accordingly.
- Sundry creditors of A Ltd include Rs. 12,000 due to B ltd. you are required to prepare the consolidated balance sheet as at 31-12-2013

21. The Breakfast Foods Ltd. went into voluntary liquidation on 31st December 2019. The balances in its books on that date were:

Credit Balances		Debit balances	
Share Capital: Authorised and subscribed:		Land and buildings	2,50,000
5,000, 6% cumulative preference shares of Rs. 100 each fully paid	5,00,000	Machinery and plant	9,25,000
2,500 equity shares of Rs.100 each, Rs.75 paid	1,87,500	Patents	1,00,000
7,500 equity shares of Rs.100 each, Rs.60 paid	4,50,000	Stock	1,37,500
5% mortgage debentures	2,50,000	Sundry Debtors	2,75,000
Interest outstanding	12,500	Cash at bank	75,000
Creditors	3,62,500		
	17,62,500		17,62,500

(A, CO 2, CO 3)

The liquidator is entitled to commission of 3% on all assets realised except cash and 2% on amounts distributed among unsecured creditors other than preferential creditors.

Creditors include preferential creditors Rs.37,500 and a loan for Rs.1,25,000 secured by a mortgage on land and buildings. The preference dividends were in arrears for 2 years. The assets realised were as follows:

Land and buildings:Rs.3,00,000 ;Machinery and Plant:Rs.5,00,000 ;Patents:Rs.75,000 ;Stock:Rs.1,50,000 ;Sundry debtors:Rs.2,00,000 ; The expenses of liquidation amounted to Rs. 27,250. **Prepare Liquidators Final Statement of Account.**

22. S. S. Kanishka sailed from Kolkata on 1.2.2019 and arrived at Chennai port on 31.3.2019 via Vishakapatnam port on Voyage No.403 . Following goods were loaded:

1000 M.T. and 200 M.T. at Kolkata port for Chennai Port and Vishakapatnam port respectively. Another 500 M.T. were loaded at Vishakapatnam for Chennai. The freight charges were:

Kolkata port to Chennai port rs. 600 per M.T.

Kolkata port to Vishakapatnam port rs. 500 per M.T.

Vishakapatnam port to Chennai port rs. 400 M.T.

The freight is subject to 10% Primage, 5% address Commission and 2.5 % brokerage. The freight was insured at ½ % .The hu was insured for the voyage at 1% . Depreciation was provided at 3% p.a. The cost of the ship uses. 1 crore. Following were the expenses incurred at different ports:

	Kolkata	Vishakapatnam	Chennai
Port charges	36,000	20,000	20,000
Coal	1,00,000	30,000	-
Captain's contingencies	7,000	2,000	10,000
Harbour wages	10,000	20,000	15,000

(A, CO 4)

Stores purchased for the Voyage amounted to rs. 50,000 . Opening stock of stores was rs. 40,000 and closing stock was estimated at rs. 30,000 . Stock of coal at close was estimated at rs. 30,000 as against stock of rs. 10,000 at the beginning . The ship will not come back to Kolkata port in the near future as part of the voyage programme. Salaries and wages amounted to rs. 80,000 p.m. Prepare Voyage No. 403 Account.

(5 x 2 = 10)

#### OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 2	Critical thinking and selection of different methods of valuation based on situation will help in the development of overall personality and problem solving capacity	An	2, 10, 14, 15, 21	11
CO 3	Students are able to prepare consolidated financial statements of group companies. Study of double accounting followed by Public Utility Undertakings, leads to better citizenship.	A	1, 2, 4, 8, 9, 10, 11, 12, 14, 15, 19, 20, 21	29

CO 4	Study of Hotel Accounting, Hospital Accounting, Underwriter's accounting and Accounting of shipping will contribute towards sustainable development and inclusive growth	A	13, 16, 22	9
CO 5	Green accounting, which considering impact of business activities in the natural resources enabling students to contribute towards sustainable development and environment friendliness.	U	3, 18	3
CO 6	Study of recent developments in Accounting like Green accounting, Artificial intelligence in Accounting, Forensic Accounting gives better career opportunities	U	3, 6, 7, 17, 18	7

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;