

QP Code: 22/PT/9/X (Old)

POST-GRADUATE COURSE

Term End Examination — June, 2022/December, 2022

COMMERCE (Old Syllabus)

Paper-X : ADVANCED FINANCIAL ACCOUNTING

(Up to January 2021 Enrolment Session)

Time : 2 hours]

[Full Marks : 50

Weightage of Marks : 80%

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting.

The weightage for each question has been indicated in the margin.

Use of scientific calculator is strictly prohibited.

Module - I

Answer any *two* of the following questions : $12\frac{1}{2} \times 2 = 25$

1. (a) What are the objectives of disclosure of information ?
(b) What are the orders of payments that are shown in Liquidators Final Statement of Account ? $5 + 7\frac{1}{2}$
2. The following is the summarised Balance Sheet of A Ltd. as on 31st March 2022.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
20000 Equity Shares of		Goodwill	10,000
Rs. 10 each	200,000	Land & Building	210,000
10000 Pref. Shares of		Plant & Machinery	150,000
Rs. 10 each	100,000	Investment	10,000
General Reserve	30,000	Stock at Cost	90,000

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[Turn over

Dividend Equalisation		Debtors	40,000
Reserve	10,000	Bills Receivable	8,000
Staff Welfare Fund	15,000	Bank	137,000
Employees Provided Fund	140,000	Cash	10,000
Employees Compensation		Preliminary Expenses	10,000
Fund	10,000		
Employees' Savings A/c	20,000		
Profit & Loss A/c	60,000		
Provision for Taxation	40,000		
Sundry Creditors	<u>50,000</u>		<u> </u>
	<u>675,000</u>		<u>675,000</u>

On April 1, 2022 all Preference Shares were redeemed at a Premium of 10% out of profits otherwise available for dividend.

You are required to ascertain the value of each Equity Share by Net Asset Method on the basis of the Balance Sheet immediately after redemption of Preference Shares taking into consideration of the following information :

- (a) Goodwill is valued at Rs. 85000.
- (b) 10% of Debtors are to be considered as bad.
- (c) A claim for compensation to an employee has been admitted on April 1, 2022 amounting to Rs. 5000.
- (d) All other assets are to be taken at their book values. 12½

3. From the following information, determine :
- (a) Capital employed
- (b) Value of goodwill under
- i) Super profit method (5 years' purchase)
- ii) Capitalisation method

Balance Sheet of X Ltd as on March 31, 2022

Liabilities	Amount	Assets	Amount
	(Rs.)		(Rs.)
20000 Equity Shares of		Goodwill	30,000
Rs. 10 each	200,000	Fixed Assets	350,000
1000 9% Preferences Shares of		Investment	45,000
Rs. 100 each	100,000	(6% Govt. Loan)	
Reserve and Provision	200,000	Current Assets	200,000
(Includes Provision for Tax		Share-Selling Commission	10,000
Rs.20000)		Discount on issue of	
10% Debentures	90,000	Debenture	15,000
Creditors	60,000		
	650,000		650,000

The current market value of the plant included in fixed assets is Rs. 15000 more than the book value. The average profit of the company (after tax) is Rs. 68000. The normal rate of return is 12%. Tax rate is 40%. 4 + 4½ + 4

4. The summarised Balance Sheet of S Ltd as on March 31, 2021 and as on March 31, 2022 are as follows :

Liabilities	31.03.21	31.03.22	Assets	31.03.21	31.03.22
EQ Share Capital	300,000	350,000	Freehold Property		
Security Premium	40,000	50,000	At cost	162,000	-
Capital Reserve	-	109,000	As Revalued	-	256,000
Provi for Depreciation	88,500	102,700	Plant & Machinery		
Reserve for Replacement			at Cost	258,000	305,000
of Machinery	40,000	45,000	Stock	99,600	162,000
Profit & Loss A/c	40,000	35,000	Debtors	78,000	86,000
10% Debenture	40,000	60,000	Cash	12,400	10,000
Creditors	61,500	67,300			
	<u>610,000</u>	<u>819,000</u>		<u>610,000</u>	<u>819,000</u>

Additional Information :

- (a) Debentures were issued at 2% discount. The discount has been written off to Profit & Loss A/c.
- (b) Certain items of Plant & Machinery were sold for Rs. 6800. These items had been written down to Rs. 5000 at a rate of 10% on cost over the past eight years to March 31, 2021. The profit on sale was transferred to the Profit & Loss A/c and included in the profit for the year ended March 31, 2022.
- (c) Capital Reserve includes the amounts arising on revaluation of the freehold property plus the profit made on the sale of the property which originally cost Rs. 8000.

You are required to prepare a Cash Flow Statement, clearly showing operating cash flow, financing cash flow, and investment cash flow.

12½

Module - II

Answer any *two* of the following questions : $12\frac{1}{2} \times 2 = 25$

5. Following are the Balance Shuts of *H Ltd.* and *S Ltd.* as on March 31, 2022 :

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
EQ Share Capital	400,000	200,000	Fixed Assets	340,000	260,000
General Reserve	150,000	60,000	Stock	160,000	70,000
Profit & Loss A/c	140,000	120,000	Debtors	110,000	80,000
Sundry Creditors	100,000	40,000	Investment	170,000	–
Bills Payable	10,000	5,000	Bank	20,000	15,000
	<u>800,000</u>	<u>425,000</u>		<u>800,000</u>	<u>425,000</u>

You are given following additional information :

- H Ltd.* acquired 1200 shares in *S Ltd* on July 1, 2021.
- On April 1, 2021 *S Ltd.* had Rs. 36000 in General Reserve and Rs. 48000 in Profit & Loss A/c (Credit balance)
- On July 16, 2021 *H Ltd.* received dividend for last financial year amounting to Rs. 12,000 from *S Ltd.* and credited the same to its Profit & Loss A/c.
- S Ltd.* owed *H Ltd.* Rs. 24,000 for purchase of goods. Half of goods lying unsold on March 31, 2022. *H Ltd.* made a profit of 20% on sales.
- During 2021-22 *S Ltd.* had purchased a fixed assets from *H Ltd.* for Rs. 20,000 which had yielded a profit on selling price of 30% to that company. A depreciation of 20% on the asset had been charged in the accounts.

Prepare a consolidated Balance Sheet as at 31st March, 2022. $12\frac{1}{2}$

6. Following are the Balance Sheets of *P Ltd.* and *Q Ltd.* as on March 31, 2022.

Liabilities	P Ltd.	Q Ltd.	Assets	P Ltd.	Q Ltd.
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital :			Fixed Assets	760,000	380,000
Equity Share of			Current Assets :		
Rs. 10 each	1,000,000	200,000	Stock	200,000	100,000
6% Pref Shares of			Debtors	300,000	150,000
Rs. 10 each	-	200,000	Bank	60,000	30,000
Secured Loans :					
9% Debenture of					
Rs. 100 each	-	100,000			
Reserve & Surplus :					
General Reserve	100,000	50,000			
Profit & Loss A/c	170,000	85,000			
Current Liabilities :					
Creditors	50,000	25,000			
	<u>1,320,000</u>	<u>660,000</u>		<u>1,320,000</u>	<u>660,000</u>

Profit and Loss A/c balances were made up as follows :

	P Ltd.	Q Ltd.
	(Rs.)	(Rs.)
Balance on 1.4.2021	20,000	10,000
Add : Profit for the year		
before interest on debentures	150,000	75,000
	<u>170,000</u>	<u>85,000</u>

Negotiations are going on for merger of *Q Ltd.* with *P Ltd.* Suggest a suitable scheme. 12½

7. What are the benefits of Segment Reporting both from the point of view of users as well of companies ? 6 + 6½
8. (a) What are the pre-requisites of internal reconstruction ?
- (b) How can you draft a scheme of internal reconstruction which will be acceptable to all the interested groups of the company being reconstructed ? 5 + 7½

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