

**M.Com. DEGREE (C.S.S.) EXAMINATION, AUGUST 2014****Second Semester****Faculty of Commerce****AF 02 C06—ADVANCED FINANCIAL ACCOUNTING—II**

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

**Section A***Answer any five out of 8 questions.**Each question carries weight 1.*

1. What is Contingency Reserve in connection with accounts of electricity companies ?
2. Define Subsidiary Company.
3. Define Double Account system.
4. What is Environmental Accounting ?
5. Write a note on Liquidator's Final Statement of Account.
6. Write short notes on Passage money and Primage.
7. Differentiate between Pre-acquisition profit and Post-acquisition profit.
8. What is Minority Interest ? Illustrate with a numerical example.

(5 × 1 = 5)

**Section B***Answer any five out of 8 questions.**Each question carries weight 2.*

9. What do you mean by liquidation ? What are the reasons for liquidation ?
10. What is Consolidated Balance sheet ? How will you prepare it ?
11. What are inter company owings ? How will you eliminate these items while preparing consolidated Balance Sheet ?
12. Explain in detail the various List of Assets and Liabilities included in statement of affairs.

**Turn over**

13. Lunar Co. Ltd. has an authorised capital of Rs. 10 lakh divided into 10,000 equity shares of Rs. 100 each. Following is the Trial Balance extracted from the books of the company on 31.12.2008.

	Dr.	Cr.
Equity share capital fully called	...	6,00,000
Calls in arrears	2,000	...
6 % debentures	...	1,00,000
Creditors	...	70,000
Reserve Fund	...	50,000
Debtors	90,000	...
Bank	95,000	...
Reserve Fund Investment (market value Rs. 53,000)	50,000	...
<i>Depreciation Fund</i>	...	...
Machinery	...	15,000
Buildings	...	10,000
Vehicles	...	8,000
Fixtures	...	2,000
Profit Loss A/c (Net Revenue A/c)	...	62,000
Machinery - 1/1/2008	1,25,000	...
Additions during the year	10,000	...
Building - 1/1/2008	2,00,000	...
Additions during the year	25,000	...
Stock	2,60,000	...
Fixtures	10,000	...
Vehicles	50,000	...
	<hr/>	<hr/>
	9,17,000	9,17,000
	<hr/>	<hr/>

You are required to prepare Balance Sheet under double accounts system.



14. SS Sulamehar commenced a voyage on 1.10.2012, from Bhavanagar to London and back. The voyage was completed on 30.11.2012. It carried a consignment of tea on its outward journey and of machinery on its return journey. The ship was insured and the annual premium was Rs. 12,000. Prepare voyage account from the following particulars.

		Rs.
Freight earned (outward)	...	50,000
Freight earned (return)	...	35,000
Port dues	...	2,500
Bunker cost	...	15,000
Wages and salaries	...	25,000
Stores	...	8,400
Sundry expenses	...	2,500
Passage money received	...	5,000
Lighterage charges	...	3,300
Depreciation (annual)	...	48,000

Address commission is 5% on outward and 4% on return freight. Primage is 5% on freight.

The manager is entitled to 5 % commission on the profit earned after charging such commission. Stores and coal on hand were valued at Rs. 1,500 on 30.11.2012.

15. From the information given below prepare wheat crop a/c and potato crop a/c for the year ended 31.12.2012.

Opening stock-Wheat	...	60,000
Opening stock-Potato	...	15,000
Purchase of seeds-Wheat	...	15,000
Purchase of seeds-Potato	...	10,000
Purchase of fertilisers for-Wheat	...	1,80,000
Purchase of fertilisers for-Potato	...	1,20,000
Wages paid in cash for-Wheat	...	2,20,000
Wages paid in cash for-Potato	....	1,60,000
Sales of-Wheat	....	5,20,000
Sales of-Potato	...	3,80,000
General expenses-wheat	....	25,000

Turn over

General expenses-Potato	...	15,000
Expense on farm machinery -wheat	...	12,000
Expense on farm machinery -Potato	...	18,000
Colosing stock-wheat	...	45,000
Colosing stock-Potato	...	20,000
Used in the family-wheat	...	32,000
Used in the family-Potato	...	12,000
Wheat given to workers engaged in-Wheat crop	...	18,000
Wheat given to workers engaged in-Potato crop	...	12,000

16. A railway station had to be replaced by a new one. The new station cost Rs. 8,00,000, where as the old one had cost only Rs. 200000. Materials forming  $\frac{3}{7}$ <sup>th</sup> of the total expenditure and labour accounting for the rest. Prices of the materials have doubled and wage rate have gone up by 250 %. since the old station was built. Materials worth Rs. 38,000 were used in the station and sale proceeds of materials were 11000. These materials were obtained by pulling down the old station. Pass journal entries and show the total amount capitalised and written off?

(5 × 2 = 10)

### Section C

Answer any **three** out of 6 questions.  
Each question carries a weight of 5.

17. The following is the Trial Balance of Social Light Co. for the year 31.12.2010

31.12.2009	Particulars	Dr.	Cr.
1,00,000	Nominal capital - 10000 shares of Rs 50 each Subscribed capital - 5000 shares of Rs. 25		1,25,000
75000	Debentures - 6 % interest		75,000
5600	Depreciation Fund		5,000
	Calls in arrears	5,000	
46,500	Freehold land	46,500	
20,000	Buildings	25,000	
30,000	Machinery at station	50,000	
25,000	Mains	40,000	
5,000	Transformers, Motors etc.	10,000	



31.12.2009	Particulars	Dr.	Cr.
2,500	Metres	7,500	
1,500	Electric instruments	2,000	
8,000	General stores (cable mains etc. in stock)	11,750	
1,250	Office furniture	1,250	
	Coal and fuel	9,500	
	Oil, waste and engine room stores	3,750	
	Coal, oil waste etc in stock	500	
	Repairs and replacement	2,500	
	Rates and taxes	1,500	
	Salaries of Secretary, Managers etc	7,500	
	Wages at stations	15,000	
	Director's fees	5,000	
	Stationery, Printing, Advertisement	3,000	
	Incidental expenses	500	
	Law charges	1,000	
	Sale of Metre		43750
	Sale by contracts		25000
	Metre rent		1500
	Sundry creditors		5000
	Cash and Bank	16,500	
	Sundry debtors	15,000	
		<hr/>	<hr/>
		2,80,250	2,80,250
		<hr/>	<hr/>

*Adjustments :*

- Provide depreciation on buildings @ 2.5 %, machinery 7.5 % means 5 %, transformers etc. 10 % and metres 15%
- A call of Rs. 5 per shares was payable on 30.06.2010 and arrears are subject to interest @ 5 per annum.

Prepare Revenue A/c, Net Revenue A/c, Capital A/c and General. Balance Sheet ?

Turn over

18. City Electricity Ltd. earned Rs. 16,90,000 during the year ended 31.03.2013. after debenture interest @ 7.5% on Rs. 5,00,000. With the help of the figures given below show the disposal of profit.

- 1 Original cost of Fixed Assets.—Rs. 20000000
- 2 Formation and other expenses—Rs. 1000000.
- 3 Monthly average of current assets (net amount)—Rs. 5000000.
- 4 Reserve fund (represent 4% govt. securities)—Rs. 2000000.
- 5 Contingencies reserve from investment—Rs. 500000.
- 6 Loan from Electricity Board is—Rs. 3000000.
- 7 Total depreciation written off to the date—Rs. 4000000.
- 8 Tariff and dividend control reserve—Rs. 100000.
- 9 Security deposit received from customers—Rs. 400000.

Assume bank rate is at 6 %.

19. The following information extracted from the books of a limited company on 31<sup>st</sup> December 2008. On which date a winding up order was made.

<i>Particulars</i>	<i>Amount</i>
Cash in hand	5,000
Stock in Trade (estimated to produce Rs. 15000)	20,000
Fixtures and fittings (estimated to produce Rs. 2,100)	3,000
Plant and Machinery (estimated to produce Rs. 15600)	15,000
Freehold Land & Buildings (estimated to produce Rs. 45,000)	30,000
Book debts (estimated produce Rs. 5200)	6,200
Unsecured creditors	70,000
Preferential creditors	2,000
Creditors fully secured (value of securities Rs. 11,000)	9,000
Creditors partly secured (value of securities Rs. 6,000)	10,000
Bank O/D, Secured by second charge on all the assets of the company	8,000
10 % debentures secured by floating charge on all the Assets of the company (Interest paid to date)	50,000
Equity shares capital (6000 shares of Rs. 10 each)	60,000
11 % preference share capital (6500 shares of Rs. 10 each)	65,000
Calls in arrear on equity shares( estimated to produce Rs. 1,000)	2,500

Make out statement of affairs as regards creditors and contributories.



20. What is Green Accounting ? Explain its scope, merits and limitations.
21. A Ltd. holds 80 % of Equity share capital of B Ltd. which was acquired on 31.12.2006 when the latter company had a credit balance of Profit and Loss a/c of Rs. 15,000 and General Reserve of Rs. 20,000. Stock held by A Ltd. includes Rs. 5,000 goods supplied by B Ltd. at a profit of 20 % on selling price. The stock of B Ltd. includes Rs. 12000 goods sold by A Ltd. at a profit of 20 % on cost. From the following Balance Sheets prepare a consolidated Balance Sheet as at 31.12.2008

*Balance Sheets*

<i>Share capital</i>	A Ltd.	B Ltd.		A Ltd.	B Ltd.
Equity shares of Rs. 10 each	5,00,000	1,00,000	Freehold properties	2,30,000	20,000
Capital Reserve	1,00,000		Furniture	15,500	3,000
General Reserve	1,20,000	30,000	Investments (8000 shares of B Ltd.)	1,20,000	
Profit and Loss a/c	40,000	10,000	Stock	4,14,000	1,23,000
Creditors	1,49,700	36,000	Debtors	87,000	37,400
Bills Payable	21,300	1,000	Cash	64,500	
Bank O/D		6,400			
	<u>9,31,000</u>	<u>1,83,400</u>		<u>9,31,000</u>	<u>1,83,400</u>

22. From the Balance Sheets given below prepare a consolidated Balance Sheet of Moti Ltd. and its subsidiary company Choti Ltd. The interest of the minority shareholders is to be shown as a separate item. Shares were acquired on 1st Jan 2007.

*Balance sheets of Moti Ltd. as on 30<sup>th</sup> June 2007.*

Share Capital		Land and Buildings	12,00,000
15000 shares of Rs. 100 /- each	15,00,000	Plant and Machinery	2,00,000
General Reserve	2,00,000	Current Assets	5,80,000
Profit and Loss a/c	3,00,000	Investments (2000 shares of Rs. 100/- each in Choti Ltd)	2,70,000
Creditors	2,50,000		
	<u>22,50,000</u>		<u>22,50,000</u>

**Turn over**

*Balance Sheets of Choti Ltd as on 30<sup>th</sup> June 2007*

<i>Share Capital</i>		<i>Fixed Assets</i>	
3000 shares of Rs. 100 each	3,00,000	Buildings	2,00,000
Profit and Loss a/c		Machinery	2,00,000
Balance on 1 <sup>st</sup> July 2006 45000		Current Assets	1,00,000
Net profit for the year 60000	1,05,000		
Sundry Creditors	95,000		
	5,00,000		5,00,000

(3 × 5 = 15)