

M. COM. PART-I : WINTER - 2017

SUBJECT : SPECIAL GROUP – A : ADVANCED ACCOUNTING – I

Day : Friday
Date : 27/10/2017

W-2017-4005

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) Use of non-programmable **CALCULATOR** is allowed.
- 4) Both the sections should be written in the **SAME** answer book.

Q.1 X Ltd. agreed to acquire the business of Y Ltd. as on 31st March 2017. The Balance Sheet of Popular Ltd. as on that date was as follows: (16)

Balance Sheet of Popular Ltd. as on 31st March 2017

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	
A) Authorised Capital		Goodwill	1,00,000
• 60,000 Equity shares of Rs. 10 each	6,00,000	Land and Buildings	3,00,000
B) Issued Subscribed and Paid up Capital		Plant and Machinery	3,40,000
• 60,000 Equity shares of Rs. 10 each	6,00,000	Current Assets, Loans and Advances:	
Reserves and Surplus		Current Assets:	
General Reserve	1,70,000	Stock	1,68,000
Profit and Loss	1,10,000	Sundry Debtors	36,000
Secured Loan :		Cash in Hand	6,000
6% Debentures	1,00,000	Cash at Bank	50,000
Current Liabilities and Provisions:			
Sundry Creditors	20,000		
	10,00,000		10,00,000

The consideration payable by X Ltd., was agreed as follows:

- a) A cash payment of Rs. 2.50 per share in Y Ltd.
- b) The issue of 90,000 Rs. 10 Equity Shares in X Ltd., having an agreed value of Rs. 15 per share.
- c) The issue of such an amount of fully paid 8% debentures of the X Ltd., at 96% as is sufficient to discharge the 6% debentures of Y Ltd. at a premium of 20%.

While computing the agreed consideration the directors of X Ltd., valued Land and Buildings at Rs. 6,00,000; Plant and Machinery at Rs. 6,00,000; Stock at Rs. 1,42,000 and Debtors at their face value subject to a reserve of 5% to cover doubtful debts. The cost of liquidation of Y Ltd. came to Rs. 5,000.

Show the necessary ledger accounts in the books of Y Ltd. and draft journal entries required in the books of X Ltd. Show the details of purchase consideration.

OR

- a) What do you mean by Amalgamation and Absorption of the Company? (08)
What are the different modes of payment of purchase consideration?
- b) Explain the concept of Accounting Standard. State the advantages of accounting standards. (08)

P.T.O.

Q.2 From the following Balance Sheets of Asha Ltd. prepare a Cash Flow Statement. (16)

Balance Sheet as on 31st March 2017

(Amount in Rs.)

Liabilities	2016	2017	Assets	2016	2017
Equity Share Capital	3,00,000	4,00,000	Fixed Assets	4,00,000	5,50,000
Profit and Loss A/c	85,000	1,10,000	Stock	2,00,000	2,25,000
Bank Loan	1,00,000	75,000	Debtors	2,10,000	1,90,000
Accumulated Depreciation	80,000	1,35,000	Bills Receivables	80,000	1,10,000
Creditors	3,10,000	2,95,000	Bank	30,000	-
Proposed Dividend	45,000	60,000			
	9,20,000	10,75,000		9,20,000	10,75,000

Additional Information:

A piece of machinery costing Rs. 60,000 on which accumulated depreciation was Rs. 15,000 was sold for Rs.30,000.

OR

- a) Explain the concept of accounting theory and explain its role. (08)
 b) Define Revenue Recognition (ASG). (08)

Q.3 The following are the Balance Sheet of A Ltd., B Ltd and C Ltd. as on 31st March 2017.

(Amount in Rs.)

Liabilities	A Ltd.	B Ltd.	C Ltd.	Assets	A Ltd.	B Ltd.	C Ltd.
Equity Shares of Rs.100 each	5,00,000	2,50,000	1,00,000	Fixed Assets at cost	4,00,000	2,10,000	45,000
				Less: Depreciation up to date	<u>80,000</u>	<u>50,000</u>	<u>15,000</u>
					<u>3,20,000</u>	<u>1,60,000</u>	<u>30,000</u>
Capital Reserve	50,000	15,000	10,000	Shares in B Ltd at cost	4,50,000		
Revenue Reserve	1,00,000	75,000	60,000	Shares in C Ltd at cost	50,000	1,00,000	-
Sundry Creditors	2,00,000	1,00,000	30,000	Stock	60,000	90,000	70,000
Income Tax Proposed	50,000	35,000	30,000	Debtors	1,00,000	1,30,00	1,35,000
Dividend	1,00,000	25,000	20,000	Bank Balance	20,000	20,000	15,000
	10,00,000	5,00,000	2,50,000		10,00,000	5,00,000	2,50,000

From the following further information, prepare Consolidated Balance Sheet of A Ltd. and its subsidiaries as on 31st March 2017 together with consolidation schedules.

- i) B Ltd. acquired 600 shares in C Ltd. on 1st April, 2015 when the balance on capital reserve had been Rs. 10,000 and revenue reserves Rs. 15,000.
 ii) A Ltd., purchased 2,000 shares in B Ltd. on 1st April, 2016, when the latter's balance on consolidated Revenue Reserve had been Rs. 55,000. The balance on Capital Reserve in B Ltd., at that time was Rs. 15,000.
 iii) A Ltd. also acquired 300 shares in C Ltd. on 1st April, 2016 when the balance on Capital Reserve had been Rs. 10,000 and Revenue Reserve Rs. 35,000.
 iv) Proposed dividends from subsidiary companies have been included in the figure for debtors in the accounts of parent companies.

OR

Explain the following concepts with reference to the accounts of Holding Company.

- a) Inter Company Unrealised Profit
- b) Minority Interest

Q.4 The Balance Sheet of A Ltd., Pune as on 31st March 2017 was as follows:

Balance Sheet as on 31st March 2017

Liabilities	Rs.	Assets	Rs.
Share Capital:		Patents and Copyrights (at Cost)	1,00,000
A) Authorised and Subscribed Capital		Other Sundry Fixed Assets	6,00,000
8,000 Equity Shares of Rs.100 each fully paid	8,00,000		
2,000 8% Debentures of Rs. 100 each 2,00,000		Profit and Loss	4,16,000
Add : Outstanding Interest(+) 16,000	<u>2,16,000</u>		
Sundry Creditors	72,000		1,10,000
Provisions for Income Tax	28,000		-
	11,16,000		11,16,000

It was decided to reconstruct the company and the following scheme was approved by the court.

- a) Each equity share be sub-divided into fully paid equity shares of Rs.10 each.
- b) After sub-division, each shareholder shall surrender 50% of his holding to the company.
- c) Out of the surrendered shares, 5,400 shares of Rs. 10 each shall be converted into Preference Shares of Rs. 100 each fully paid.
- d) The claim of the Debentureholders shall be reduced by 75% and in consideration thereof the Debentureholders shall receive preference shares to the value of 25% upon their claims.
- e) Creditors claim shall be reduced to 50% and to be settled by issue of Equity Shares of Rs.10 each, out of the shares surrendered.
- f) Patents and Copyrights having no realizable value, be completely written off along with the Profit and Loss Account debit balance.
- g) The Shares surrendered but not re-issued shall be cancelled.

Pass the necessary journal entries and also prepare a revised Balance Sheet as on 31st March, 2017.

OR

- a) What do you mean by liquidation of the company? What are the grounds for voluntary winding up? (08)
- b) What is 'Reduction Capital'? Explain the procedure for preparing the scheme of internal reconstruction of the company. (08)

Q.5 Write short notes on any **TWO** of the following: (16)

- a) Preferential Payment in Liquidation of the Company
- b) Difference between Internal Reconstruction and External Reconstruction
- c) Capital Profit and Revenue Profit
- d) Current Cost Accounting

* * *