

M.COM (Part-I)
Accountancy Group
Advance Financial Accounting
(Paper – I) (May-2017)

(3 Hours)

[Total Marks: 100]

Note: (1) Question No. 1 and Question No. 2 are compulsory

(2) Attempt Any Three from Question No. 3 to Question No. 7

(3) Figure to the right indicate full marks

(4) Give working notes and state clearly the assumptions made by you whenever necessary

(1) The Summarised Balance Sheet of Shree Ltd. and Hari Ltd. as on 31st March, 2017: (20}

Liabilities	Shree Ltd.	Hari Ltd.	Assets	Shree Ltd.	Hari Ltd.
Share Capital: Shares of '10 each fully paid	7,20,000	2,00,000	Plant and machinery Furniture	5,60,000 80,000	1,20,000 50,000
General Reserve	1,28,000	32,000	Stock	80,000	40,000
Profit & Loss Account	64,000	20,000	Sundry Debtors	48,000	28,000
Creditors	32,000	16,000	Bills Receivable	20,000	16,000
Bills Payable	40,000	24,000	Investments: 12,000 Shares of Hari Ltd.	1,24,000	-
			Bank balances	72,000	32,000
Total	9,84,000	2,92,000	Total	9,84,000	2,92,000

Additional information:

- Shree Ltd. acquired 12,000 shares of Hari Ltd. on 1st July, 2016
- General Reserve appearing in Balance Sheet of Hari Ltd. has remained unchanged since 31st March, 2016
- Profit earned by Hari Ltd. for the year ended 31st March, 2017 amounted to '16,000
- Shree Ltd. sold to Hari Ltd. goods costing 6,400 for 8,000. 25% of these goods remained unsold with Hari Ltd. on 31st March, 2017.
- Creditors of Hari Ltd. include 3,200 due to Shree Ltd.
- Out of Hari Ltd., Acceptances of 12,000 are those, which has been accepted in favour of Shree Ltd. out of which Shree Ltd. had endorsed "6,400 worth of Bills Receivable in favour of its Creditors

Prepare Consolidated Balance Sheet as on 31st March, 2017

TURN OVER

(2) (A) State whether following statements are True or False: (10)

- a. Secretary of the Company gives audit report
- b. Preparation of Annual report is not mandatory for company
- c. Holding company and Subsidiary company maintain their independent identity
- d. Goodwill is excess of cost of Investment over value of investment
- e. Balance Sheet of Co-operative society should be prepared in Form N
- f. Fair value is average of Intrinsic Value and Yield Value
- g. Average clause is introduced to discourage over insurance
- h. Direct borrowing cost should be capitalized
- i. The person whose risk is covered is an insurer
- j. Price Earning ratio is a relationship between market price and earning per share

(2) (B) Match the Followings: (10)

Column A	Column B
a. AS 16	i. Capital profit
b. AS 17	ii. Fictitious assets
c. AS20	iii. Applicable to listed company
d. AS 22	iv. Recognition of tax liability
e. IFRS	v. Excess of Future Maintainable profit over Normal Profit
f. Insurance policy	vi. International Financial Reporting Standards
g. Super profit	vii. Terms and condition of insurance
h. Pre-acquisition profit	viii. Economic value added
i. EVA	ix. Segment Reporting
j. Goodwill	x. Intangible asset
	xi. Deals with cost of equity

TURN OVER

- (3) Shani Ltd. has head office at Mumbai and branch at Boston, USA. The branch provides following Trial Balance as on 31st March, 2017: (20)

Debit balances	US \$	Credit balances	US \$
Goods received from Head office	11,600	Head office	12,707
Purchases	3,87,516	Sales	6,10,416
Opening Stock	14,316	Creditors	1,27,977
Plant and Machinery	34,120		
Furniture	16,316		
Cash and Bank Balances	5,130		
Salaries	68,016		
Office rent	42,340		
Taxes and Insurance	11,672		
Debtors	1,25,430		
Printing and Stationery	12,148		
Postage	11,010		
Legal expenses	11,486		
Total	7,51,100	Total	7,51,100

The Branch account in Head office showed a debit balance of ₹ 5,84,222 and Goods sent to Branch Account showed a credit balance of ₹ 5,56,800. Plant and machinery was acquired by the Branch as on 31st December, 2016, when one US \$ was equal to ₹ 45. Boston Branch acquired furniture on 30th June, 2016 when ₹ 100 was equal to US \$ 2.50. Head office provides depreciation on Plant and Machinery @ 25% p.a. and on Furniture @ 10% p.a. the Boston Branch reported Closing Stock of US \$ 15,350 on 31st March, 2017.

The exchange rates were as under:

Opening rate US \$ 1 = ₹ 43.50

Closing rate ₹ 95 = US \$ 2

Average US \$ 1 = ₹ 45.50

You are asked to prepare Converted Trial Balance, Trading and Profit and Loss Account for the year ended 31st March, 2017 and Balance Sheet as on that date.

TURN OVER

- (4) From the following Trial Balance of Ram Co-operative Consumer Society Ltd. as on 31st March, 2017, prepare Trading and Profit and Loss Account for the year ended 31st March, 2017 and Balance Sheet as on that date (20)

Debit balance	₹	Credit balance	₹
Calls in arrears	1,00,000	Reserve fund	2,80,000
Opening stock	11,00,000	Share capital	16,00,000
Furniture	4,80,000	Creditors	2,00,000
Debtors	3,00,000	Commission payable	40,000
Salaries	7,10,000	Interest on Investment	1,00,000
Commission	1,74,000	Sales	2,06,05,000
Rent, Rates and Taxes	2,00,000		
Postage	1,21,000		
Land and Building	90,000		
Equipment	2,00,000		
Purchases	1,64,00,000		
Investments	10,00,000		
Cash and Bank balances	19,50,000		
Total	2,28,25,000	Total	2,28,25,000

Additional information:

- Rent payable ₹ 10,000
- Depreciate Furniture @ 5%
- Closing stock ₹ 14,00,000
- Interest accrued on Investment ₹ 20,000
- Outstanding Salary was 20,000 and 30,000 was paid in advance

TURN OVER

(5) Find out the fair value of share of Murlidhar Ltd. from the following information: (20)

- i. 5,00,000 equity shares of 10 each fully paid up – ₹ 50,00,000
- ii. 1,00,000 10% Preference shares of 10 each fully paid – ₹ 10,00,000
- iii. General Reserves – ₹ 20,00,000
- iv. Profit and loss Account (Cr) - ₹ 15,00,000
- v. Creditors – ₹ 17,00,000
- vi. Bank overdraft – ₹ 9,00,000
- vii. Preliminary expenses – ₹ 5,00,000
- viii. Discount on issue of shares – ₹ 2,00,000
- ix. The profits of the company for the year is ₹ 25,00,000 before tax
- x. It is expected that profit will increase by 20% in future years
- xi. The rate of Income tax 50%
- xii. Normal rate of return – 14%

(6) From the following particulars, prepare Balance Sheet of Yasodhara Ltd. as on 31st march, 2017:

(20)

Debit balance	₹ (in Lakh)	Credit balance	₹ (in Lakh)
Money at call and short notice	20	Share Capital	100
Bills discounted and purchased	90	Reserve Fund	160
Investment at cost:		Fixed deposits	400
- Central Government	1,000	Saving Deposits	600
- Government securities	40	Current Accounts	1,950
- Bullion	240	Depreciation Fund for	
Premises at cost	1,000	Premises	800
Addition to Premises	200	Unclaimed dividend	100
Cash with Reserve Bank of India	340	Unexpired discount	70
Cash with other Bank	120	Borrowings from Banks	250
Loans and advances	1,000	Bills payables	200
Branch Adjustment	579	Profit and loss Account	40
Advance payment of tax	31	Dividend Fluctuation Fund	60
Interest accrued on Investment	26		
Other Assets	44		
Total	4,730	Total	4,730

The Bank had Bills for collection amounting to ₹ 3,00,000. There was a claim of ₹ 2,00,000 against Bank but not acknowledged as debt.

TURN OVER

- (7) From the following information as on 31st March, 2017, prepare Revenue Account of Shirsagar Ltd. carrying out Marine Insurance business (20)

Particulars	Direct Business (₹)	Re-insurance (₹)
1. Premium:		
- Received	9,60,000	1,44,000
- Receivable – 1 st April, 2016	48,000	8,400
- 31 st March, 2017	72,000	11,200
Premium paid	96,000	-
Payable – 1 st April, 2016	-	8,000
- 31 st March, 2017	-	16,800
2. Claims:		
Paid	6,60,000	50,000
Payable – 1 st April, 2016	38,000	5,200
- 31 st March, 2017	70,000	8,800
- Received	-	40,000
- Receivable – 1 st April, 2016	-	3,600
- 31 st March, 2017	-	4,800
3. Commission:		
On Insurance accepted	60,000	4,400
On Insurance ceded	-	5,600

Additional information:

Salaries – ₹ 1,04,000; Rent, Rates and Taxes – ₹ 7,200; Printing and Stationery – ₹ 9,200;
Income Tax – ₹ 96,000; Interest received – ₹ 46,200; Tax deducted at source on Interest received – ₹ 9,800; Legal expenses (Inclusive of ₹ 8,000 in connection with settlement of claims) – ₹ 24,000;
Bad Debts – ₹ 2,000; Profit on sale of Motor Car – ₹ 2,000.

Balance of fund on 1st April, 2016 was ₹ 600,000 . Additional Reserve has to be maintained at 50% of the net premium of the year.