

2020

BUSINESS ADMINISTRATION — HONOURS

Fourteenth Paper

(Financial Management Group)

[Advanced Financial Accounting and Reporting]

Full Marks : 100

(Time : 2 hours)

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

(Marks : 50)

Answer *any two* questions.

25×2

1. Balance Sheet of Ram Ltd. and Shyam Ltd. is given as on 31st March, 2018:

Equity and Liabilities	Ram Ltd. ₹	Shyam Ltd. ₹
Equity Share capital of ₹ 10 each	1,00,000	50,000
Reserve and Surplus		
Profit and Loss Account	10,000	20,000
Investment Allowance Reserve		15,000
Non Current Liabilities		
10% Debentures	20,000	40,000
Current Liabilities		
Creditors	10,000	
	1,40,000	1,25,000
Assets	Ram Ltd. ₹	Shyam Ltd. ₹
Non Current Assets		
Property, Plant and Equipments	80,000	70,000
Current Assets		
Book Debts	30,000	40,000
Stock	20,000	10,000
Cash in Hand	10,000	5,000
	1,40,000	1,25,000

Ram Ltd. took over Shyam Ltd. for a consideration of 6 shares in Ram Ltd. for every 5 shares in Shyam Ltd. You are required to prepare post merger Balance Sheets assuming Investment allowance Reserve is to be continued, when accounting is according to the Purchase method.

Please Turn Over

2. (a) When an amalgamation is called 'amalgamation in the nature of Merger'?
- (b) Why do we create Capital Redemption Reserve Account at the time of redemption of Preference Share or buy back of Share out of free reserve?
3. Balance Sheet of H. Ltd. and S. Ltd. is given as on 31st March, 2019

Equity and Liabilities	H. Ltd. ₹	S. Ltd. ₹
Equity Share capital of ₹ 10 each	5,00,000	2,00,000
Reserve and Surplus		
Profit and Loss Account	1,50,000	50,000
General Reserve	2,00,000	60,000
Non Current Liabilities		
10% Debentures	20,000	40,000
Current Liabilities		
Creditors	1,00,000	60,000
Bills Payable	50,000	20,000
	10,20,000	4,30,000
Assets	H. Ltd. ₹	S. Ltd. ₹
Non Current Assets		
Property, Plant and Equipments	4,80,000	1,70,000
Investment	2,50,000	50,000
Current Assets		
Book Debts	1,00,000	80,000
Stock	80,000	50,000
Cash in Hand	60,000	80,000
Bills Receivables	50,000	
	10,20,000	4,30,000

Note: Liability for bills discounted of H. Ltd. is ₹ 20,000

Additional information:

- (i) H. Ltd. acquired 16,000 shares of ₹ 10 each in S. Ltd. on 01.04.2018 at a cost of ₹ 2,00,000. B/S of S. Ltd. on 01.04.2018 shows balance in general reserve ₹ 20,000 and P/L account ₹ 20,000
- (ii) Bills payable of S. Ltd. includes ₹ 10,000 due to H. Ltd. which has discounted bills worth ₹ 6,000
- (iii) Sundry Creditors of H. Ltd. include ₹ 20,000 due to S. Ltd. However, a cheque of ₹ 5,000 sent by H. Ltd. to S. Ltd. has not been received by S. Ltd.
- (iv) Closing stock of H. Ltd. includes stock worth ₹ 60,000 supplied by S. Ltd. which had invoiced at cost plus 20%.

Prepare a consolidated Balance Sheet as on 31st March, 2019.

4. The following figures have been extracted from the books of Srinidhi Ltd. as at 31.03.2018.

	₹
25,000 Equity shares of ₹ 10 each, ₹ 8 per share Paid up	2,00,000
Securities Premium	10,000
Capital Redemption Reserve	50,000
General Reserve	1,00,000
Profit and Loss Account	50,000

The directors recommended the following with a view to capitalizing Reserve:

- (i) Existing shares be made fully paid without taking money from shareholders and
- (ii) Each shareholder to receive one bonus share for every two shares held by him.

Pass necessary Journal Entries in the Books of the company.

5. The following figures have been extracted from the books of X. Ltd. as at 31.03.2018.

	₹
25,000 Equity shares of ₹ 10 each	2,50,000
Securities Premium	7,500
Capital Reserve	15,000
General Reserve	40,000
Profit and Loss Account	10,000

The company decided to buyback 25% of the Paid Up Equity share Capital at ₹ 11 per share. It also decided to issue 14% Debentures of ₹ 25,000 at par for the purpose of buyback.

You are required to Pass necessary Journal Entries in the Books of X. Ltd.

6. D. Ltd. granted 1,000 options on 1st April, 2016 at ₹ 50 each when market price was ₹ 150 each (The face value of each share was ₹ 10) the vesting period was 2 and 1/2 years and maximum exercise period was 1 year. 300 unvested options lapsed on 01.04.2018 and 600 options were exercised on 30th June, 2019 and 100 options lapsed at the end of the exercise period.

Pass necessary journal Entries in the Books of D. Ltd.

7. Balance Sheet of Hind Ltd. is given as on 31st March, 2019

Equity and Liabilities	Notes	Amount ₹
15,000, Equity Shares of ₹ 10 each fully Paid up		1,50,000
20,000, Equity Shares of ₹ 10 each ₹ 6 Paid up		1,20,000
9% Cumulative Preference Shares		60,000
Reserve and Surplus		
Profit and Loss Account		(1,30,000)
Non Current Liabilities		
10% Debentures		1,40,000
Current Liabilities		
Creditors		80,000
		4,20,000
Assets		Amount ₹
Non Current Assets		
Property, Plant and Equipments		2,20,000
Investment		40,000
Current Assets		
Book Debts		40,000
Stock		80,000
Cash in Hand		40,000
		4,20,000

Additional information :

- (i) Market value of Property, Plant and Equipment is ₹ 3,70,000 and that of stock is ₹ 1,00,000.
- (ii) Investment could fetch only ₹ 10,000.
- (iii) 50% books debts are doubtful.
- (iv) Preference dividend is in arrears for the last five years.

Find out the intrinsic value per share of Hind Ltd. by the Net Asset Method.

8. Balance Sheet of Revise Ltd. is given as on 31st March, 2019

Equity and Liabilities	Notes	Amount ₹
10,000, Equity Shares of ₹100 each fully Paid up		10,00,000
Reserve and Surplus		
Profit and Loss Account		(6,00,000)
Non Current Liabilities		
12% Debentures		2,00,000
Current Liabilities		
Creditors		24,000
Accrued Interest		24,000
Provision for Tax		72,000
		7,20,000
Assets		
Non Current Assets		
Property, Plant and Equipments		1,00,000
Current Assets		
Book Debts		2,70,000
Stock		3,20,000
Cash in Hand		30,000
		7,20,000

It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from appropriate authorities. Accordingly, it was decided that :

- (i) Each share be sub-divided into ten fully paid equity shares of ₹ 10 each.
- (ii) After sub-division, each shareholder shall surrender to the company 50 per cent of his holding for the purpose of re-issue to debenture holders and creditors as necessary.
- (iii) Out of shares surrendered, 10,000 shares of ₹ 10 each shall be converted into 12% preference shares of ₹ 10 each fully paid up.
- (iv) The claims of the debenture-holders shall be reduced by 75%. In consideration of the reduction, the debenture holders shall receive preference shares of ₹ 1,00,000 which are converted out of shares surrendered.
- (v) Creditors claim shall be reduced by 50%, the balance to be settled by the issue of equity shares of ₹ 10 each out of shares surrendered.
- (vi) Balance of Profit and Loss A/c to be written off.
- (vii) The shares surrendered and not-reissued shall be cancelled.

You are required to show the journal entries in the Books of the company.

Please Turn Over

9. A holds 100 shares of ₹ 10 each on which he has paid ₹ 1 share as application money.
B holds 200 shares of ₹ 10 each on which he has paid ₹ 1 on application and ₹ 2 on allotment.
C holds 300 shares of ₹ 10 each on which he has paid ₹ 1 on application, ₹ 2 on allotment and ₹ 3 for the first call.
They all failed to pay their arrears and the second call of ₹ 2 per share and the Directors of the company, therefore, forfeited their shares.
The shares of C were then re-issued at ₹ 7 per share fully paid up.
Give the necessary journal entries to record the above transactions.
10. Discuss the methods of Valuation of Goodwill.

Group : B

(Financial Management Group)

(Marks : 50)

Answer *any two* questions.

25×2

11. What is Financial Reporting? Discuss the objectives, procedures and usefulness of Financial Reporting.
12. Define as per AS – 3 (Revised) the following :
- (a) Cash and Cash Equivalents
 - (b) Cash flow from investing activities
 - (c) Cash flow from financing activities
 - (d) Cash flow from operating activities.
13. Briefly describe the requirements of AS-1 in regard to the disclosure of significant Accounting Policies.
14. Briefly describe the provisions of AS-2 in regard to the valuation of Inventory.
15. What do you mean by “reportable segments”? How do you identify reportable segments as per AS-17?
16. What does Accounting Conceptual Frame work mean? Explain the mechanism with suitable example.
17. What do you mean by Company Financial Statement? What are the factors in Company Financial Statement?
18. What is Financial Reporting? What are the objectives of Financial Reporting?
19. Who are the users of Financial Report? What are the challenges of corporate Financial Reporting?
20. (a) Explain briefly the process of setting Accounting Standards in India.
(b) Explain the provisions of the Companies Act which ensure compliance of Accounting Standards in India.
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