

M.COM [PART - I]**-: ACCOUNTS GROUP :-****ADVANCED FINANCIAL ACCOUNTING****(PAPER- I) (DEC- 2018)****Q.P. Code: 51042****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 following is Trial balance of MKM Bank Ltd. as on 31st March, 2018: (20)

Particulars	Debit Rs. (in lakhs)	Credit Rs. (in lakhs)
Share capital	-	300
Statutory Reserves	-	400
Deposits:		
- Fixed	-	278
- Saving	-	390
- Current	-	374
Cash in hand	290	-
Cash with Reserve Bank of India	420	-
Interest and Discount	-	300
Commission and Brokerage	-	50
Interest on Deposits	62.5	-
Salaries	65.5	-
Rent, Taxes and Insurance	2	-
Postage and Telegram	1	-
Printing and Stationery	7	-
Audit fees	4	-
Depreciation	3	-
Investment in shares	84	-
Loans, Cash Credit and Overdraft	490	-
Bills discounted and purchased	180	-
Government bonds	160	-
Furniture	40	-
Premises	300	-
Branch adjustment account	-	17
Total	2109	2109

You are required to prepare Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet As on that date.

- (2) (a) State whether following statements are True or False (10)
- i. Holding company means the company which holds the entire share capital of Subsidiary company
 - ii. Goodwill is fictitious asset
 - iii. Loss on revaluation of Investments is shown by Bank under the Schedule of Operating Expenses
 - iv. In case of fire Insurance, the provision required to be made against unexpired risk is 40%
 - v. Exchange difference of Non-integral Foreign operation is transferred to Suspense Account
 - vi. Super profit can be negative
 - vii. According to AS 1, a change in Accounting Policies which will have effect not in current year but in later years, should be disclosed in the current year
 - viii. IFRS 5 deals with Regulatory Deferral Accounts
 - ix. Annual contribution towards Education Fund by Urban Credit Bank is 2 paise per Rs. 100 of the working capital
 - x. Capital reserve is the excess price paid for the investment over and above the share in equity

- (2) (b) Fill in the blanks (10)
- i. Revenue profits are _____ profits of subsidiary company
 - ii. A Life insurer shall prepare the Revenue Account in Form _____
 - iii. Employee security deposit is shown by Bank under _____
 - iv. _____ is excess of average profit earned by the company over and above its normal profit
 - v. Contingency funds of a Bank will appear in the Balance Sheet under the Schedule of _____
 - vi. Foreign Currency Conversion is governed by Accounting Standard _____
 - vii. IFRS 1 was issued in _____
 - viii. Proximity of operations is a factor that helps a business to determine _____ segment
 - ix. Every Banking company in India is required to transfer atleast _____ of the current year's profit to Reserve Fund
 - x. Dead stock is shown in the Balance Sheet of a Co-operative Society under _____

(3) ABU Ltd. acquired 60,000 shares as investment in CKA Ltd. for Rs. 10,00,000 on 1st July, 2017. The Balance Sheets of two companies as on 31st March, 2018 were as follows: (20)

Liabilities	ABU Ltd. (Rs.)	CKA Ltd. (Rs.)	Assets	ABU Ltd. (Rs.)	CKA Ltd. (Rs.)
Equity shares of Rs. 10 each fully paid up	32,00,000	10,00,000	Machinery	25,00,000	6,40,000
General Reserves	7,00,000	1,50,000	Furniture	4,20,000	3,00,000
Profit and Loss account	5,00,000	1,00,000	Investment	10,00,000	-
Bills Payable	3,40,000	70,000	Stock	2,00,000	1,40,000
Sundry Creditors	5,80,000	1,20,000	Sundry Debtors	8,00,000	2,00,000
			Cash balance	2,00,000	80,000
			Bills Receivable	2,00,000	80,000
Total	53,20,000	14,40,000	Total	53,20,000	14,40,000

The following additional information is also provided to you:

- On 1st March, 2018 ABU Ltd. sold to CKA Ltd. goods costing Rs. 24,000 for Rs. 32,000. Half of these goods remained unsold with CKA Ltd. on 31st March, 2018.
- Creditors of CKA Ltd. includes Rs. 16,000 due to ABU Ltd.
- Out of Bills acceptance of CKA Ltd., Rs. 40,000 are those which have been accepted in favour of ABU Ltd.
- General Reserve appearing in Balance Sheet of CKA Ltd. has remained unchanged since last year.
- Profit earned by CKA Ltd. during the current year amounted to Rs. 80,000.

You are required to prepare Consolidated Balance Sheet of ABU Ltd. as on 31st March, 2018.

(4) From the following Trial Balance of a Co-operative credit Society as on 31st March, 2018, prepare Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date after considering the adjustments given thereafter (20)

Trial Balance as on 31-3-2018

Debit balances	Rs.	Credit balances	Rs.
Cash in hand	24,000	Co-operative Development fund	1,20,000
Cash at bank	56,000	Miscellaneous income	30,000
Fixed Deposit with Bank	15,60,000	Renewal fees	70,000
Furniture	1,80,000	Interest	3,00,000
Loans due from members	32,00,000	Profit and Loss Appropriation account	1,90,000
Contribution to provident Fund	10,000	Staff Provident Fund	2,10,000
Insurance premium	20,000	Reserve Fund	64,000
Travelling expenses	48,000	Unpaid dividend	24,000
Printing & Stationery	30,000		

Office rent	32,000	Members' Deposit	31,20,000
Salaries	40,000	Share Capital	12,00,000
Interest due to loans	28,000		
Interest on Deposits	1,00,000		
Total	53,28,000	Total	53,28,000

Following additional information is provided:

- (a) Interest accrued on Members' Deposit amounted to Rs. 16,000
- (b) Interest due but not received Rs. 6,000
- (c) Depreciate Furniture @ 5% p.a.
- (d) Outstanding Salaries amounted to Rs. 10,000 and Advance Salaries amounted to Rs. 12,000
- (e) Outstanding Audit fees amounted to Rs. 4,000
- (f) Authorized capital consists of 1,50,000 shares of Rs. 10 each
- (g) Directors recommended the following appropriations:
 - i. Required amount to Reserve Fund
 - ii. Transfer to Co-operative fund at 5% of Net Profit after transferring to Reserve fund
 - iii. Dividend to shareholders at 5%

(5) SK Ltd., an Indian Company has a branch at London. Its Trial Balance as on 31st March, 2018 is as follows: (20)

Debit balances	£	Credit balances	£
Plant and Machinery	30,000	Sales	1,04,000
Furniture	2,000	Head office account	28,500
Opening Stock	14,000	Trade Creditors	4,250
Purchases	60,000		
Goods from Indian company	20,000		
Wages	500		
Carriage Inward	250		
Salaries	1,500		
Rent, Rates and Taxes	500		
Insurance	250		
Trade Expenses	250		
Trade Debtors	6,000		
Cash and Bank balance	1,500		
Total	1,36,750	Total	1,36,750

Additional information:

- a. Wages outstanding - £ 500
- b. Depreciate Plant & Machinery and Furniture @ 10% p.a.
- c. Head office sent goods to branch Rs. 39,40,000
- d. Head office shows an amount of Rs. 43,00,000 due from branch
- e. Closing Stock – £ 26,000
- f. On 1st April, 2016, when the Fixed Assets were purchased the rate of exchange was Rs. 78 to one £
- g. The rate of exchange - Opening rate 1 £ = Rs. 79

Closing rate 1 £ = Rs. 81

Average rate 1 £ = Rs. 80

You are asked to prepare Converted Trial Balance, Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date.

(6) Prepare Revenue Account of AB Fire Insurance Ltd. for the year ended 31st March, 2018 from the following details: (20)

Particulars	Rs.
Claims paid	20,00,000
Legal expenses regarding claims	50,000
Claims unpaid on 1 st April, 2017	2,00,000
Claims unpaid on 31 st March, 2018	1,50,000
Premium received	1,00,00,000
Re-insurance premium paid	5,00,000
Commission	25,00,000
Management expenses	12,00,000
Provision for unexpired risk on 1 st April, 2017	42,00,000

(7) The following is the Balance Sheet of PE Ltd. as on 31st March, 2018: (20)

Liabilities	Rs.	Assets	Rs.
Share Capital: 10,000 Equity Shares of Rs. 10 each	1,00,000	Land and Building	80,000
General Reserves	20,000	Plant and Machinery	60,000
Profit and Loss Account	10,000	Trade Mark	5,000
Workmen's Saving Account	20,000	Stock	15,000
Sundry Creditors	30,000	Sundry Debtors	25,000
Bills Payable	15,000	Cash at Bank	5,000
		Preliminary Expenses	5,000
Total	1,95,000	Total	1,95,000

Plant & Machinery and Land & Building are to be taken at Rs. 80,000 and Rs. 1,20,000 respectively. Rs. 2,000 of the debtors are bad.
Goodwill is valued at 3 years purchase of Super profit.

The profits of the company have been as follows:

Years	Rs.
2017-18	31,000
2016-17	35,000
2015-16	39,000

It is practice of company to transfer 25% of profit to reserve. Companies in similar business give a return of 10% on the market value of shares. Ignoring taxation, find out the Fair value of the share.