

**S.D.E.**  
**M. COM. PART-I : SUMMER - 2018**  
**SUBJECT : ADVANCED ACCOUNTING – I**

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

**S-2018-4196**

Time : **3.00 P.M. TO 6.00 P.M.**  
Max. Marks : 80

**N.B.:**

- 1) All questions are **COMPULSORY**.
- 2) Figures to the right indicate **FULL** marks.
- 3) Answer to both the sections should be written in the **SAME** answer book.

**SECTION – I**

**Q.1** The following are the Balance Sheet as on 31.03.2016 of A Ltd., and B Ltd. **[16]**

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity Share Capital (Rs. 100 per Share)	10,00,000	6,00,000	Land and Buildings	3,00,000	---
6% Debenture of Rs. 10 each	2,00,000	--	Plant and Machinery	11,00,000	5,00,000
Reserve Fund	3,40,000	--	Stock	1,60,000	80,000
Dividend Equalization fund	30,000	--	Debtors	1,40,000	90,000
Employees Provident Fund	40,000	--	Cash	30,000	10,000
Trade Creditors	1,00,000	80,000			
Profit and Loss A/c	20,000	--			
<b>Total</b>	<b>17,30,000</b>	<b>6,80,000</b>	<b>Total</b>	<b>17,30,000</b>	<b>6,80,000</b>

The two companies agree to amalgamate and form a new company called C Ltd., which takes over the assets and liabilities of both the companies. The authorized capital C Ltd., is Rs. 100,00,000 consisting of 10,00,000 Equity Shares of Rs. 10 each.

The assets of A Ltd., are taken over at reduced valuation of 10% with exception of Land and Building which are accepted at book value.

Both companies are to receive 10% of the net valuation of their respective business as Goodwill. The entire purchase price is to be paid by C Ltd., in its fully paid shares. In return for debenture in A Ltd., debentures of the same amount and denomination are to be issued by C Ltd.

Pass the journal entries in the books of A Ltd., and B Ltd., and show the opening Balance sheet of C Ltd.

**OR**

- a) What is Accounting Standard? What are the advantages of setting Accounting standard? **[08]**
- b) Why the Current Cost Accounting is useful in Inflation Accounting? **[08]**

**P.T.O.**

- Q.2** Following are the summarized balance sheets of XYZ Ltd., as on 31<sup>st</sup> March, 2015 and 31<sup>st</sup> March, 2016. [16]

Liabilities	31.03.2015	31.03.2016	Assets	31.03.2015	31.03.2016
Share Capital	3,00,000	3,50,000	Land and Building	3,00,000	2,90,000
Profit and Loss A/c	80,500	90,600	Plant and Machinery	1,50,000	1,69,000
Bank loan	70,000	---	Stock	1,00,000	74,000
Sundry Creditors	1,50,000	1,35,200	Sundry Debtors	80,000	64,200
Provision for Taxation	30,000	35,000	Cash	500	600
			Bank	--	8,000
			Goodwill	--	5,000
<b>Total</b>	<b>6,30,500</b>	<b>6,10,800</b>	<b>Total</b>	<b>6,30,500</b>	<b>6,10,800</b>

**Additional Information:**

During the year ended 31<sup>st</sup> March, 2016.

- Dividend of Rs. 20,000 was paid.
- The following assets of another company were purchased for a consideration of Rs. 50,000 paid for in shares.  
Stock Rs. 20,000/- and Machinery Rs. 25,000/-.
- Machinery was purchased for Rs. 8,000/-.
- Depreciation written off:  
Building Rs. 10,000/- and Machinery Rs. 14,000/-.
- Income tax paid during the year Rs. 28,000/-.

You are required to prepare a cash flow statement.

**OR**

Write short notes on:

- Distinction between Absorption and External Reconstruction of the company.
- Limitations of Historical Accounting.

**SECTION – II**

- Q.3** The following is the Balance Sheet of A Ltd., B Ltd., and C Ltd., as on 31.03.2016 [16]

Liabilities	A Ltd.	B Ltd.	C Ltd.
Share capital(Shares of Rs. 100 each)	10,00,000	5,00,000	2,00,000
General Reserve	2,00,000	35,000	---
Profit and Loss A/c	1,70,000	1,20,000	---
Liabilities	1,60,000	3,75,000	1,40,000
<b>Total</b>	<b>15,30,000</b>	<b>10,30,000</b>	<b>3,40,000</b>
<b>Assets:</b>	<b>A Ltd.</b>	<b>B Ltd.</b>	<b>C Ltd.</b>
Investments			
4,000 Shares in B Ltd.	6,00,000	---	---
500 shares in C Ltd.	25,000	---	---
1500 Shares in C Ltd.	---	90,000	----
Profit and Loss A/c	---	---	80,000
Other Assets	9,05,000	9,40,000	2,60,000
<b>Total</b>	<b>15,30,000</b>	<b>10,30,000</b>	<b>3,40,000</b>

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The following information is available:

- a) A Ltd., acquired its investment in B Ltd., on 1<sup>st</sup> April, 2015 on which date the amount standing to the credit of General Reserve and Profit and Loss A/c in B Ltd., was Rs. 35,000 and Rs. 65,000 respectively.
  - b) A Ltd., and B Ltd., acquired its investments in C Ltd., on the same date, when the debit balance in the P & L A/c in C Ltd., books was Rs. 40,000.
  - c) Included in A Ltd's liabilities are Rs. 60,000 due to C Ltd.
  - d) B Ltd., had advanced to C Ltd., Rs. 1,00,000.
  - e) Neither B Ltd., nor C Ltd., had paid any dividends.
  - f) Included in B Ltd assets are stock valued at Rs. 60,000 which were invoiced by A Ltd., at a price which was 20% above cost.
- You are required to prepare a consolidated Balance Sheet as on 31<sup>st</sup> March, 2016 showing your workings.

OR

Explain in brief the Accounting Policies followed by mutual funds for the preparation of the Accounts.

**Q.4** The Balance Sheet of Ashoka Ltd., as on 31.03.2016 is as follows:

[16]

**Balance Sheet as on 31.03.2016**

Liabilities	Rs.	Assets	Rs.
Issued and Subscribed Capital:		Goodwill	1,41,000
1,50,000 Equity Shares of Rs. 10 each fully paid	15,00,000	Patents	60,000
10,000 preference share of Rs. 100 each fully paid	10,00,000	Land and Building	9,00,000
Sundry Creditors	2,00,000	Plant and Machinery	8,00,000
Bank Overdraft	5,00,000	Stock-in-Trade	2,96,000
		Sundry Debtors	5,03,000
		Profit and Loss A/c	5,00,000
<b>Total</b>	<b>32,00,000</b>	<b>Total</b>	<b>32,00,000</b>

Note: dividend on Preference Shares are in arrear for three years.

The company passed a special resolution to reduce its capital in accordance with the following scheme and the same is duly sanctioned by the court:

- a) The Preference Shares are to be reduced to Rs. 75 each and Equity Shares to Rs. 5 each, both being fully paid.
- b) The arrears of dividend on Preference Shares are to be cancelled.
- c) The debit balance on the P & L A/c and Goodwill Account are to be written off entirely.
- d) Land and Building and Plant and Machinery are to be revalued at 85% and 80% of their respective book values.
- e) Book debts worth Rs. 24,000 known to be bad, are to be written off.
- f) The balance on total Capital Reduction Account is to be utilized in writing down patents.
- g) A secured loan of Rs. 8,00,000 bearing interest at 4% p.a. is to be obtained by mortgaging tangible fixed assets for procuring cash for repayment of Bank Overdraft and for providing additional funds for working capital.

Pass journal entries giving effect to the above scheme and prepare a revised Balance Sheet of the company on this basis.

OR

What is the Liquidation of the Company? How the statement of affairs is prepared by the Liquidator?

**Q.5** Write short notes on **ANY TWO** of the following:

[16]

- a) Voluntary winding up of the company
- b) Capital Profit and Revenue Profit
- c) Advantages of Vertical Financial Statements
- d) Annual Reporting of the Company

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