

NETAJI SUBHAS OPEN UNIVERSITY

POST-GRADUATE COURSE

Assignment — June-2020/Dec.-2020

COMMERCE

Paper - X: Advanced Financial Accounting

QUESTION PAPER CUM ANSWER BOOKLET

| (Full Marks | : 50) | | | | | | | | | | (W | eight | age o | of Ma | rks : 20%) |
|-------------------------------------|------------------------------------|----------|-------|-------------------------------|--------|--------|--------------|--------|--------|-------|------|-------|--------|--------|------------|
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| To be filled by the Candidate | Serial No. question answered | | | | | | | | | | | | | | TOTAL |
| For Evaluator's only | Marks awarded | | | | | | | | | | | | | | |
| Q.P. Code: | PA/5/X | | | | | | | | | | | | | | |
| PG-COMA | AP-17086 | | | | | | | | | Sign | natu | re of | Evalı | ıator | with Date |
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Signature with seal by the Study-Centre



জরুরি নির্দেশ / Important Instruction

আগামী শিক্ষাবর্ষান্ত পরীক্ষায় (T.E. Exam.) নতুন ব্যবস্থা অর্থাৎ প্রশ্নসহ উত্তর পুস্তিকা (QPAB) প্রবর্তন করা হবে। এই নতুন ব্যবস্থার সঙ্গে পরীক্ষার্থীদের অভ্যন্ত করার জন্য বর্তমান অনুশীলন পত্রে নির্দেশ অনুযায়ী প্রতিটি প্রশ্নের উত্তর নির্দিষ্ট স্থানেই দিতে হবে।

New system i.e. Question Paper Cum Answer Booklet (QPAB) will be introduced in the coming Term End Examination. To get the candidates acquainted with the new system, assignment answer is to be given in the specified space according to the instructions.

Detail schedule for submission of assignment for the PG Term End Examination June-2020/Dec.-2020

1. Date of Publication : 20/06/2020

2. Last date of Submission of answer script by the student to the study centre : 19/07/2020

3. Last date of Submission of marks by the examiner to the study centre : 16/08/2020

4. Date of evaluated answer scripts distribution by the study centre to the students (Students are advised to check their assignment marks on the evaluated answer scripts and marks lists in the study centre notice board. If there is any mismatch / any other problems of marks obtained and marks in the list, the students should report to their study centre Co-ordinator on spot for correction. The study centre is advised to send the corrected marks, if any, to the COE office within five days. No change / correction of assignment marks will be accepted after the said five days.)

: 23/08/2020

5. Last date of submission of marks by the study centre to the Department of C.O.E. on or before

: 31/08/2020

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MODULE - I

Answer any two questions:

$$12\frac{1}{2} \times 2 = 25$$

1. a) The average net profit (before making any adjustment for valuation of goodwill) of a firm was Rs. 5,04,000 including Rs. 4,000 as income from investment. The cost of investment (as also its present value) was Rs. 80,000. Expected future reduction in expenditure is Rs. 10,000 per annum. The rate of income tax is 40% and 10% represents a fair commercial return. The average tangible capital employed was Rs. 26,83,200, but on valuations obtained, the capital employed was found to be Rs. 28,80,000.

Ascertain value of goodwill on the basis of 5 years' purchase of super profit. $8\frac{1}{2}$

- b) Why is average capital employed preferable over closing capital employed in valuing goodwill?
- 2. The Balance Sheets of Purple Ltd. as on March 31, 2018 and March 31, 2019 are as follows:

| Liabilities | 31.3.2018 | 31.3.2019 | Assets | 31.3.2018 | 31.3.2019 |
|-------------------|-----------|-----------|-------------------|-----------|-----------|
| | Rs. | Rs. | | Rs. | Rs. |
| Share Capital | 2,70,000 | 3,70,000 | Goodwill | 29,000 | 11,000 |
| Reserve & Surplus | 81,000 | 1,02,400 | Land & Building | 64,000 | 90,000 |
| Profit & Loss A/c | 55,900 | 58,020 | Plant & Machinery | 2,26,000 | 2,44,000 |
| 10% Debentures | 1,50,000 | 1,20,000 | Investments | 81,000 | 99,000 |
| Creditors | 1,63,280 | 87,840 | Debtors | 1,89,000 | 2,28,240 |
| Proposed Dividend | 27,000 | 38,000 | Bank Balance | 1,79,780 | 1,29,220 |
| Provision for Tax | 21,600 | 25,200 | | | |
| | 7,68,780 | 8,01,460 | | 7,68,780 | 8,01,460 |

Other information:

- a) Depreciation is provided at 10% on Plant and Machinery and Rs. 10,000 on Land & Building.
- b) Investment costing Rs. 16,000 is sold for Rs. 20,000 during the year.
- c) Interest on Debentures is paid on March 31, 2019.
- d) A portion of Debentures are redeemed at par on March 31, 2019.

Prepare Cash Flow Statement as per AS-3.

3. Western Ltd. went into liquidation on March 31, 2019. The following Balance Sheet is extracted from the books of the company on that date:

[Rs. in lakh]

| | | ι | 1 10 1 111 1011111] |
|-------------------------|-----------|------------------------|----------------------|
| Liabilities | Amount | Assets | Amount |
| | Rs. | | Rs. |
| Share Capital : | | Buildings | 2,70,000 |
| 9,000 equity shares of | | Plant & Machinery | 3,78,000 |
| Rs. 100 each | 9,00,000 | Stock | 1,71,000 |
| Debentures (secured by | | Book Debts 1,35,000 | |
| floating charge) | 3,60,000 | Less: Provision 18,000 | 1,17,000 |
| Bank Overdraft | 54,000 | Calls in Arrears | 1,80,000 |
| Creditors | 72,000 | Cash on hand | 18,000 |
| | | Profit & Loss A/c | 2,52,000 |
| | 13,86,000 | | 13,86,000 |

Buildings and Plant & Machinery are valued at Rs. 2,16,000 and Rs. 2,88,000 respectively. On realisation, losses of Rs. 45,000 are expected on Stock, Book debts will realise Rs. 1,26,000. Calls in arrears are expected to realize 90%. Bank overdraft is secured against Buildings. Preferential creditors for taxes & wages are Rs. 10,800. A miscellaneous expense outstanding is Rs. 3,600.

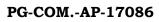
Prepare Statement of Affairs as on March 31, 2019.

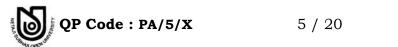
 $12\frac{1}{2}$

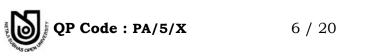
- 4. a) Is the regulation of corporate accounting and reporting essential?
- $6\frac{1}{2}$
- b) Discuss the disclosure requirements of listed companies as per SEBI guidelines.

First Answer:

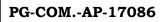


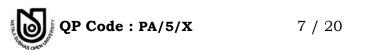






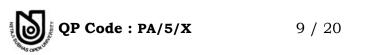






Second Answer:



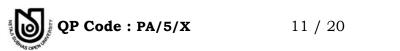






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MODULE - II

Answer any two questions:

 $12\frac{1}{2} \times 2 = 25$

5. On July 1, 2018 *H.* Ltd. acquired 8,000 shares of Rs. 100 each of *S.* Ltd. at cost of Rs. 10.00 lakh. Their respective Balance Sheets on March 31, 2019 were as follows:

[Rs. in lakh]

| Liabilities | H. Ltd. | S. Ltd. | Assets | H. Ltd. | S. Ltd. |
|-------------------|---------|---------|------------------|---------|---------|
| | Rs. | Rs. | | Rs. | Rs. |
| Share Capital | 20.00 | 10.00 | Fixed Assets | 12.00 | 10.80 |
| General Reserve | 5.00 | 4.80 | Investments | 10.00 | Nil |
| Profit & Loss A/c | 7.00 | 6.00 | Stock | 5.00 | 4.00 |
| Creditors | 2.50 | 1.50 | Debtors | 6.50 | 7.00 |
| Bills Payable | Nil | 0.50 | Bills Receivable | 0.50 | Nil |
| | | | Cash at Bank | 0.50 | 1.00 |
| | 34.50 | 22.80 | | 34.50 | 22.80 |

Additional Information:

- i) At the time of acquiring shares, S. Ltd. had Rs. 1.80 lakh in General Reserve.
- ii) On April 1, 2018 S. Ltd. had Rs. 2.00 lakh in Profit & Loss A/c.
- iii) S. Ltd. paid 10% dividend in October for the last year and H. Ltd. credited the share of dividend to its Profit & Loss A/c.
- iv) On the date of acquisition of shares, Fixed Assets of *S.* Ltd. stood at Rs. 12.00 lakh and it was revalued at Rs. 14.00 lakh.
- v) Stock of S. Ltd. includes Rs. 1.20 lakh on which H. Ltd. made a profit of 25% on sales.

Prepare a consolidated Balance Sheet as on March 31, 2019.

 $12\frac{1}{2}$

6. Following is the Balance Sheet of Bad Luck Ltd. as on March 31, 2019:

[Rs. in lakh]

| Liabilities | Amount | Assets | Amount |
|-----------------------------|--------|-------------------|--------|
| | Rs. | | Rs. |
| Share Capital: | | Goodwill | 21.60 |
| 72,000 Equity shares of | | Plant & Machinery | 64.80 |
| Rs. 100 each | 72.00 | Stock | 20.88 |
| 14,400 Cum. Pref. Shares of | | Debtors | 14.40 |
| Rs. 10 each | 14.40 | Cash at Bank | 0.72 |
| Sundry Liabilities | 72.00 | Profit & Loss A/c | 36.00 |
| | 158.40 | | 158.40 |

13 / 20

Preference dividends are 3 years in arrears. Draft a suitable scheme of internal reconstruction, which would help the company to organise in the following lines:

- a) To write off the Profit & Loss Account balance and goodwill.
- b) To depreciate Plant & Machinery by 10%.
- c) To satisfy the arrears of preference dividends.
- d) To provide Rs. 7.20 lakh as liquid resources.
- 7. Marine Ltd. operates 7 different product and service segments across the country. Following information is available relating to these segments for the year ended March 31, 2019:

[Rs. in lakh]

| | Segments | | | | | | | | |
|---------------------|----------|-------|-------|-------|--------|-------|--------|--|--|
| Particulars | A | В | С | D | E | F | G | | |
| External Sales | 105.0 | 105.0 | 120.0 | 570.0 | 180.0 | 105.0 | 75.0 | | |
| Inter-segment Sales | 3.0 | 9.0 | 15.0 | 30.0 | 22.5 | 15.0 | 37.5 | | |
| Profit / (Loss) | (9.0) | 3.0 | 52.5 | 180.0 | (90.0) | 4.5 | (18.0) | | |
| Assets | 16.5 | 13.5 | 18.0 | 90.0 | 18.0 | 15.0 | 30.0 | | |

You are required to determine reportable segments of Marine Ltd.

 $12\frac{1}{2}$

- 8. a) What are the factors to be considered in determining business segment?
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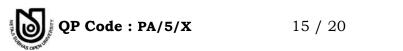
- b) What are the benefits of segment reporting from the point of view of users?
- c) What are the items to be disclosed for a secondary segment in the annual report of the company?

First Answer:

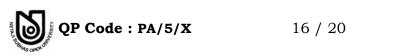


QP Code: PA/5/X 14 / 20









Second Answer:





