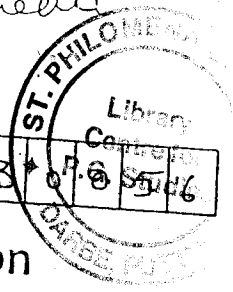


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Reg. No. 07153

**First Semester M.Com. Degree Examination
December 2007**

**Paper 1.4 : ADVANCED FINANCIAL AND COST ACCOUNTING
(Financial Accounting)**

Time : 3 Hours

Max.Marks: 80

**SECTION - A
(4x10=40 marks)**

Note : Answer any FOUR questions. Each question carries 10 marks.

1. Every Balance Sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of the financial year". Amplify the statement.
2. Write an explanatory note on corporate restructuring.
3. What do you mean by liquidation of a company? Describe the different modes of winding-up.
4. Discuss the different considerations for which the debentures may be issued.
5. The issued share capital of Alfa Limited consists 1,00,000 equity shares of Rs. 10 each fully paid up. The company offers to its shareholders shares on rights basis in the ratio of 1:1; the shares of Rs.10 each being offered at a premium of Rs. 10 per share. Half of the price was payable with the application and the balance was payable on allotment, distribution being as follows:

	With application	On allotment
	Rs.	Rs.
Share capital	5	5
Securities premium	5	5
	<u>10</u>	<u>10</u>

All the shareholders accepted the offer. One shareholder holding 300 shares paid the full offer price with his application. Another shareholder holding 200 shares failed to pay the allotment money and his shares were subsequently forfeited. Later the shares were reissued as fully paid up for Rs. 4,000 cash.

Journalise the abovementioned transactions.

6. The summarised balance sheet of BK Ltd. as at 31st March, 2001 is as follows:

Balance Sheet

Liabilities	Rs. in lakhs	Assets	Rs. in lakhs
30 lakh Equity Shares of Rs. 10 each fully paid up	300	Goodwill	70
10 lakh Equity Shares of Rs. 10 each, Rs. 8 paid up	80	Other Fixed Assets	450
Reserves	180	Current Assets	220
11% Debentures	100	Preliminary Expenses	10
Current Liabilities	90		
	<u>750</u>		<u>750</u>

The goodwill is independently valued at Rs. 50 lakh and other fixed assets at Rs. 420 lakhs. There was a contingent liability of Rs. 20 lakh which has become payable. Determine the value of both the shares under net assets method.

7. The following is the Balance Sheet of X Ltd. as on 31st March, 2000:

	Rs.		Rs.
Authorised & Subscribed Capital:		Land & Buildings	1,90,000
20,000 14% Redeemable Preference Shares of Rs. 10 each	2,00,000	Plant & Machinery	1,20,000
10,000 Equity shares of Rs. 10 each, Rs. 9 paid	90,000	Patents	10,000
10,000 Equity shares of Rs. 10 each, Rs. 5 paid	50,000	Investments	40,000
14% Mortgage Debentures (holding a floating charge on all the assets of the Company)	1,00,000	Stock	45,000
Interest Outstanding on the Debentures	14,000	Sundry Debtors	90,000
Loan secured by hypothecation of stock	40,000	Cash at bank	35,000
Trade creditors	72,000	Profit and Loss account	65,500
Creditors for salaries and wages	15,000		
Liability for workmen's compensation	2,000		
Owing to Government for Telephone and purchases	2,500		
Owing to Government for taxes	10,000		
	<u>5,95,500</u>		<u>5,95,500</u>

Contd... 3

The company went into voluntary liquidation on 1st April, 2000 and a liquidator was appointed with a remuneration of 2 per cent of assets realised with the exception of cash and 2 per cent of the amount distributed among unsecured creditors other than preferential creditors. The dividend of preference shares was not paid for 1999-2000. Stock realised Rs. 30,000 and the other assets excluding cash realised Rs. 4,00,000. All assets were realised and payments made on September 30, 2000. Prepare the Liquidator's Final Statement of Account, assuming the expenses of liquidation were Rs. 5,610.

SECTION - B (2x20=40)

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

8. The balance sheets of Big Ltd. and small Ltd. as on 31st March, 2000, stood as follows:

Liabilities	Big Ltd. Rs.	Small Ltd. Rs.	Assets	Big Ltd. Rs.	Small Ltd. Rs.
Authorised Share Capital Issued and Subscribed	30,00,000	10,00,000	Goodwill	80,000	15,000
Share capital :			Machinery	9,10,000	2,85,000
Equity Shares of Rs. 10 each, fully paid	10,00,000	4,00,000	Furniture	92,500	60,000
Securities Premium	1,00,000		Investments	75,000	24,000
Exports Projects Reserve	17,000	8,000	Stock	2,61,000	1,01,800
Investments			Debtors	93,630	62,310
Fluctuation Reserve	8,000	3,000	Cash at bank	53,320	32,230
General Reserve	2,50,000	1,00,000	Cost of issue of shares		6,000
Profit and Loss Account	48,800	23,500			
Sundry Creditors	83,650	32,840			
Provision for Taxation	43,000	13,000			
Staff Provident Fund	15,000	6,000			
	15,65,450	5,86,340		15,65,450	5,86,340

Small Ltd. merged into Big Ltd. as on the above mentioned date. Big Ltd. allotted at par 44,000 fully paid equity shares of Rs. 10 each to be distributed among the shareholders of small Ltd. Expenses which amounted to Rs. 7,000 were borne by Big Ltd. You are required to:

- Prepare important ledger accounts to close the books of Small Ltd.,
- Pass the journal entries in the books of Big Ltd.; and
- Draw the balance sheet of Big Ltd. after the merger.

9. Following are the balance sheets of H Ltd. and S Ltd. as at March 31, 2001:

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital :			Goodwill	40,000	30,000
Shares of Rs.100 each	5,00,000	2,00,000	Other Fixed Assets	3,60,000	2,20,000
General Reserve as on 1st April, 2000.	1,00,000	60,000	Stock	1,00,000	90,000
Profit and Loss Account	1,40,000	90,000	1,500 shares in S Ltd., at cost	2,40,000	-
Bills Payable	-	40,000	Debtors	20,000	75,000
Creditors	80,000	50,000	Cash at Bank	60,000	25,000
	8,20,000	4,40,000		8,20,000	4,40,000

The Profit and Loss Account of S Ltd. showed a balance of Rs. 53,300 on 1st April, 2000. A dividend of 15 per cent was paid on 15th October, 2000 for the year 1999-2000. Corporate Dividend tax @ 11% was also paid on the dividend paid. The dividend was credited by H Ltd. to its Profit and Loss Account. H Ltd. acquired the shares on 1st October, 2000, The bills payable of S Ltd. were all issued in favour of H Ltd. which company got the bills discounted. Included in the creditors of S Ltd. is Rs. 20,000 for goods supplied by H Ltd. The stock of S Ltd. includes goods to the value of Rs. 8,000 which were supplied by H Ltd. at a profit of 33 1/3% on cost.

Prepare consolidated balance sheet of H Ltd. as on 31st March, 2001.

10. The following balances appeared in the books of Bright Ltd. as on 31st March, 2001

	Debit	Credit
	Rs.	Rs.
Equity Shares of Rs. 10 each, fully paid up		6,00,000
General reserve		2,30,000
Unclaimed dividend		526
Trade creditors		42,858
Buildings (at cost)	2,50,000	
Purchases	5,00,903	
Sales		10,83,947
Manufacturing expenses	3,50,000	
Establishment charges	26,814	
General charges	31,078	
Machinery (at cost)	2,30,000	

Contd... 5

Furniture (at cost)	35,000	
Opening stock	1,72,058	
Book debts	1,02,380	
Investments	2,88,950	
Provision for depreciation on fixed assets		91,000
Advance payment of income-tax	50,000	
Cash at bank	72,240	
Director's fees	1,800	
Interest on investments		8,544
Profit and loss account (1.4.2000)		16,848
Staff provident fund		37,500
	<u>21,11,223</u>	<u>21,11,223</u>

From the abovementioned balances and the following information prepare the company's balance sheet as on 31st March, 2001 and its profit and loss account for the year ended on that date.

- i) The stock on 31st March, 2001 was valued at Rs. 1,48,680.
- ii) Provide Rs. 29,000 for depreciation of fixed assets and Rs. 8,000 for managing director's remuneration
- iii) Interest accrued on investments amounted to Rs. 2,750.
- iv) Make a provision of Rs. 50,000 for income-tax.
- v) The directors propose a dividend @ 8% after transfer of Rs. 25,000 to general reserve. Also provide for dividend tax @ 10% of the proposed dividend.

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