

M.COM. DEGREE END SEMESTER EXAMINATION - MARCH/APRIL 2018**SEMESTER – 2: COMMERCE****COURSE: 16P2COMT06: ADVANCED FINANCIAL ACCOUNTING - II***(Common for Regular 2017 Admission & Supplementary 2016 Admission)*

Time: Three Hours

Max. Marks: 75

PART A***Answer all questions. Each question carries 2 marks***

1. What is holding company?
2. What is minority interest? Give an example.
3. How will you calculate reasonable return?
4. Explain development reserve.
5. Define Deficiency or Surplus account.
6. What are the different modes of winding up?
7. Explain preimage?
8. What is a Voyage account?
9. Explain the need and importance of Green Accounting.
10. What are the objectives of Green Accounting?
11. While preparing consolidated balance sheet how would you treat contingent liability?
12. How will you dispose excess of clear profit over reasonable return? (2 x 10 = 20)

PART B***Answer any five questions. Each question carries 5 marks***

13. Explain with suitable example the treatment of issue of bonus shares by subsidiary company from pre-acquisition and post-acquisition profit.
14. How will you ascertain the amount of goodwill or capital reserve while preparing consolidated balance sheet?
15. 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
16. Explain the procedure and accounting entries for replacement of asset under double accounting system
17. 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.

18. SS Himalaya set on voyage from Calcutta to Bombay. On 31st December on which date the accounts are to be closed, the return voyage has not been completed. The details for the entire voyage to Bombay and back to Calcutta completed after 31st December were:

Freight Rs. 4,00,000; coal consumption Rs. 70,000; stores consumed 30,000; port charges Rs. 15,000; salaries of crew Rs. 40,000; insurance chip Rs. 20,000; insurance freight Rs. 8,000; preimage 10%; address commission 5% only Rs. 1,50,000 freight was available on return journey. Prepare voyage accounts up to 31st December.

19. From the following information, prepare crop accounts: -

Opening stock:	Rs
Grain	26,000
Seeds	6,000
Fertilizer	4,000
Purchases:	
Seeds	4,000
Fertilizer	6,000
Wages paid in cash	45,000
Wages paid in kind by giving grain	25,000
Sale of grain	2,64,000
Grain consumed by the proprietor	6,000
Grain consumed by the livestock section	24,000
Depreciation on farm machinery	10,000
Repairs and maintenance of farm machinery	15,000
Closing stock:	
Grain	20,000
Seeds	4,000
Fertilizers	4,000

20. 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 only 2,500 shares and subsequently the unsubscribed shares were taken up by A who in turn sold it @ Rs.90 per share. The shares taken

up by C were sold @ Rs.100 per share. Expenses of underwriting amounts to Rs.6000. Prepare Underwriting Account in the books of A. (5 x 5 = 25)

PART C

Answer any three questions. Each question carries 10 marks

21. 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: 5,000 equity shares of 100 each 2,000 equity shares of 100 each	5,00,000	2,00,000	Land and building	1,50,000	1,80,000
Capital reserve		1,20,000	Plant and machinery	2,40,000	1,09,000
General reserve	2,40,000		Investment in shares of B Ltd (at cost)	3,40,000	
Profit and loss account	57,200	36,000	Stock	1,20,000	36,000
Bank overdraft	80,000		Debtors	44,000	40,000
Bill payable (including rs 4,000 to a Ltd creditors)	47,100	9,000	Bill receivable (including 3,000 from B Ltd)	15,800	
			Cash at bank	14,500	8,000
	9,24,300	3,73,400		9,24,300	3,73,400

You are also supplied the following information:

- B Ltd had made a bonus issue on 31-12-2003 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 31-12-2003

22. From the Balance Sheet and information given below, prepare consolidated balance sheet.

Balance sheet

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital: Rs.10 fully paid	1000000	200000	Sundry Assets	800000	120000
Profit & Loss A/c	400000	120000	Stock	610000	240000
Reserve	100000	60000	Debtors	130000	170000
Creditors	200000	120000	Bills Receivable	10000	-
Bills payable	-	30000	Shares in S 15000 at cost	150000	-
	1700000	530000		1700000	530000

All the profit of S has been earned since the shares were acquired by H, but there was already a Reserve of Rs.60000 at that date. The bills accepted by S, Rs.10000 are in favor of H. Sundry assets of S are undervalued by Rs.20000. The stock of H includes Rs.50000 bought from S at a profit to the latter of 25 per cent on cost

23. City electricity Ltd earned Rs.16,90,000 during the year ended 31-3-2013 after debenture interest 7.5% on 5,00,000. With the help of the figures given below show the disposal of profit

Original cost of fixed assets	–	200,00,000
Formation and other expenses	-	10,00,000
Monthly average of current assets (net)	-	50,00,000
Reserve fund (in 4% govt. securities)	-	20,00,000
Contingency reserve from investments	-	5,00,000
Loan from electricity board	-	30,00,000
Total depreciation written off to the date	-	40,00,000
Tariff and dividend control reserve	-	1,00,000
Security deposits received from customers	-	4,00,000
Bank Rate		6%

24. The balances of a company went into voluntary liquidation on 31st December 2012 is as follows

5,000 6% Cumulative Preference shares of 100 each	5,00,000	Land and building	2,50,000
2,500 Equity shares of 100 each 75 paid-up	1,87,500	Machinery and plant	6,25,000
7,500 Equity shares of 100 each 60 paid up	4,50,000	Patent	1,00,000
5% Mortgage debentures	2,50,000	Stock	1,37,500
Interest outstanding	12,500	Debtors	2,75,000
Creditors	3,62,500	Cash	75,000
		Surplus	3,00,000
	17,62,500		17,62,500

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

Creditors including preferential creditors 37,500 and a loan for 1,25,000 secured by a mortgage on land and buildings. The preference dividend were in arrear for two years. The assets realised as follows:

Land and building	3,00,000
Plant and Machinery	5,00,000
Patents	75,000
Stock	1,50,000
Debtors	2,00,000

The expense of liquidation amounted to 27,250.

Prepare the Liquidators Final Statement of Account

25. What is the status of Green accounting in India? Explain the opportunities in green accounting.

(10 x 3 = 30)
