

**M. COM. SEM - I (CHOICE BASED CREDIT SYSTEM) (2012  
COURSE) : SUMMER - 2018  
SUBJECT : ELECTIVE –A GROUPS : ADVANCED ACCOUNTING – I**

Day : **Monday**  
Date : **16/04/2018**

**S-2018-0359**

Time : **03.00 PM TO 06.00 PM**  
Max. Marks : 60

**N.B.**

- 1) All questions are **COMPULSORY**.
- 2) Figures to the right indicate **FULL** marks.
- 3) Use of non-programmable **CALCULATOR** is allowed.

**Q.1** A Ltd. agreed to acquire the business of K Ltd. as on 31<sup>st</sup> March 2017. The (16)  
summarized Balance Sheet of K Ltd. on that date was as under.

**Balance Sheet of K Ltd. as on 31<sup>st</sup> March, 2017**

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>		Goodwill	50,000
Fully paid shares of ₹ 10 each	3,00,000		
General Reserve	80,000	Land, Building and Machinery	3,20,000
Workmen's Compensation Fund	5,000	Stok-in-trade	84,000
Profit and Loss A/c	55,000	Debtors	18,000
6% Debentures	50,000	Cash and Bank Balance	28,000
Creditors	10,000		
	<b>5,00,000</b>		<b>5,00,000</b>

The consideration payable by A Ltd. was agreed as under:

1. Cash payment equivalent to Rs. 2.50 for every share of ₹ 10 in K Ltd.
2. Issue of 45,000 ₹ 10 shares fully paid, in A Ltd. having an agreed value of ₹ 15 per share.
3. Issue of such an amount of fully paid 5% Debentures of A Ltd. at 96% as is sufficient to discharge the 6% Debentures of K Ltd. at a premium of 20%.

While arriving at the agreed consideration, the directors of A. Ltd. valued Land, Building and Machinery at ₹ 6,00,000 the Stock-in-trade at ₹ 71,000 and the debtors at their book value subject to an allowance of 5% to cover doubtful debts. The cost of liquidation of K Ltd. was ₹ 2,500.

On the date of acquisition, K Ltd. had a liability towards a workman for compensation against an injury. The amount was ascertained at ₹ 3,000. The company paid the compensation in cash to worker.

A Ltd. also issued to the public 5,000 shares of ₹ 10 each at ₹15 per share. The shares were fully subscribed and paid for.

You are required to prepare the ledger accounts in the book of K Ltd. Also pass the opening journal entries in the books of A Ltd.

**OR**

- a) Explain the concept of Generally Accepted Accounting Principles (GAAP) (08)
- b) What are the advantages of setting accounting standard? (08)

P.T.O.

**Q.2** The following are the Balance Sheets of A Ltd. and B Ltd. as on 31<sup>st</sup> March 2017. (16)

**Balance Sheet of A Ltd. as on 31<sup>st</sup> March, 2017**

Liabilities	₹	Assets	₹
<b>Share Capital:</b> 5,000 equity shares of ₹ 10 each, fully paid up	50,000	Buildings	15,000
General Reserve	10,000	Machinery	55,000
Insurance Fund	7,000	Stock	8,000
Profit and Loss A/c	3,000	Debtors	7,000
10% Debentures of ₹100 each	10,000	Cash	1,500
Trade Creditors	5,000		
Employees Provident Fund	1,500		
	<b>86,500</b>		<b>86,500</b>

**Balance Sheet of B Ltd. as on 31<sup>st</sup> March, 2017**

Liabilities	₹	Assets	₹
<b>Share Capital:</b> 3,000 equity shares of ₹ 10 each	30,000	Machinery	25,000
Trade Creditors	3,000	Stock	4,000
Workmen's profit sharing fund	1,000	Debtors	5,000
		Less: RDD	<u>- 500</u>
			4,500
		Cash	500
	<b>34,000</b>		<b>34,000</b>

The two companies agreed to amalgamate and form a new company called C Ltd. with an authorized capital of ₹ 2,00,000 in ₹ 10 shares which takes over the assets and liabilities of both the companies on 1<sup>st</sup> April 2017.

The assets of A Ltd. are taken over at a reduced valuation of 10% with exception of buildings which are accepted at book value.

Both the companies are to receive 5% of the net valuation of their respective business as goodwill. The entire purchase price is to be paid by C Ltd. in fully paid equity share of ₹ 10 each.

Give journal entries to close the books of A Ltd. and B Ltd. Make opening entries in the books of C Ltd. Also prepare the opening Balance Sheet of C Ltd. as on 1<sup>st</sup> April 2017.

**OR**

- a) What is 'External Reconstruction of the Company'? How the purchase consideration is determined? (08)
- b) What are the various elements of financial statement? (08)

**Q.3** The following are the summarized Balance Sheets of a company as on (16) December 2016 and 2017.

<b>Liabilities</b>	<b>2016 ₹</b>	<b>2017 ₹</b>	<b>Assets</b>	<b>2016 ₹</b>	<b>2017 ₹</b>
Share Capital	2,00,000	2,50,000	Land and Buildings	2,00,000	1,90,000
General Reserve	50,000	60,000	Machinery	1,50,000	1,69,000
Profit and Loss	30,500	30,600	Stock	1,00,000	74,000
Bank Loan (Long term)	70,000	-	Sundry Debtors	80,000	64,200
Sundry Creditors	1,50,000	1,35,200	Cash	500	600
Provision for taxation	30,000	35,000	Bank	-	8,000
			Goodwill	-	5,000
	<b>5,30,500</b>	<b>5,10,800</b>		<b>5,30,500</b>	<b>5,10,800</b>

**Additional Information:**

1. Dividend of ₹ 23,000 was paid.
  2. Assets of another company were purchased for a consideration of ₹ 50,000 payable in shares.  
The following assets were purchased: Stock ₹ 20,000, Machinery ₹ 25,000.
  3. Machinery was further purchased for ₹ 8,000.
  4. Depreciation written off on machinery ₹ 12,000.
  5. Income tax provided during the year ₹ 33,000.
  6. Loss on sale of machinery ₹ 200 was written off to General Reserve.
- You are required to prepare a Cash Flow Statement.

**OR**

- a) What is meant by Cash Flow Statement? What are the main points of difference between Cash Flow Statement and Fund Flow Statement? **(08)**
- b) What are the objectives of Inflation Accounting? **(08)**

**Q.4** Write short notes on any **THREE** of the following: **(12)**

- a) Current Cost Accounting
- b) Selection of Accounting Principles
- c) Inflation Accounting
- d) Professional Development of Accounting in India
- e) Purchase Consideration

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