POST-GRADUATE COURSE

Term End Examination : June, 2017

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. Following is the summarized Balance Sheet of Deluxe Ltd. as on March 31, 2017 :

Balance Sheet as on 31st March 2017

(Rs. in lakh)

Liabilities	Amount	Assets	Amount
60,000 Equity Shares of		Sundry	139.90
Rs. 100 each fully paid	60,00		
40,000 Equity Shares of			
Rs. 100 each, Rs. 75 paid	30.00		
10,000 6% Pref. Shares of			
Rs. 100 each fully paid	10.00		
General Reserve	25.00		
Profit & Loss A/c	14.90		
	139.90		139.90

Other information :

(i) Preference Shares are preferential as to the return of capital but are not entitled to participate in any surplus assets in the event of liquidation.

(ii) All assets are worth their book values.

(iii) Average annual profits (after tax) of the company are Rs. 11.84 lakh.

(iv) Corporate tax rate is 40%.

(v) A fair return from this type of business is considered to be 10%.

(vi) Goodwill may be valued at 3 years' purchase of super profit.

You are asked to determine the value of each type of equity shares both under Asset Backing Method and Earning Capacity Method. $6\frac{1}{2} + 6$

2. The Balance Sheets of Gold Ltd. as on March 31, 2016 and as on March 31, 2017 are as follows :

Balance Sheets

(Rs. in lakh)

Liabilities	**31/3/16**	**31/3/17**
	Rs.	Rs.
Equity Share Capital	60.00	80.00
Profit and Loss A/c	30.00	50.00
10% Debentures	50.00	40.00
Creditors	22.50	20.00
Outstanding Exp.	2.50	—
	165.00	190.00

Assets	**31/3/16**	**31/3/17**
	Rs.	Rs.
Fixed Assets	80.00	100.00
Investments	20.00	30.00
Stock	40.00	35.00
Debtors	10.00	15.00
Marketable Securities	5.00	4.00
Cash	10.00	6.00
	165.00	190.00

Additional information :

(i) Debentures were redeemed at a discount of 5%.

(ii) Depreciation charged amounted to Rs. 10.00 lakh

(iii) Fixed assets costing Rs. 2.00 lakh (Book value Rs. 1.00 lakh) was sold for Rs. 1.50 lakh

(iv) Dividend paid during the year ended March 31, 2017 was Rs. 6.00 lakh.

(v) Interest received on investments during the year Rs. 2.50 lakh.

Prepare Cash Flow Statement for the year ended March 31, 2017 as per AS-3. $12\frac{1}{2}$

3. Unfortunate Ltd. went into voluntary liquidation on March 31, 2017. The Balance Sheet of the Company is given below :

Balance Sheet as on March 31, 2017

(Rs. in lakh)

Liabilities	**Amount Rs.**
Equity Shares of Rs. 100 each Fully paid	10.00
Equity Shares of Rs. 100 each, Rs. 75 paid	7.50
Equity Shares of Rs. 100 each, Rs. 50 paid	5.00
10% Bank Loan (Secured against Buildings)	10.00
Unpaid interest on Bank Loan	1.00
Sundry Creditors	17.50
	51.00

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Assets	**Amount Rs.**
Building	10.00
Other Fixed Assets	10.00
Current Assets	21.00
Profit & Loss A/c	10.00
	51.00

Additional Information :

a) Liquidation expenses were Rs. 1.00 lakh. The Liquidator is to receive Rs. 0·40 lakh plus a commission of 5% on amounts distributed among unsecured creditors other than preferential creditors. The break-up of Sundry Creditors is as follows :

(i) Dues on account of taxes Rs. 2.50 lakh

(ii) Wages and salaries outstanding Rs. 3.00 lakh

(iii) Telephone bill outstanding Rs. 1.00 lakh

(iv) The balance is the creditor for goods purchased.

b) The assets were realized as under :

(i) Buildings Rs. 11.60 lakh

(ii) Other fixed assets Rs. 7.50 lakh

(iii) Current assets Rs. 15.05 lakh.

c) Bank loan was paid off together with interest due thereon immediately after liquidation.

You are required to prepare Liquidator's Statement of Account. $12\frac{1}{2}$

4. a) Explain the need for regulation of corporate Accounting and Reporting. $8\frac{1}{2}$

b) What is meant by 'Related Party Disclosures' ? 4

MODULE - II

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

5. On July 01, 2016 *H* Ltd. acquired 3,600 shares of Rs. 100 each in *S* Ltd. at a cost of Rs. 5.10 lakh. The Balance Sheets of the two companies as on March 31, 2017 are as follows :

(Rs. in lakh)

Liabilities	***H* Ltd.** **Rs.**	**S Ltd.** **Rs.**
Share Capital (Share Rs. 100 each)	22.50	6.00
General Reserve (as on 1/4/16)	9.00	4.50
Profit & Loss A/c	6.00	2.55
Creditors	5.40	1.26
Bills Payable	2.10	1.80
	45.00	16.11

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(Rs. in lakh)

Assets	***H* Ltd.** **Rs.**	**S Ltd.** **Rs.**
Goodwill	7.50	2.10
Other Fixed Assets	18.75	6.00
Investments	5.10	—
Stock	4.50	1.20
Debtors	5.25	4.05
Bills Receivables	1.80	0.90
Cash at Bank	2.10	1.86
	45.00	16.11

Additional Information :

(i) On April 01, 2016 the Profit & Loss A/c of *S* Ltd. showed a credit balance of Rs. 1.20 lakh out of which a dividend of 15% was paid on August 17, 2016.

(ii) The Bills Payable of *S* Ltd. represented Bills issued in favour of *H* Ltd. which company still held Rs. 1.20 lakh of the Bills accepted by *S* Ltd.

(iii) The entire closing stock of *S* Ltd. represented goods supplied by *H* Ltd. at cost plus 20%.

Prepare the consolidated Balance Sheet of two companies as on March 31, 2017. $12\frac{1}{2}$

6. *P* Ltd. and *Q* Ltd. propose to amalgamate. Their Balance Sheets as on March 31, 2017 were as follows : (Rs. in lakh)

Liabilities	*P* Ltd.	*Q* Ltd.
Equity Share Capital (Rs. 10 each)	6.00	2.00
General Reserve	2.70	0.48
Profit & Loss A/c	0.90	0.34
Creditors	1.57	0.37
	11.17	3.19

Assets	*P* Ltd.	*Q* Ltd.
Fixed Assets less depreciation	4.95	1.50
Investments :		
4% Tax Free Bonds		
(face value Rs. 1.20 lakh)	1.08	—
Stock	2.40	0.61
Debtors	1.40	0.75
Cash at Bank	1.34	0.33
	11.17	3.19

Net profit after taxation :	*P* Ltd. (Rs.)	*Q* Ltd. (Rs.)
For the year ended 31/3/2015	1,48,500	40,500
For the year ended 31/3/2016	1,64,250	47,100
For the year ended 31/3/2017	1,84,500	62,250

Goodwill may be valued at 4 years' purchase of average super profit from trading on the basis of 10% normal trading profit on closing capital employed. In determining average profit, weights may be taken as 1, 2 and 3 for the year ended 31/3/2015, 31/3/2016 and 31/3/2017 respectively. *R* Ltd. is formed for the purpose of amalgamation of both the companies.

Advise upon capitalization of *R* Ltd. and suggest a scheme of exchange of shares for that purpose (Consider only asset-backing value). Also draft the Balance Sheet of *R* Ltd. $12\frac{1}{2}$

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

   b) Mention circumstances where internal reconstruction is preferable. $8 + 4\frac{1}{2}$

8. a) State the benefits of segment reporting from the point of view of the companies.

   b) How would you identify reportable segment ? Discuss. $5 + 7\frac{1}{2}$