



M.Com (ABST)
Final Year
Advanced Accounting
Model Paper - I

Max. Marks: - 100

Durations: - 3 Hrs.

Attempt all the questions. All Questions are compulsory, each question carry 20 marks.

Q. 1 The following are the balances on 31st March, 2016 in the books of Damodar Valley Water Works Limited :

Equity Shares	21,96,000	Land on April 1, 2015	6,00,000
Debentures	8,00,000	Land Expended during the year	20,000
Sundry Creditors	4,000	Machinery on April 1, 2015	24,00,000
Depreciation Fund	9,20,000	Machinery Expended during the year	20,000
Recipst from water supplied	5,20,000	Mains on April 1, 2015	8,00,000
Rent of Meters	20,000	Mains Expended during the year	2,04,000
Balance of Net Revenue Account on April 1, 2015	1,14,000	Sundry Debtors for gas supplied	1,60,000
		Other Debtors	2,000
		Cash	20,000
		Cost of Water Pumping	1,40,000
		Cost of distribution	20,000
		Rent, Rates and Taxes	24,000
		Management Expenses	1,16,000
		Depreciation	80,000
		Interest on Debentures	48,000

From the above Trial Balance, Prepare Capital Account, General Balance Sheet, Revenue Account and Net Revenue Account.

Or

Where and how are the following items shown in the annual accounts of a Banking Company:

1. Deposits Discount
2. Commission, Exchange and Brokerage
3. Proposed Dividends
4. Branch Adjustments
5. Unexpired Discount

Q. 2 Krishna Udyog Ltd. makes its accounts to 31st March each year. The company was unable to take stock by physical inventory till 14th April, 2016 on which date the stock at cost was valued at 1,85,000. It was therefore, necessary to estimate the value of stock in hand on 31st March, 2016.

You ascertain the following facts regarding the period from 1st April to 14th April 2016 :

- (a) Purchases totaled Rs. 48,000 and included : (i) Rs. 5,000 in respect of goods received in March, 2016; (ii) Rs. 6,000 in respect of goods received on 19th April, 2016, and (iii) Rs. 2,000 in respect of goods received but returned to suppliers on 7th April, 2016 for which no credit note has been received or passed through the books.
- (b) Sales totaled Rs. 60,000 and included : (i) Rs. 1,500 in respect of goods which left the warehouse on 28th March, 2016; (ii) Rs. 2,800 in respect of goods which were not dispatched until 16th April, 2016; and (iii) Rs. 750 in respect of goods invoiced and dispatched on 10th April, 2016 but returned by the customers on 12th April, 2016 for which no credit note had been passed but which were in fact included in the stock taken on 14th April, 2016.

Or

Q. 3 The Balance Sheet of a partnership firm was as follows :

Balance Sheet at at 31st March, 2016

Capital Accounts :		Goodwill	20,000
A 1,00,000		Plant	1,40,000
B 60,000		Furniture	6,000
C 40,000	2,00,000	Stock	90,000
Current Account		Book Debts	56,000
A 16,000		Prepaid Expenses	2,000
B 14,000		Cash at Bank	38,000
C 20,000	50,000		
Sundry Creditors	1,02,000		
	3,52,000		3,52,000

It was proposed to form a company to acquire the business of this partnership firm. For this purpose, the assets were revalued as follows : Plant Rs. 1,20,000; Furniture Rs. 8,000; Stock Rs. 84,000; Book Debts Rs. 50,000; and prepaid expenses nil. The profit of the firm (before charging anything in respect of the partners) for the past five years had been as follows : Rs. 50,000; Rs. 58,000; Rs. 66,000; Rs. 70,000, and Rs. 66,000. Included in these profits were non-recurring incomes averaging Rs. 3,000 but from the nature of the business, recurring incomes were found to arise every year and promoters agreed that a figure of Rs. 2,400 should be allowed as income from this source. Ignore Income-Tax. It is policy of the company to charge depreciation on plant @15% p.a. and on Furniture @5% p.a. Calculate the Value of goodwill to consider the following facts :

- (i) The normal rate of return on average capital employed may be taken as 8%.
- (ii) Five year's purchase of the adjusted super profit on annuity basis was the agreed price of goodwill.
- (iii) The present value of one rupee paid @ 8% for five years may be taken as Rs. 3.99.

Or

What do you understand by valuation of shares? Discuss with illustrations the different methods of valuation of shares.

Q. 4 What are different methods of alteration of share capital, as provided under Companies Act, 2013? Discuss the legal and accounting procedure for each of them.

Or

A Ltd. and B Ltd. decide to amalgamate. A new company C Ltd. is formed with an authorized Capital of Rs. 5,00,000 divided into 25,000 equity shares of Rs. 20 each to take over the two companies w.e.f. 1 April, 2015. The balances of the two companies were as follows:

Balance Sheet

Particulars	X Ltd.	Y Ltd.
I, EQUITY AND LIABILITIES		
(1) Shareholders' Fund		
(a) Share Capital		
Authorised, Issued and Subscribed Capital:		
Equity Shares of Rs. 10 each fully paid-up	2,00,000	1,40,000
(b) Reserve & Surplus		
Reserve Fund	58,000	35,000
Profit & Loss Account	22,000	15,000
(2) Current Liabilities		
Creditors	19,000	9,500
Creditors for Expenses	1,000	500
Total	3,00,000	1,60,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
(i) Tangible Assets:		
Land and Building		
Plant and Machinery	1,00,000	50,000
(ii) Intangible Assets:	60,000	39,000
Goodwill		
Patents	38,000	12,000
(2) Current Assets	17,000	
Inventories		
Debtors	26,000	18,000
Cash at bank	42,000	35,000
Total	3,00,000	1,60,000

The Purchases Consideration for the respective companies is:

A Ltd. – allotment of 15,000 fully paid Equity Shares of Rs. 20 each.

B Ltd. – allotment of 8,000 fully paid Equity Shares of Rs. 20 each

- Show the workings for goodwill/capital reserve
- Pass opening entries in the books of C Ltd.
- Prepare Opening Balance Sheet of C Ltd. as at 1 April, 2015.

Q. 5 What is a subsidiary company? Explain the provision laid down in Section 128 to 137 of the Companies Act, 2013 regarding the information about subsidiary companies to be given by holding companies.

Or

X Ltd. Acquired 30,000 equity shares of Y Ltd. On 1st October, 2015 at Rs. 4,00,000. On 31st March, 2016 the balance Sheet of the two companies appeared as follows:

	X Ltd. Figures Rs.	Y Ltd Figures Rs.
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital		
Authorised : Equity Shares of Rs. 100 each	20,00,000	10,00,000
Issued and Subscribed		
Equity Shares of Rs. 100 each	12,00,000	5,00,000
6% Preference Shares of Rs. 10 each	---	1,00,000
(b) Reserves & Surplus		
General Reserve	3,00,000	1,00,000
Statement of Profit & Loss	2,00,000	1,20,000
(2) Share Application Money Pending Allotment		
(3) Non-Current Liabilities		
(4) Current Liabilities :		
Trade Payables :	3,30,000	80,000
Total	20,30,000	20,30,000
II ASSETS		
(1) Non – Current Assets		
(a) Fixed Assets		
(i) Tangible Assets :		
Land & Building	5,00,000	2,50,000
Plant & Machinery	4,50,000	2,25,000
(ii) Intangible Assets		
(b) Non-Current Investment		
Investment	4,00,000	
(b) Other Non-Current Assets		
Preliminary Expenses		40,000
(2) Current Assets		
Stock	3,00,000	1,40,000
Trade Receivables :		
Debtors	2,30,000	1,10,000
Cash and Cash Equivalent	1,50,000	1,85,000
Total	20,30,000	20,30,000

There was a credit balance of Rs. 30,000 in the Statement of Profit & Loss of Y Ltd. on April 1, 2015. As on the date of acquisition, S Ltd. found the land & buildings of Y Ltd. Overvalued by Rs. 20,0000 and the value of its plant and machinery at Rs. 3,00,000. These values had not been incorporated in the books of Y Ltd. The plant & Machinery of Y Ltd. has been depreciated at 10% per annum.

Prepare the Consolidated Balance Sheet.



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Q. 1 Describe Double Account System clearly and explain its objects.

Or

From the following particulars taken from the books of a bank, prepare schedule 8 of Investment :

	As on 31 st March, 2016	As on 31 st March, 2015
Investments in Government Securities	5,49,07,852	4,91,61,147
Other Approved Securities	2,06,20,092	2,09,48,298
Shares and Debentures	90,05,733	41,16,569
Subsidiaries	5,42,058	4,80,683
Other Investments :		
Indira Vikas Patra & U.T.I. Shares	41,300	16,00,512
Investments outside India in		
1. Government Securities	44,58,881	17,44,179
2. Subsidiaries and/or Joint Ventures abroad	2,78,680	2,78,680
3. Shares and Debentures	6,21,339	8,05,853

Q. 2 Q. 2 On 31st March, 2016 the books Bharat Insurance Co. Ltd. contained the following particulars in respect of fire insurance :

Reserve for unexpired risks on 31-03-2015	5,00,000
Additional Reserve on 31-03-2015	1,00,000
Claims paid	6,40,000
Estimated liability in respect of outstanding claims :	
On 31-03-2015	65,000
On 31-03-2016	90,000
Expenses of Management (including 30,000 legal expenses paid in connection with claims)	2,80,000
Re-insurance Premiums	75,000
Re-insurance Recoveries	20,000
Premiums	11,20,000
Interest and dividends	64,520
Income-tax on above	6,520
Profit on Sale of Investment	11,000
Commission	1,52,000

Prepare in the prescribed form the Fire Insurance Revenue Account for the year 2015-16 reserving 50% of the net premium for unexpired risks and keeping an additional reserve of Rs. 1,00,000. Assume the one-fourth of the premium and claims are applicable to business outside India and that the gross premiums written direct in India amounted to Rs. 10,25,000.

How, the Actuaries value the net liability of Life Insurance Company?

Or

What is Valuation of Business? Explain Different methods of Valuation of Brand.

Q. 3 Describe the concept of goodwill and explain the various methods of its evaluation.

Or

The following is the Balances of Z private Limited as at 31st March, 2016 :

	Rs.		Rs.
85,000 Equity Shares of Rs. 10 each	8,50,000	Sundry Assets	10,50,000
Current Liabilities	2,00,000		

Average net profit of the business is Rs. 3,00,000; Expected normal rate of return is 20% in case of such equity shares. It is observed that the sundry assets on revaluation are worth Rs. 1,00,000 more than their book value. Goodwill is to be valued at 3 years' purchase of super profit. Determine the fair value of equity share. Ignore additional depreciation on revaluation of fixed assets and consequential adjustment of tax. For the calculation of future maintainable profit.

What do you understand by valuation of shares? Discuss with illustration the different methods of valuation of shares.

Q. 4 The following are the balances of N Ltd. as on 31st March, 2015:

Particulars	Amount
I, EQUITY AND LIABILITIES	
(3) Shareholders' Fund	
(a) Share Capital	
Authorised, Issued and Subscribed Capital:	
2,000 Equity Shares of Rs. 100 each fully paid-up	20,00,000
(b) Reserve & Surplus	
Securities Premium	2,00,000
(4) Current Liabilities	
(a) Short-term borrowings:	
Bank Overdraft	2,92,000
(b) Trade Payables:	
Creditors	2,48,000
Total	27,40,000

II. ASSETS		
(1) Non-Current Assets		
(c) Fixed Assets		
(iii) Tangible Assets:		
Land and Building		6,48,000
Plant and Machinery		8,28,000
(iv) Intangible Assets:		
Goodwill		4,00,000
(d) Other Current Assets:		
Profit & Loss Account		2,00,000
(2) Current Assets		
(a) Inventories		3,68,000
(b) Trade Receivables:		
Debtors		2,96,000
Total		27,40,000

It was resolved to apply the sum available under the scheme as follows:

- (i) To write-off the Goodwill Account.
 - (ii) To write-off the debit balance of the Profit & Loss Account
 - (iii) To Reduce the book value of assets by the following amounts:
Land & Buildings Rs. 1,68,000; Plant & Machinery Rs. 2,68,000; Stock Rs. 1,34,300; and
 - (iv) To Provide a bad debts reserve of 10% of the book value of debtors.
- Show the Journal Entries required to give effect to the scheme and prepare the revised Balance Sheet after its implementation.

Or

Narrate the objects of amalgamation of companies. Also discuss the requirements of Accounting Standard 14 relating to amalgamation of companies.

Q. 5 What is a consolidated balance sheet? Why and how is it prepared?

Or

The balance sheet of Saboo Ltd. and Ramoo Ltd. as at 31st March, 2016 is as follows :

	Saboo Ltd. Figures Rs.	Ramoo Ltd Figurs Rs.
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital		
Authorised : Equity Shares of Rs. 100 each	10,00,000	6,00,000
Issued and Subscribed		
Equity Shares of Rs. 100 each	6,00,000	4,00,000
6% Preference Shares of Rs. 10 each	---	1,00,000
(b) Reserves & Surplus		
General Reserve	1,60,000	80,000

Statement of Profit & Loss	1,30,000	1,20,000
(2) Share Application Money Pending Allotment		
(3) Non-Current Liabilities		
(4) Current Liabilities :		
Trade Payables :		
Bills Payable	20,000	25,000
Creditors	2,30,000	2,85,000
Proposed Dividends	60,000	40,000
Total	12,00,000	12,00,000
II ASSETS		
(1) Non – Current Assets		
(a) Fixed Assets		
(i) Tangible Assets :		
Sundry Fixed Assets	3,50,000	2,50,000
(ii) Intangible Assets		
Goodwill		20,000
(b) Non-Current Investment		
Investment	3,60,000	90,000
(2) Current Assets		
Stock	2,20,000	3,60,000
Trade Receivables :		
Debtors	2,10,000	2,50,000
Bills Receivables	40,000	35,000
Cash and Cash Equivalent	20,000	45,000
Total	12,00,000	12,00,000

Saboo Ltd. purchased controlling interests in Ramoo Ltd. by acquiring its $\frac{3}{4}$ th of equity share capital at a premium of 20% on April 1, 2015. Prepare a consolidated balance sheet in the books of Saboo Ltd. as at 31st March, 2016. The following further information is to be taken into account :

- Profit and Loss Account of Ramoo Ltd. includes an amount of Rs. 20,000 brought forward from the year 2014-15.
- Creditors of Saboo Ltd. includes an amount of Rs. 12,000 for purchases from Ramoo Ltd., which are still unsold. Ramoo Ltd. sells goods at 20% above cost.
- Ramoo Ltd. remitted a cheque for Rs. 10,000 on 30th March, 2016 which was received by Saboo Ltd. in the month of April, 2016.
- Bills receivable worth Rs. 20,000, out of total bills receivables of Rs. 25,000 received from Ramoo Ltd. were discounted by Saboo Ltd. amounting to Rs. 15,000.
- The directors of Saboo Ltd. have proposed a dividend of 10% on equity share capital for the year 2015-16.

Prepare Consolidated Balance Sheet and show your workings in detail.