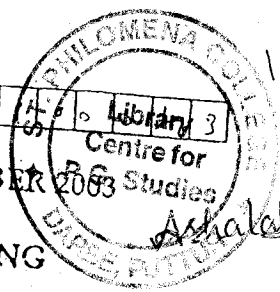


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FIRST SEMESTER M.Com DEGREE EXAMINATIONS, NOVEMBER 2003
PAPER 1.4 : ADVANCED FINANCIAL & COST ACCOUNTING
(FINANCIAL ACCOUNTING)

TIME : 3 HRS.

MAX. MARKS : 80

SECTION - A

(Note: Answer any FOUR questions. Each question carries 10 marks) (4X10=40)

1. Give a brief account of recent trends in corporate disclosure practices in India.
2. Define Goodwill. Explain the need for valuation of goodwill.
3. Explain the SEBI guidelines on creation of Debenture Redemption Reserve.
4. Explain the implications of the Accounting standard-14, issued by the ICAI, in respect of the accounting for the amalgamations in the nature of:
 - a) Merger and
 - b) Purchase

5. The following balances were extracted from the books of X Ltd., as on 30th June, 2003:-

1) 2,000,8% Redeemable Preference shares of Rs.100 each fully paid	2,00,000
Less calls-in- arrears at Rs.20 per share on 300 shares	6,000
	<u>194,000</u>
2) General Reserves	50,000
3) Capital Reserves	10,000

The Preference shares were redeemed on 1st July 2003 at a premium of Rs.5 per share. The company issued such further equity shares of Rs.10 each as were necessary for the purpose of redeeming the preference shares, which were fully subscribed and duly allotted.

Pass the Journal entries relating to the transactions pertaining to the redemption of preference shares.

6. A liquidator is entitled to receive remuneration of 2% on assets realized and 3% of the amount distributed among the unsecured creditors. The assets realized Rs.25,00,000 against which the payment was as follows:-

	Rs.
Liquidation Expenses	25,000
Preferential Creditors	75,000
Secured Creditors	10,00,000

Calculate the remuneration payable to the liquidator.

ended 31st March, 2002. During the year 2003, it earned a further profit of Rs. 3,00,000. It was that the following decisions be carried out:-

- | | |
|---|----------|
| a) Provision for tax | Rs. |
| b) Transfer to Dividend Equalisation A/C | 1,50,000 |
| c) Dividend on 8% preference shares of Rs. 2,00,000 | 20,000 |
| d) Dividend at 15% on 30,000 equity shares of Rs. 10 each fully paid. | |
| e) Transfer to General Reserves. Rs. 35,000 | |
| f) Corporate dividend tax @ 12% on the dividend. | |

Prepare the profit & Loss appropriation account. Give the general entries for the payment of dividend and dividend tax.

SECTION-B

(2X20=40)

(Note: Answer any TWO questions. Each question carries 20 marks)

8. On 31st March, 2001, the Balance Sheet of X Ltd was as follows:-

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital (5,000 Equity Shares of 100 each)	5,00,000	Land & Buildings	2,20,000
P&L A/c.	1,03,000	Plant & Machinery	95,000
Bank Overdraft	20,000	Inventory	3,50,000
Creditors	77,000	Sundry Debtors	1,55,000
Provision for Tax	45,000		
Proposed dividend	75,000		
	8,20,000		8,20,000

The net profits of the company, after deducting all working charges and providing for depreciation and taxation, were as under :-

Year ended 31 st March	Rs.
1997	5,000
1998	6,000
1999	90,000
2000	1,00,000
2001	95,000

On 31st March 2001, Land & Buildings were valued at Rs. 2,50,000 and Plant & Machinery at Rs. 1,50,000. In view of the nature of the business it is considered that 10% is a reasonable return on tangible capital.

Compute the value of company's shares taking into account the revised values of fixed assets and your own valuation of goodwill based on five years purchase of the super profits based on the average profit of last five years.

59200

69072

The following are the Balance Sheets of Sun Ltd., and Moon Ltd., as at 31st March 2002:-

Liabilities	Sun Ltd., (Rs.)	Moon Ltd., (Rs.)	Assets	Sun Ltd., (Rs.)	Moon Ltd., (Rs.)
Share Capital (shares of Rs.10 each)	1,50,000	1,20,000	Fixed Assets	1,40,000	75,000
Reserves	95,000	10,000	Stock	42,000	47,000
10% Debentures	—	20,000	Debtors	30,000	50,000
Trade Creditors	47,000	32,000	Bank	80,000	10,000
	<u>2,92,000</u>	<u>1,82,000</u>		<u>2,92,000</u>	<u>1,82,000</u>

Sun Ltd., agreed to absorb Moon Ltd., as on 31st March, 2002 on the following terms:-

- Sun Ltd., agreed to repay 10% Debentures of Moon Ltd.,
- Fixed assets of Sun Ltd., are to be revalued at Rs.1,95,000 ,
- Shares of both the companies are to be valued on net assets basis, after considering Rs.50,000 towards the value of goodwill of Moon Ltd.,
 - Calculate the ratio of exchange of shares
 - Give the Journal entries in the books of Sun Ltd,
 - Prepare the Balance Sheet of Sun Ltd., soon after absorption.

10. The following are the Balance Sheets of H Ltd., and S Ltd., as on 31st March 2000:-

Liabilities	H Ltd., (Rs. In Lakhs)	S Ltd., (Rs. In Lakhs)	Assets	H Ltd., (Rs. In Lakhs)	S Ltd., (Rs. In Lakhs)
Share Capital (Shares of Rs.1000 each)	10	7	Fixed Assets	10	12
General Reserves	3	4	Investments in S Ltd.,	5	—
P&L A/c	2	2	Current Assets	5	8
Current Liabilities	5	7			
	<u>20</u>	<u>20</u>		<u>20</u>	<u>20</u>

The following further information is supplied:-

- H Ltd., acquired 300 shares in S Ltd., on 1-4-99 when the balance of the G.R was Rs.6 Lakhs and that of the P&L A/c (Credit) was Rs. 3 Lakhs.
- On 1-9-1999, S Ltd., issued 2 shares for every five shares held as bonus shares at the face value of Rs.1000 per share. No entry is made in the books of H Ltd., for the receipt of these bonus shares.
- On 30.06.1999, S Ltd., declared a dividend of 20%, out of its pre-acquisition profits, on its then capital. H Ltd., credited the same to its P&L A/c.
- H Ltd., transferred a Plant to S Ltd., for Rs.2,00,000 , the book value of the same to H Ltd., was Rs.1,50,000.
- The Profit & Loss Account of H Ltd., for the year showed a balance of Rs.4,00,000. This, after deducting the opening balance (loss) of Rs.2,00,000 is shown in the Balance Sheet.

Prepare the Consolidated B/S as on 31-03-2000.

350 : 400

3:4

major
1
3
7

minor
4
7

120

360

120	360
120	360