

**SECOND YEAR EXAMINATIONS IN BACHELOR OF COMMERCE (EXTERNAL) –
2007 / 2008 HELD IN AUGUST – 2008**

COM 21 – ADVANCED FINANCIAL ACCOUNTING

Answer all questions.

Time allowed: Three Hours

01. The summarized balance Sheets of A Ltd and B Ltd are as follows.

Balance Sheets as on 31st March 2007

<u>Share Capital and Liabilities:</u>	<u>A Ltd</u>	<u>B Ltd</u>
Equity Shares	600,000	400,000
6 % Preference Shares	---	100,000
General Reserves	160,000	80,000
Profit and Loss Account	20,000	25,000
Bills Payable	130,000	120,000
Creditors	230,000	285,000
Proposed Dividend.	<u>60,000</u>	<u>40,000</u>
	<u>1200,000</u>	<u>1050,000</u>
<u>Assets:</u>		
Goodwill	--	20,000
Fixed Assets	350,000	250,000
Investment	360,000	90,000
Stock	220,000	360,000
Debtors	210,000	250,000
Bills Receivable	40,000	35,000
Cash	<u>20,000</u>	<u>45,000</u>
	<u>1200,000</u>	<u>1050,000</u>

A Ltd purchased interest in B Ltd by acquiring 3/4th equity share capital at a premium of 20% on 1st April, 2006. Prepare a consolidated Balance Sheet in the books of A Ltd as on 31st March, 2007. The following further information is to be taken into account:

(I). Profit and loss account of B Ltd includes an amount of Rs. 20,000 brought forward from the year ended 31st March 2006.

(II). Creditors of A Ltd include an amount of Rs. 12,000 for purchases from B Ltd, which are still unsold. B Ltd. sells goods at 20% above cost.

(III). The Directors of A Ltd and B Ltd have proposed a dividend of 10% on equity share capital 31st March 2007.

(IV). Bills receivable worth Rs. 20,000 of A Ltd are accepted by B Ltd.

(25 Marks)

02. A Ltd and B Ltd were amalgamated on and from 1st April, 2007. A new company C Ltd was formed to take over the business of the existing companies. The Balance Sheets of A Ltd and B Ltd as on 31st March, 2007 are given below.

			<i>(Rs. In lakhs)</i>		
<u>Share Capital & Liabilities:</u>	A Ltd	B Ltd	<u>Assets:</u>	A Ltd	B Ltd
Share Capital:			Fixed Assets:		
Equity Shares of Rs. 100 each	800	750	Land & Building	550	400
12% preference shares of Rs. 100 each	300	200	Plant & Machinery	350	250
			Investment	150	50
Reserves & Surplus:			Current Assets:		
Revaluation Reserves	150	100	Inventory	350	250
General Reserves	170	150	Debtors	250	300
P & L Account	100	80	Bills Receivables	50	50
			Cash & Bank	300	200
Secured Loans:					
10% Debentures Rs. 100 each	60	30			
Current Liabilities:					
Sundry Creditors	270	120			
Bills Payable	<u>150</u>	<u>70</u>			
	<u>2000</u>	<u>1500</u>		<u>2000</u>	<u>1500</u>

Additional Information:

- 10% Debenture holders of A Ltd and B Ltd are discharged by C Ltd issuing such number of its 15% Debentures of Rs. 100 each so as to maintain the same amount of interest.
- Preference share holders of the two companies are issued equivalent number of 15% preference shares of C Ltd at a price of Rs. 150 per share (face value Rs. 100).
- C Ltd will issue 5 equity share for each equity share of A Ltd and 4 equity shares for each equity share of B Ltd. The shares are to be issued at Rs. 30 each, having a face value of Rs. 10 per share.

Prepare the Balance Sheet of C Ltd as on 1st April, 2007 after the amalgamation has been carried out on the basis of Amalgamation in the nature of purchase.

(15 Marks)

- The balance Sheet of Jaya Ltd as at 31st March 2007 is as follows.

	Rs.	Rs.
Fixed Assets:		
Land & Building		300,000
Plant & Machinery		600,000
Trade name		80,000
Current Assets:		
Inventory	210,000	
Debtors	320,000	
Cash at Bank	251,000	
P & L Account	<u>267,000</u>	
	<u>1048,000</u>	

Current Liabilities:

Sundry Creditors	390,000	
Interest Payable	<u>38,000</u>	
	<u>428,000</u>	620,000

Secured Loans:

14% Debentures (secured on all assets)		<u>(300,000)</u>
		<u>1300,000</u>

Share Capital:

5000 14% Preference Shares of Rs. 100 each		500,000
3000 Equity shares of each Rs. 100 Rs. 75 paid up		225,000
11500 equity shares of each Rs. 100 Rs. 50 paid up		<u>575,000</u>
		<u>1300,000</u>

The company went into liquidation on the above date.

Additional information is given as follows.

(I). The preference dividends were in arrears for two years. This areas are payable automatically on liquidation. Creditors include a loan for Rs. 100,000 on the mortgage of Land and Building.

(II). The assts are realized as follows:

	Rs.
Land and Building	340,000
Plant and Machinery	500,000
Patents	60,000
Stock	220,000
Debtors	260,000

(III). The expenses on liquidation to Rs. 31,8000.

(IV). The liquidator is entitled to a commission at 3% on all assets realized except cash and 2% on amount distributed to unsecured creditors. Preferential creditors amount to Rs. 25,000.

(V). All payments were made on June 30th 2007.

Prepare Liquidator's statement of Account

(15 Marks)

04. Good Luck Ltd carried on a manufacturing business. It exported some of its products through an overseas branch whose currency is Dirham. The branch carries out the final assembly operations before selling the goods. The Trial Balance of the Head office and Branch as on 30th June 2007 were as under:

Particulars	Head Office		Branch	
	Dr. Rs.	Cr. Rs.	Dr. Dirham	Cr. Dirham
Freehold Building at cost	14,000		63,000	
Debtors/Creditors	8,900	9,500	36,000	1,560
Sales		104,000		432,000
Issued Share Capital		40,000		
Components sent to Branch		35,000		
Head office/Branch	60,100			504,260
Branch Cost of Sales			360,000	

Provisions for Depreciation on Machinery		1,500		56,700
Head office cost of sales (including goods sent to Branch)	59,000			
Administrative cost	15,200		18,000	
Stock on 30 th June 2005	28,900		11,520	
Profit & Loss Account		2,000		
Machinery at cost	6,000		126,000	
Remittances		28,000	272,000	
Cash at Bank	4,600		79,200	
Selling & distribution cost	23,300		28,800	
	<u>220,000</u>	<u>220,000</u>	<u>994,520</u>	<u>994,520</u>

Following adjustments are to be made:

- i. The cost of sales figure includes a depreciation charge of 10% per annum on the cost of machinery.
- ii. A provision of Rs. 300 for unrealized profits in the Branch stock to be made.
- iii. On 26th June 2007, the Branch remitted 16,000 Dirham. This amount was received by the Head Office on 14th July 2007 and realized Rs. 1990.
- iv. During May 2007, a customer of the Branch by mistake paid the Head Office for goods supplied by the Branch. The amount due from him was Dirham 320 which realized Rs. 36. It has been correctly dealt with by Head Office but not yet entered in the Branch Book.
- v. Provide commission at 5 per cent on the net profits of the branch after charging such commission which is payable to the Branch Manager.
- vi. The exchange rates were:

a. At 01 st July 2006	10 Dirham = 1 Rupee
b. At 30 th June 2007	08 Dirham = 1 Rupee
c. Average rate for the year	09 dirham = 1 Rupee
d. On date of Purchase of Building and Machinery	07 Dirham = 1 Rupee

You are required to prepare:

- (a) Branch Trial Balance (after above adjustments) in Head Office. currency.
- (b) Detailed Trading & Profit and Loss Account of H.O. and Branch for the year ending 30th June 2007 in columnar form.
- (c) Balance Sheet as at 30th June 2007 (Combined figures of Head Office and the Branch).
(35 Marks)

05. Distinguish

- (a). Higher Purchase Agreement from Credit Sales.
- (b). Trade Liabilities from Liabilities

(10 Marks)
