POST-GRADUATE COURSE

Term End Examination :

December, 2014 / June, 2015

COMMERCE

Paper-X : Advanced Financial Accounting

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.

MODULE – I

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

1. The Balance Sheets of Modern Ltd. as on 31st March, 2014 and 31st March 2015 are as follows :

Liabilities	31/3/14 Rs.	31/3/15 Rs.
Share	1,35,000	1,85,000
Reserve & Surplus	40,500	51,200
Profit & Loss A/c	27,950	29,010
10% Debentures	75,000	60,000
Creditors	81,640	43,920
Proposed Dividend	13,500	19,000
Provision for Tax	10,800	12,600
	3,84,390	4,00,730

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Assets	31/3/14 Rs.	31/3/15 Rs.
Goodwill	14,500	5,500
Land & Building	32,000	45,000
Plant & Machinery	1,13,000	1,22,000
Investments	40,500	49,500
Debtors	94,500	1,14,120
Bank Balance	89,890	64,610
	3,84,390	4,00,730

Other information :

Depreciation is provided at 10% on Plant and Machinery and Rs. 5,000 on Land & Building. Investment costing Rs. 8,000 is sold for Rs. 10,000 during the year. Interest on Debentures paid on 31st March, 2015. A portion of Debentures are redeemed at par on 31st March, 2015.

Prepare Cash Flow Statement for the year ended on 31.03.2015 as per AS-3. $12\frac{1}{2}$

2. The following is the Balance Sheet of Sunday Ltd. as on 31st March, 2015 :

Liabilities	Amount Rs.
Share Capital :	
Equity Shares of Rs. 20 each	1,00,000
12% Preference Shares of Rs. 100 each	1,00,000
General Reserve	60,000
Profit & Loss A/c	40,000
15% Debentures	1,00,000
Creditors	80,000
	4,80,000

Assets	Amount Rs.
Goodwill at cost	50,000
Building	1,50,000
Plant	1,00,000
10% Investment (Market value Rs. 52,000; Nominal value Rs. 50,000)	48,000
Stock	60,000
Debtors	40,000
Bank	10,000
Preliminary Expenses	22,000
	4,80,000

Other information :

Assets are revalued as under :

Building	:	Rs. 3,20,000
Plant	:	Rs. 1,80,000
Stock	:	Rs. 45,000
Debtors	:	Rs. 37,000

Average profit of the company for the last 3 years (before charging tax) is Rs. 1,20,000. $12\frac{1}{2}\%$ of profit is transferred to General Reserve.

Rate of tax is 40%.

Normal dividend expected on Equity Shares is 10% while fair return on capital employed is 12%. Goodwill may be valued at 3 years' purchase of super profit. Find the fair value of each Equity Share on the basis of above information. $12\frac{1}{2}$

3. Eastern Ltd. went into liquidation on 31st March 2015. The following Balance Sheet is extracted from the books of the company on that date :

Liabilities	Amount Rs.
Share Capital : 5,000 Equity Shares of Rs. 100 each	5,00,000
Debentures (secured by floating charge)	2,00,000
Bank Overdraft	30,000
Creditors	40,000
	7,70,000

Assets		Amount Rs.
Buildings		1,50,000
Plant & Machinery		2,10,000
Stock		95,000
Book Debts	75,000	
Less : Provision	10,000	65,000
Calls in Arrears		1,00,000
Cash on hand		10,000
Profit & Loss A/c		1,40,000
		7,70,000

Buildings and Plant & Machinery are valued at Rs. 1,20,000 and Rs. 1,60,000 respectively. On realization, losses of Rs. 25,000 are expected on Stock, Book debts will realize Rs. 70,000. Calls in arrears are expected to realize 90%. Bank overdraft is secured against Building, Preferential creditors for taxes and wages are Rs. 6,000 and Miscellaneous expenses outstanding Rs. 2,000.

Prepare Statement of Affairs as on 31st March, 2015. $12\frac{1}{2}$

4. a) Why is regulation of corporate accounting and reporting necessary ? $6\frac{1}{2}$

   b) State the disclosure requirement of listed companies as SEBI guidelines. 6

MODULE - II

Answer any *two* questions. $12\frac{1}{2} \times 2 = 25$

5. The following are the Balance Sheets of *P* Ltd. and *Q* Ltd. as on 31st March, 2015 :

Liabilities	*P* Ltd. Rs.	*Q* Ltd. Rs.
Equity Share Capital (Rs. 100 each)	2,25,000	1,50,000
General Reserve	60,000	18,000
Profit & Loss A/c	45,000	42,000
Creditors	1,00,000	40,000
	4,30,000	2,50,000

Assets	*P* Ltd. Rs.	*Q* Ltd. Rs.
Fixed Assets	1,50,000	1,30,000
Investment (in 900 shares of *Q* Ltd.)	1,10,000	---
Stock	48,000	32,000
Other Current Assets	1,22,000	88,000
	4,30,000	2,50,000

Other Information :

P Ltd. purchased shares in *Q* Ltd. on 1st July, 2014.

On 1st April, 2014, *P* Ltd. had Rs. 12,000 in General Reserve and Rs. 24,000 in Profit & Loss Account (Credit balance).

On 31st August, 2014, *P* Ltd. had paid 14% dividend from its Profit & Loss Account for the year ended on 31st March, 2014.

Stock of *Q* Ltd. includes Rs. 16,000 on which *P* Ltd. made a profit of 25% on cost.

Prepare Consolidated Balance Sheet as on 31st March, 2015. $12\frac{1}{2}$

6. *M* Ltd. is a public company having a paid up capital of Rs. 12 lakh consisting of 1,20,000 equity shares of Rs. 10 each. Its net-worth as per last Balance Sheet as on 31st March, 2015 is Rs. 18 lakh. The fixed assets of the company, the book value of which is Rs. 6 lakh, have a market value of Rs. 12 lakh. It was declaring dividend of 10% per annum for last 3 years.

   N Ltd. is a public company having a paid up capital Rs. 1·20 crore consisting of Rs. 1,20,000 equity shares of Rs. 100 each. Its net-worth as per last balance Sheet as on 31st March, 2015 is Rs. 6 crore. Fixed assets of the company, the book value of which is Rs. 1·80 crore, have a market value of Rs. 3 crore. It was declaring dividend at 20% per annum for last 3 years.

The management of both the companies has agreed that *M* Ltd. should merge with *N* Ltd. Draft a scheme of merger in the nature of purchase of *M* Ltd. with *N* Ltd. $12\frac{1}{2}$

7. What is segment reporting ? How would you distinguish between primary segment and secondary segment ? $4 + 8\frac{1}{2}$

8. a) Explain the steps to be followed in drafting a scheme of internal reconstruction of a company. 8

   b) Is the preparation of consolidated accounts by the Holding Company mandatory in India ? Discuss in detail. $4\frac{1}{2}$