

**M.Com [ Part – I ]**  
**-: Accountancy Group :-**  
**Advance Financial Accounting**  
**(Paper- I) (DEC- 2017)**

Q.P.Code: 05767

(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 Krishna Ltd. and Radha Ltd. as on 31<sup>st</sup> March, 2017 were as under: (20)

Liabilities	Krishna Ltd. ₹	Radha Ltd. ₹	Assets	Krishna Ltd. ₹	Radha Ltd. ₹
Share Capital:			Land and Building	3,00,000	-
Shares of ₹ 10 each fully paid	8,00,000	2,00,000	Plant and machinery	8,00,000	-
General Reserve			Stock	1,60,000	3,40,000
balance as on 1-4-2016	1,20,000	40,000	Sundry Debtors	40,000	1,20,000
Profit & Loss Account			Bills Receivable	-	1,00,000
balance as on 1-4-2016	1,60,000	80,000	Investments:		
Profit for the year ended 31 <sup>st</sup> March, 2017	2,00,000	1,00,000	12,000 Shares of Radha Ltd. at cost	2,60,000	-
Creditors	2,00,000	1,80,000	Bank balances	40,000	40,000
Bills Payable	1,20,000	-			
<b>Total</b>	<b>16,00,000</b>	<b>6,00,000</b>	<b>Total</b>	<b>16,00,000</b>	<b>6,00,000</b>

Additional information:

- Shares were acquired by Krishna Ltd. as on 1<sup>st</sup> October, 2016
- Included in the Debtors of Radha Ltd. is ₹ 40,000 due from Krishna Ltd.
- Krishna Ltd. accepts all Bills Receivable held by Radha Ltd.
- The stock of Radha Ltd. includes goods purchased from Krishna Ltd. at 20,000 which includes profit charged by Krishna Ltd. @ 25% on cost

Prepare Consolidated Balance Sheet as on 31<sup>st</sup> March, 2017

**TURN OVER**

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

(10)

- a. Borrowing cost includes interest only
- b. In endowment policy, claim is payable on death or on expiry of term whichever is earlier
- c. General insurance includes fire insurance only
- d. International Financial Reporting Standards overrides company law
- e. Goodwill is fictitious assets
- f. Consolidated Financial Statements include Balance Sheet only
- g. Term Loan is an advance given by a bank to customers
- h. EVA shows the value added to shareholders' wealth
- i. Discounting of bill is converting the bill into cash
- j. Share capital of subsidiary company should be ignored in consolidated Balance Sheet

(2) (B) Match the Followings:

(10)

Column A	Column B
a. Minority Interest	i. Capital profit
b. Current account	ii. In case of heavy risk
c. Demand deposit	iii. Opened by Businessmen
d. Objective of reporting	iv. Double insurance
e. Banking company	v. Revenue profit
f. Pre-acquisition profit	vi. Repayable on demand
g. Post acquisition profit	vii. Governed by Banking Regulation Act, 1949
h. Demand deposit	viii. Provide information for decision making
i. Average clause	ix. Interest of outsiders
j. Reinsurance	x. Discourage under insurance
	xi. Repayable on demand
	xii. Must have ₹ 15 lakhs capital

TURN OVER

- (3) Megh Ltd., an Indian Company has a branch at Boston, USA. Its Trial Balance as on 31<sup>st</sup> March, 2017 is as follows: (20)

Debit balances	US \$	Credit balances	US \$
Plant and Machinery	60,000	Sales	2,08,000
Furniture	4,000	Head office account	57,000
Opening Stock	28,000	Trade Creditors	8,500
Purchases	1,20,000		
Goods from Indian company	40,000		
Wages	1,000		
Carriage Inward	500		
Salaries	3,000		
Rent, Rates and Taxes	1,000		
Insurance	500		
Trade Expenses	500		
Trade Debtors	12,000		
Cash and Bank balance	3,000		
Total	2,73,500	Total	2,73,500

Additional information:

- Wages outstanding - \$ 1,000
- Depreciate Plant & Machinery and Furniture @ 10% p.a.
- Head office sent goods to branch ₹ 39,40,000
- Head office shows an amount of ₹ 43,00,000 due from branch
- Closing Stock – \$ 52,000
- On 1<sup>st</sup> April, 2015, when the Fixed Assets were purchased the rate of exchange was ₹ 38 to one \$
- The rate of exchange - Opening rate 1 \$ = ₹ 39

Closing rate 1 \$ = ₹ 41

Average rate 1 \$ = ₹ 40

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

**TURN OVER**

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

Debit balance	₹	Credit balance	₹
Cash and Bank balance	1,47,000	Share Capital	75,00,000
Fixed Deposit	15,50,000	Reserve fund	5,00,000
Furniture	70,000	Members' Deposit	2,24,77,500
Interest on Deposit	8,00,000	Unpaid dividend	21,000
Interest due on loans	80,000	Dividend Equalization	
Salaries	3,00,000	Reserve	1,80,000
Legal expenses	50,000	Staff Provident fund	2,00,000
Printing and stationery	4,000	Profit and Loss account	3,10,000
Conveyance	6,000	Interest	17,80,000
Insurance	10,000	Renewal Fees	40,000
Rent, Rates and Taxes	20,000	Sundry Income	3,000
Loan due from Member	3,00,00,000	Co-operative Development Fund	25,500
Total	3,30,37,000	Total	3,30,37,000

Additional information:

- Interest due to members' deposits ₹ 50,000
- Interest accrued but not received ₹ 20,000
- Depreciate Furniture @ 10% p.a
- Audit fees unpaid ₹ 30,000

- (5) The following is the Balance Sheet of Giridhar Ltd. as on 31<sup>st</sup> March, 2017: (20)

Liabilities	₹	Assets	₹
Equity Share Capital	10,00,000	Land and Building	7,00,000
General Reserves	3,40,000	Plant and Machinery	4,00,000
Secured Loans	4,00,000	Furniture	1,00,000
Short Term Loans	2,00,000	Stock	3,00,000
Creditors	1,00,000	Debtors	2,90,000
		Less: RDD	<u>40,000</u>
		Bills Receivable	1,50,000
		Bank balance	1,00,000
		Preliminary expenses	20,000
		Underwriting commission	20,000
Total	20,40,000	Total	20,40,000

The Company's profit before Managerial remuneration (₹ 80,000 p.a.) and taxation are:

Year ended 31<sup>st</sup> March:

2013 – ₹ 3,60,000

2014 – ₹ 3,80,000

2015 – ₹ 5,20,000 (including ₹ 80,000 from speculation)

2016 – ₹ 5,00,000 (including ₹ 20,000 profit on sale of Fixed assets)

2017 – ₹ 5,60,000

Compute Goodwill at 5 years' purchase of super profit assuming that Companies engaged in similar business normally earns 10% p.a. and rate of Income tax may be taken at 50%

- (6) From the following particulars, prepare Balance Sheet of Nandlal Ltd. as on 31<sup>st</sup> march, 2017:

(20)

Debit balance	₹ ('000)	Credit balance	₹ ('000)
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	800
Premises at cost	1,000	Unclaimed dividend	100
Addition to Premises	200	Unexpired discount	70
Cash with Reserve Bank of India	340	Borrowings from Banks	250
Cash with other Bank	120	Bills payables	200
Loans and advances	1,000	Profit and loss Account	40
Branch Adjustment	579	Dividend Fluctuation Fund	60
Advance payment of tax	31		
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.

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

Particulars	Direct Business (₹)	Re-insurance (₹)
1. Premium:		
- Received	48,00,000	7,20,000
- Receivable – 1 <sup>st</sup> April, 2016	2,40,000	42,000
- 31 <sup>st</sup> March, 2017	3,60,000	56,000
Premium paid	4,80,000	-
Payable – 1 <sup>st</sup> April, 2016	-	40,000
- 31 <sup>st</sup> March, 2017	-	84,000
2. Claims:		
Paid	33,00,000	2,50,000
Payable – 1 <sup>st</sup> April, 2016	1,90,000	26,000
- 31 <sup>st</sup> March, 2017	3,50,000	44,000
- Received	-	2,00,000
- Receivable – 1 <sup>st</sup> April, 2016	-	18,000
- 31 <sup>st</sup> March, 2017	-	24,000
3. Commission:		
On Insurance accepted	3,00,000	22,000
On Insurance ceded	-	28,000

Additional information:

Salaries – ₹ 5,20,000; Rent, Rates and Taxes – ₹ 36,000; Printing and Stationery – ₹ 46,000;  
Income Tax – ₹ 4,80,000; Interest received – ₹ 2,31,000; Bad Debts – ₹ 10,000;  
Legal expenses (Inclusive of ₹ 40,000 in connection with settlement of claims) – ₹ 1,20,000;  
Profit on sale of Motor Car – ₹ 10,000 Tax deducted at source on Interest received – ₹ 49,000;  
Balance of fund on 1<sup>st</sup> April, 2016 was ₹ 30,00,000 . Additional Reserve has to be maintained at 50% of the net premium of the year.